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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-36580

Green Bancorp, Inc.

(Exact name of registrant as specified in its charter)

TEXAS (State or other jurisdiction of incorporation or organization)	**42-1631980** (I.R.S. Employer Identification No.)

4000 Greenbriar
Houston, Texas 77098
(Address of principal executive offices, including zip code)

(713) 275 - 8220
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☒	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of August 9, 2016, there were 36,797,630 outstanding shares of the registrant's Common Stock, par value $0.01 per share.

GREEN BANCORP, INC. AND SUBSIDIARY
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Special Cautionary Notice Regarding Forward-Looking Statements

Statements and financial discussion and analysis contained in this quarterly report on Form 10-Q that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on various facts and derived utilizing numerous important assumptions and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. You should understand that the following important factors could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements:

- risks related to the concentration of our business within our geographic areas of operation in Texas, including risks associated with downturns in the energy, technology and real estate sectors within these areas;
- risks related to our energy reserve exposure and energy related service industry exposure of our total funded loans and the decline in oil prices;
- our ability to execute on our growth strategy, including through the identification of acquisition candidates that will be accretive to our financial condition and results of operation;
- risks related to the integration of any acquired businesses, including exposure to potential asset quality and credit quality risks and unknown or contingent liabilities, the time and costs associated with integrating systems, technology platforms, procedures and personnel, the need for additional capital to finance such transactions, and possible failures in realizing the anticipated benefits from acquisitions;
- our ability to comply with various governmental and regulatory requirements applicable to financial institutions;
- market conditions and economic trends nationally, regionally and in our target markets, particularly in Texas and the geographic areas in which we operate;
- our ability to attract and retain successful bankers that meet our expectations in terms of customer relationships and profitability;
- risks related to our strategic focus on lending to small to medium-sized businesses;
- risks associated with our commercial and industrial loan portfolio, including the risk for deterioration in value of the general business assets that generally secure such loans;
- potential changes in the prices, values and sales volumes of commercial and residential real estate securing our real estate loans;
- the sufficiency of the assumptions and estimates we make in establishing reserves for probable loan losses and other estimates;
- risks related to our concentration of loans to a limited number of borrowers and in a limited geographic area;
- our ability to maintain adequate liquidity and to raise necessary capital to fund our acquisition strategy, operations or to meet increased minimum regulatory capital levels;
- changes in market interest rates that affect the pricing of our loans and deposits and our net interest income;
- accounting estimates and risk management processes that rely on analytical and forecasting models;
- our ability to maintain an effective system of disclosure controls and procedures and internal controls over financial reporting;
- the effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- potential fluctuations in the market value and liquidity of the securities we hold for sale;
- loss of our executive officers or other key employees could impair our relationship with our customers and adversely affect our business;
- potential impairment on the goodwill we may record in connection with business acquisitions;
- risks associated with system failures or failures to prevent breaches of our network security;
- a failure in or breach of operational or security systems of the Company’s infrastructure, or those of its third-party vendors and other service providers, including as a result of cyber attacks;

- our ability to keep pace with technological change or difficulties when implementing new technologies;
- risks associated with data processing system failures and errors;
- risks associated with fraudulent and negligent acts by our customers, employees or vendors;
- the institution and outcome of litigation and other legal proceeding against us or to which we become subject;
- our new lines of business or new products and services may subject us to additional risks;
- legal and regulatory proceedings could adversely affect our business, financial condition, and results of operation;
- we are subject to claims and litigation pertaining to intellectual property from time to time;
- we could experience claims and litigation pertaining to fiduciary responsibility;
- the impact of recent and future legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators, such as the Dodd-Frank Act;
- governmental monetary and fiscal policies, including the policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve");
- the failure of the Company's enterprise risk management framework to identify or address risks adequately;
- our ability to comply with supervisory actions by federal banking agencies;
- many of our new activities and expansion plans require regulatory approvals, and failure to obtain them may restrict our growth;
- financial institutions, such as the Bank, face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations;
- substantial regulatory limitations on changes of control of bank holding companies;
- changes in the scope and cost of Federal Deposit Insurance Corporation (the "FDIC") insurance and other coverages;
- systemic risks associated with the soundness of other financial institutions;
- acts of terrorism, an outbreak of hostilities or other international or domestic calamities, weather or other acts of God and other matters beyond the Company's control; and
- other risks and uncertainties listed from time to time in the Company's reports and documents filed with the Securities and Exchange Commission (the "SEC").

Other factors not identified above, including those described in our Annual Report on Form 10-K for year ended December 31, 2015 under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and those described in the definitive joint proxy statement/prospectus on Form S-4 (Registration No. 333-205495) filed by the Company on August 10, 2014 may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. You should consider these factors in connection with considering any forward-looking statements that may be made by us. We undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless we are required to do so by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

GREEN BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)
(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$ 20,449	$ 15,915
Fed funds sold	82	1,304
Interest bearing deposits in financial institutions	179,419	107,687
Total cash and cash equivalents	199,950	124,906
Available-for-sale securities, at fair value	197,401	276,021
Held-to-maturity securities, at amortized cost (fair value of $39,909 and $41,996, respectively)	39,628	42,130
Investment in Patriot Bancshares Capital Trusts I and II	666	666
Federal Reserve Bank stock	10,936	7,207
Federal Home Loan Bank of Dallas stock	6,984	13,113
Total securities and other investments	255,615	339,137
Loans held for sale	6,253	384
Loans held for investment	3,189,436	3,130,669
Allowance for loan losses	(47,420)	(32,947)
Loans, net	3,148,269	3,098,106
Premises and equipment, net	26,706	27,736
Goodwill	85,291	85,291
Core deposit intangibles, net of accumulated amortization	10,758	11,562
Accrued interest receivable	7,685	7,768
Deferred tax asset, net	25,567	19,510
Real estate acquired by foreclosure	6,216	12,122
Bank owned life insurance	33,915	33,452
Other assets	27,475	26,567
TOTAL ASSETS	$ 3,827,447	$ 3,786,157
LIABILITIES AND SHAREHOLDERS’ EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 583,347	$ 643,354
Interest-bearing transaction and savings	1,208,960	1,104,630
Certificates and other time deposits	1,414,954	1,352,764
Total deposits	3,207,261	3,100,748
Securities sold under agreements to repurchase	3,227	3,073
Other borrowed funds	150,000	223,265
Subordinated debentures	13,397	13,187
Accrued interest payable	2,202	1,870
Other liabilities	16,419	14,612
Total liabilities	3,392,506	3,356,755
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS’ EQUITY:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock, $0.01 par value, 90,000,000 shares authorized; 36,797,630 and 36,788,464 shares issued at June 30, 2016 and December 31, 2015, respectively; 36,619,630 and 36,788,464 shares outstanding at June 30, 2016 and December 31, 2015, respectively	368	368
Capital surplus	379,209	378,518
Retained earnings	55,569	50,099
Accumulated other comprehensive income, net	1,048	417
Less treasury stock, at cost, 178,000 shares at June 30, 2016	(1,253)	-
Total shareholders’ equity	434,941	429,402
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,827,447	$ 3,786,157

See notes to interim condensed consolidated financial statements.

GREEN BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
INTEREST INCOME:				
Loans, including fees	$ 37,711	$ 22,252	$ 75,056	$ 43,911
Securities	988	838	2,069	1,716
Other investments	205	113	378	223
Federal funds sold	1	-	2	-
Deposits in financial institutions	157	53	281	108
Total interest income	39,062	23,256	77,786	45,958
INTEREST EXPENSE:				
Transaction and savings deposits	1,312	695	2,462	1,377
Certificates and other time deposits	3,702	1,607	6,465	3,081
Subordinated debentures	243	-	480	-
Other borrowed funds	264	31	610	61
Total interest expense	5,521	2,333	10,017	4,519
NET INTEREST INCOME	33,541	20,923	67,769	41,439
PROVISION FOR LOAN LOSSES	11,000	805	27,000	2,310
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	22,541	20,118	40,769	39,129
NONINTEREST INCOME:				
Customer service fees	1,447	917	2,851	1,780
Loan fees	719	671	1,418	1,042
Gain on sale of held-for-sale loans, net	-	157	41	232
Gain on sale of guaranteed portion of loans, net	858	960	1,996	1,605
Other	758	250	1,631	381
Total noninterest income	3,782	2,955	7,937	5,040
NONINTEREST EXPENSE:				
Salaries and employee benefits	11,461	8,878	23,440	17,635
Occupancy	2,035	1,562	4,065	3,022
Professional and regulatory fees	2,435	3,605	4,357	5,072
Data processing	945	583	1,915	1,227
Software license and maintenance	528	392	1,004	754
Marketing	301	152	599	300
Loan related	801	263	1,044	372
Real estate acquired by foreclosure, net	381	382	681	395
Other	1,788	761	3,057	1,557
Total noninterest expense	20,675	16,578	40,162	30,334
INCOME BEFORE INCOME TAXES	5,648	6,495	8,544	13,835
PROVISION FOR INCOME TAXES	2,017	2,357	3,074	5,048
NET INCOME	$ 3,631	$ 4,138	$ 5,470	$ 8,787
EARNINGS PER SHARE:				
Basic	$ 0.10	$ 0.16	$ 0.15	$ 0.34
Diluted	$ 0.10	$ 0.16	$ 0.15	$ 0.33

See notes to interim condensed consolidated financial statements.

GREEN BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	$ 3,631	$ 4,138	$ 5,470	$ 8,787
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:				
Change in unrealized gain (loss) on securities available-for-sale	55	(576)	971	170
Total other comprehensive income (loss) before tax	55	(576)	971	170
DEFERRED TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME (LOSS)	19	(202)	340	59
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	36	(374)	631	111
COMPREHENSIVE INCOME	$ 3,667	$ 3,764	$ 6,101	$ 8,898

See notes to interim condensed consolidated financial statements.

GREEN BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE — January 1, 2015	26,176	$ 262	$ 252,421	$ 34,660	$ 1,062	$ -	$ 288,405
Net income	-	-	-	8,787	-	-	8,787
Net change in unrealized gains and losses on available-for-sale securities, net of taxes of $261 and reclassification adjustment	-	-	-	-	111	-	111
Issuance of common stock in connection with exercise of stock options	94	1	887	-	-	-	888
Stock-based compensation expense	-	-	461	-	-	-	461
BALANCE — June 30, 2015	26,270	$ 263	$ 253,769	$ 43,447	$ 1,173	$ -	$ 298,652
BALANCE — January 1, 2016	36,788	$ 368	$ 378,518	$ 50,099	$ 417	$ -	$ 429,402
Net income	-	-	-	5,470	-	-	5,470
Net change in unrealized gains and losses on available-for-sale securities, net of taxes of $340 and reclassification adjustment	-	-	-	-	631	-	631
Purchase of treasury stock	-	-	-	-	-	(1,253)	(1,253)
Issuance of common stock in connection with exercise of stock options		-	71	-	-	-	71
Stock-based compensation expense	-	-	620	-	-	-	620
BALANCE — June 30, 2016	36,788	$ 368	$ 379,209	$ 55,569	$ 1,048	$ (1,253)	$ 434,941

See notes to interim condensed consolidated financial statements.

GREEN BANCORP, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,470	$ 8,787
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization and accretion of premiums and discounts on securities, net	427	544
Accretion of loan discounts, net	(4,579)	(1,310)
Amortization of deposit premiums	(1,532)	(407)
Amortization of core deposit intangibles	804	296
Accretion of borrowing valuation allowance	79	(12)
Provision for loan losses	27,000	2,310
Depreciation	1,251	820
Net loss (gain) on sale of real estate acquired by foreclosure	61	-
Net gain on sale of mortgage loans held-for-sale	(41)	(232)
Net gain on sale of guaranteed portion of loans	(1,996)	(1,605)
Originations of loans held-for-sale	(1,094)	(9,645)
Proceeds from sales of and principal collected on loans held-for-sale	1,519	9,163
Writedown of real estate acquired by foreclosure	-	375
Stock-based compensation expense	509	567
Deferred tax benefit	(6,397)	(59)
Increase in accrued interest receivable and other assets, net	(1,288)	(737)
Increase in accrued interest payable and other liabilities, net	2,250	(1,331)
Net cash provided by operating activities	22,443	7,524
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the maturities or calls and paydowns of available-for-sale securities	79,210	23,860
Purchases of available-for-sale securities	-	(48,036)
Proceeds from the maturities or calls and paydowns of held-to-maturity securities	4,419	4,986
Purchases of held-to-maturity securities	(1,963)	(1,788)
Proceeds from sales of guaranteed portion of loans	22,375	16,705
Proceeds from sales of real estate acquired by foreclosure	6,265	-
Purchases of Federal Home Loan Bank of Dallas stock, net of redemptions	6,129	554
Purchases of Federal Reserve Bank stock	(3,729)	(20)
Net increase in loans held for investment	(93,767)	(109,000)
Investment in construction of premises and purchases of other fixed assets	(221)	(393)
Net cash (used in) provided by investing activities	18,718	(113,132)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposit accounts	108,045	179,225
Net increase in securities sold under agreements to repurchase	154	5,253
Net proceeds of other short-term borrowed funds	(64,250)	20,000
Proceeds from other long-term borrowed funds	50,000	-
Repayment of other long-term borrowed funds	(58,884)	(265)
Proceeds from issuance of common stock due to exercise of stock options	71	888
Purchase of treasury stock	(1,253)	-
Net cash provided by financing activities	33,883	205,101
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 75,044	$ 99,493
CASH AND CASH EQUIVALENTS:		
Beginning of period	124,906	68,923
End of period	$ 199,950	$ 168,416
NONCASH ACTIVITIES:		
Noncash investing and financing activities - acquisition of real estate through foreclosure of collateral	$ 420	$ -
Transfer of loans to held-for-sale	$ 6,253	$ -
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 11,139	$ 4,443
Income taxes paid	$ 7,500	$ 5,100

See notes to interim condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The interim condensed consolidated financial statements include the accounts of Green Bancorp, Inc. (“Green Bancorp”), together with Green Bank, N.A., its subsidiary bank, (the “Company”). All intercompany transactions and balances have been eliminated.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial information. In the opinion of management, the interim statements reflect all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows of the Company on a consolidated basis and all such adjustments are of a normal recurring nature. These financial statements and the accompanying notes should be read in conjunction with the financial statements and the notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 or any other period.

Organization—Green Bancorp is a Texas corporation that was incorporated on October 20, 2004. In 2006 Green Bancorp entered into an agreement and plan of merger with Redstone Bank, National Association (“Redstone Bank”), a national banking association located in Houston, Texas, for the purpose of acquiring all of the issued and outstanding stock of Redstone Bank. The acquisition was completed on December 31, 2006, and Green Bancorp became a bank holding company registered under the Bank Holding Company Act of 1956, as amended.

Green Bank, N.A. (the “Bank”) is a national banking association, which was chartered under the laws of the United States of America as a national bank on February 17, 1999, as Redstone Bank. On September 14, 2007, the name was changed to Green Bank, N.A. The Bank provides commercial and consumer banking services in the greater Houston and Dallas metropolitan areas.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) 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 reported period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of available-for-sale securities, acquired assets and liabilities, goodwill, and fair value of financial instruments.

2. EARNINGS PER COMMON SHARE

Basic earnings per common share is computed as net income available to common shareholders divided by the weighted average number of common shares outstanding during the period.

Diluted earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock using the treasury stock method. Outstanding stock options issued by the Company represent the only dilutive effect reflected in diluted weighted average shares.

The following table illustrates the computation of basic and diluted earnings per share:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
	Amount	Per Share Amount	Amount	Per Share Amount	Amount	Per Share Amount	Amount	Per Share Amount
	(Amounts in thousands, except per share amounts)							
Net income	$ 3,631		$ 4,138		$ 5,470		$ 8,787	
Basic:								
Weighted average shares outstanding	36,613	$ 0.10	26,199	$ 0.16	36,660	$ 0.15	26,186	$ 0.34
Diluted:								
Add incremental shares for:								
Effect of dilutive securities - options	-		319		5		259	
Total	36,613	$ 0.10	26,518	$ 0.16	36,665	$ 0.15	26,445	$ 0.33

On April 30, 2015, the Company announced the Board of Directors approved a stock repurchase program under which it authorized the Company to repurchase, in the aggregate, up to $15.0 million of the Company's outstanding common stock. The repurchase program remains in place, but may be limited or terminated at any time without prior notice. Under the authorized stock repurchase agreement, the Company could repurchase shares in open-market purchases or through privately negotiated transactions as permitted under Rule 10b-18 promulgated under the Exchange Act. As of June 30, 2016, the Company had repurchased an aggregate of $1.3 million of the Company's outstanding common stock under this program at an average price of $7.04 per share. From April 1, 2016 through June 30, 2016, the Company made no repurchases under the program.

3. RECENT ACCOUNTING STANDARDS

Accounting Standards Updates ("ASU")

FASB ASU No. 2014-09 — *"Revenue from Contract with Customers (Topic 606)"* supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally ASU 2014-09 supersedes some cost guidance included in Revenue Recognition—Construction-Type and Production-Type Contracts (Subtopic 605-35). In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement. The core principal of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this ASU becomes effective for the Company beginning after January 1, 2018, with retrospective application to each prior reporting period presented. The Company is currently evaluating the requirements of ASU 2014-09, but it is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2014-12 — *"Compensation-Stock Compensation (Topic 718) – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period"* requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of the compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The adoption of this ASU was effective for the Company on January 1, 2016 and did not have a significant impact on the Company's financial statements.

FASB ASU No. 2015-01 — *"Income Statement - Extraordinary and Unusual Items (Subtopic 225-20) – Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items."* ASU 2015-01 eliminates from U.S. GAAP the concept of extraordinary items, which, among other things, required an entity to segregate extraordinary items considered to be unusual and infrequent from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. ASU 2015-01 was effective for the Company on January 1, 2016 and did not have a significant impact on the Company's financial statements.

FASB ASU No. 2015-02 — *"Consolidation (Topic 810) – Amendments to the Consolidation Analysis."* ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (1) Modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, (2) Eliminate the presumption that a general partner should consolidate a limited partnership, (3) Affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, (4) Provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2A-7 of the Investment Company Act of 1940 for registered money market funds. ASU 2015-02 was effective for the Company on January 1, 2016 and did not have a significant impact on the Company's financial statements.

FASB ASU No. 2015-03 — *"Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs."* ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for the Company beginning January 1, 2017. ASU 2015-03 is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2015-05 — *"Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement."* ASU 2015-05 provides a basis for evaluating whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, then the arrangement should be accounted for as a service contract. ASU 2015-05 was effective for the Company on January 1, 2016 and did not have a significant impact on the Company's financial statements.

FASB ASU No. 2015-07 — "*Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* On May 1, 2015, the FASB issued ASU 2015-07 to gain consistency within the categorization of the fair value hierarchy. The update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU was effective for the Company for interim and annual periods beginning after December 15, 2015 and should be applied retrospectively to all periods presented. ASU 2015-07 was effective for the Company on January 1, 2016 and did not have a significant impact on the Company's financial statements.

FASB ASU No. 2015-14 — *"Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date."* In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the previously issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* until the interim and annual reporting periods beginning after December 15, 2017. Earlier application is permitted for interim and annual reporting periods beginning after December 15, 2016. In May 2014, the FASB issued ASU 2014-09 that supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally ASU 2014-09 supersedes some cost guidance included in *Revenue Recognition—Construction-Type and Production-Type Contracts (Subtopic 605-35)*. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement. The core principal of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 becomes effective for the Company beginning after January 1, 2018, with retrospective application to each prior reporting period presented. The Company is currently evaluating the requirements of ASU 2014-09, but it is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2015-15 — "*Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting.*" In August 2015, the FASB issued ASU 2015-15 that adds SEC paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015, Emerging Issues Task Force meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. In April 2015, the FASB issued ASU No. 2015-03, "*Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,* which requires the presentation of debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 does not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-15 did not have a material impact on the Company's financial statements.

FASB ASU No. 2015-16 — "*Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.*" ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer must record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Additionally, the entity is required to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 was effective for the Company on January 1, 2016 and did not have a significant impact on the Company's financial statements.

FASB ASU No. 2015-17 — "*Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.*" In November 2015, the FASB issued ASU 2015-17, as part of its simplification initiative. The ASU requires entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs) as noncurrent in a classified balance sheet. It thus simplifies the current guidance, which requires entities to separately present DTAs and DTLs as current or noncurrent in a classified balance sheet. Netting of DTAs and DTLs by tax jurisdiction is still required under the new guidance. For public business entities, the ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the ASU is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for all entities. The adoption of the provisions of ASU 2015-17 upon issuance did not have a material impact on the Company's financial statements.

FASB ASU No. 2016-01 — "*Financial Instruments─Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*" ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 (i) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (iii) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (iv) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (v) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (vi) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (vii) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (viii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments in this update affect all entities that hold financial assets or owe financial liabilities. ASU 2016-01 is effective for the Company beginning January 1, 2018, and is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2016-02 — "*Leases (Topic 842).*" In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 to supersede nearly all existing lease guidance under GAAP. The guidance would requires a lessee to record a right-to-use asset and liability representing the obligation to make lease payments for long-term leases. ASU 2016-02 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and must be adopted using a modified retrospective approach. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

FASB ASU No. 2016-09 — *"Compensation - Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting."* ASU 2016-09 was issued as part of the FASB's simplification initiative and affects all entities that issue share-based payment awards to their employees. This ASU covers accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 will be effective for the Company as of January 1, 2017. The Company is currently evaluating the potential impact of ASU 2016-09 on the Company's financial statements.

FASB ASU 2016-12 — *"Revenue from Contracts with Customers (Topic 606)—Narrow-Scope Improvements and Practical Expedients."* ASU 2016-12 addresses narrow-scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. Additionally, the amendments in this update provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The amendments in this update affect the guidance in ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is effective January 1, 2018. The Company is currently evaluating the potential impact of ASU 2016-09 on the Company's financial statements, but it is not expected to have a significant impact on the Company's financial statements.

FASB ASU 2016-10 — *"Revenue from Contracts with Customers (Topic 606)—Identifying Performance Obligations and Licensing."* ASU 2016-10 clarifies two aspects of *"Revenue from Contracts with Customers (Topic 606)"* (i) identifying performance obligations and (ii) the licensing implementation guidance. This ASU adds guidance on how to identify the promised goods or services in the contract and how to evaluate whether promised goods and services are distinct. Additionally, this update includes guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time) and when to recognize revenue for a sales-based or use-based royalty promised in exchange for a license of intellectual property. The amendments in this update affect the guidance in *ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)*," which is effective January 1, 2018. The Company is currently evaluating the potential impact of ASU 2016-09 on the Company's financial statements, but it is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2016-13 —*"Financial Instruments - Credit Losses (Topic 326)"* ("ASU 2016-13") requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. ASU 2016-13 is effective for public companies for annual periods beginning after December 13, 2019, including interim periods within those fiscal years. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently evaluating the potential impact of ASU 2016-13 on the Company's financial statements.

4. ACQUISITIONS

Acquisitions are an integral part of the Company's growth strategy. All acquisitions were accounted for using the acquisition method of accounting. Accordingly, the assets and liabilities of the acquired entities were recorded at their fair values at the acquisition date. The excess of the purchase price over the estimated fair value of the net assets for tax-free acquisitions is recorded as goodwill, none of which is deductible for tax purposes. The excess of the purchase price over the estimated fair value of the net assets for taxable acquisitions was recorded as goodwill, and is deductible for tax purposes. The identified core deposit intangibles for each acquisition are being amortized using an accelerated basis over an estimated life of six to nineteen years. The results of operations for each acquisition have been included in the Company's consolidated financial results beginning on the respective acquisition date.

The measurement period for the Company to determine the fair values of acquired identifiable assets and assumed liabilities will end at the earlier of (1) twelve months from the date of the acquisition or (2) as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The Company is currently in the process of finalizing fair values for certain acquired assets and assumed liabilities and therefore the following estimates for the Patriot acquisition are preliminary.

Patriot Bancshares, Inc. - On October 1, 2015, the Company completed the merger of Patriot with and into the Company and the merger of Patriot's wholly-owned subsidiary, Patriot Bank, with and into the Bank. Patriot, headquartered in Houston, TX, operated six locations in Houston, two in Dallas and one in Fannin County, Texas. As of September 30, 2015, Patriot, on a consolidated basis, reported total assets of $1.4 billion, total loans of $1.1 billion, total deposits of $1.1 billion and total shareholders' equity of $125.2 million.

Under the terms of the merger agreement, we issued 10.4 million shares of the Company's common stock, with a total fair value of $123.7 million based on the closing price on October 1, 2015 of $11.85 per share, for all outstanding shares of Patriot common stock, including the converted Series D and Series F preferred stock. In addition, Patriot's $27.3 million Series B and Series C preferred stock were redeemed in connection with the closing. Consistent with the Company's strategy, the primary reasons for the Patriot acquisition were to enhance market share in Houston and Dallas, and improve profitability through cost savings and revenue synergies.

In connection with the merger, we recognized $55.2 million of goodwill, $8.3 million of core deposit intangibles, and $7.3 million in net deferred tax assets as of June 30, 2016. These loans and deferred tax asset balances do not include subsequent fair value adjustments that are still being finalized. None of the goodwill recognized is expected to be deductible for income tax purposes

5. CASH AND CASH EQUIVALENTS

The Bank, as a correspondent of the Federal Reserve Bank, is required to maintain average reserve balances. Interest-bearing deposits in financial institutions include restricted amounts of $59.0 million and $70.0 million at June 30, 2016 and December 31, 2015, respectively, as a result of this requirement.

6. SECURITIES

The amortized cost and fair value of securities as of the dates set forth were as follows:

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-sale:				
Obligations of the U.S. Treasury and other U.S. government agencies or sponsored enterprises	$ 29,997	$ 72	$ -	$ 30,069
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	114,716	1,544	(81)	116,179
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	47,050	151	(73)	47,128
Corporate debt securities	3,789	4	(14)	3,779
Obligations of municipal subdivisions	236	10	-	246
Total	$ 195,788	$ 1,781	$ (168)	$ 197,401
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 15,464	$ 323	$ (34)	$ 15,753
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	24,164	112	(120)	24,156
Total	$ 39,628	$ 435	$ (154)	$ 39,909

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-sale:				
Obligations of the U.S. Treasury and other U.S. government agencies or sponsored enterprises	$ 90,032	$ 3	$ (85)	$ 89,950
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	129,752	1,137	(184)	130,705
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	51,569	74	(314)	51,329
Corporate debt securities	3,790	4	(1)	3,793
Obligations of municipal subdivisions	236	8	-	244
Total	$ 275,379	$ 1,226	$ (584)	$ 276,021
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 15,002	$ 320	$ (143)	$ 15,179
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	27,128	54	(365)	26,817
Total	$ 42,130	$ 374	$ (508)	$ 41,996

Expected maturities of securities will differ from contractual maturities because the underlying borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The following table sets forth, as of the date indicated, contractual maturities of securities:

	June 30, 2016			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Due in one year or less	$ 24,016	$ 24,039	$ -	$ -
Due after one year through five years	9,770	9,809	-	-
Due after five years through ten years	236	246	-	-
	34,022	34,094	-	-
Mortgage-backed securities and collateralized mortgage obligations	161,766	163,307	39,628	39,909
Total	$ 195,788	$ 197,401	$ 39,628	$ 39,909

There were no sales of securities during the three or six months ended June 30, 2016 or 2015.

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio into two general segments and applying the appropriate OTTI model. Investment securities classified as available-for-sale or held-to-maturity are evaluated for OTTI under FASB ASC 320, *Investments—Debt and Equity Securities*.

In determining OTTI, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When OTTI occurs, the amount of the other-than-temporary impairment recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss.

As of June 30, 2016, the Company does not intend to sell any debt securities classified as held-to-maturity and management believes that the Company more likely than not will not be required to sell any debt securities that are in a loss position before their anticipated recovery, at which time the Company will receive full value for the securities. Furthermore, as of June 30, 2016, management does not have the intent to sell any of its securities classified as available-for-sale that are in a loss position and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of June 30, 2016, management believes any impairment in the Company's securities is temporary and no impairment loss has been realized in the Company's consolidated statements of income.

Declines in the fair value of individual securities below their cost that are other-than-temporary would result in writedowns, as a realized loss, to their fair value. In evaluating other-than-temporary impairment losses, management considers several factors including the severity and the duration that the fair value has been less than cost, the credit quality of the issuer, and whether it is more likely than not that the Company will be required to sell the security before a recovery in value. The Company has not realized any losses due to other-than-temporary impairment of securities as of June 30, 2016.

Securities with unrealized losses segregated by length of continuous unrealized loss position as of the dates set forth were as follows:

	June 30, 2016					
	Less than 12 Months			12 Months or More		
	Amortized Cost	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)					
Available-for-sale:						
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 16,054	$ (81)	$ 15,973	$ -	$ -	$ -
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	23,279	(73)	23,206	-	-	-
Corporate debt securities	2,006	(14)	1,992	-	-	
Total	$ 41,339	$ (168)	$ 41,171	$ -	$ -	$ -
Held-to-maturity:						
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 1,959	$ (6)	$ 1,953	$ 3,692	$ (28)	$ 3,664
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	-	-	-	8,436	(120)	8,316
Total	$ 1,959	$ (6)	$ 1,953	$ 12,128	$ (148)	$ 11,980

	December 31, 2015					
	Less than 12 Months			12 Months or More		
	Amortized Cost	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)					
Available-for-sale:						
Obligations of the U.S. Treasury and other U.S. government agencies or sponsored enterprises	$ 85,028	$ (85)	$ 84,943	$ -	$ -	$ -
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	48,830	(184)	48,646	-	-	-
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	33,299	(314)	32,985	-	-	-
Corporate debt securities	2,009	(1)	2,008	-	-	-
Total	$ 169,166	$ (584)	$ 168,582	$ -	$ -	$ -
Held-to-maturity:						
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 3,220	$ (48)	$ 3,172	$ 2,571	$ (95)	$ 2,476
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	9,945	(73)	9,872	12,871	(292)	12,579
Total	$ 13,165	$ (121)	$ 13,044	$ 15,442	$ (387)	$ 15,055

The average loss on securities in an unrealized loss position was 0.58% and 0.55% of the amortized cost basis at June 30, 2016 and December 31, 2015, respectively. There were six securities in an unrealized loss position of greater than 12 months at both June 30, 2016 and December 31, 2015.

The Company did not own securities of any one issuer (other than the U.S. government and its agencies or sponsored enterprises) for which the aggregate adjusted cost exceeds 10% of the consolidated shareholders' equity at June 30, 2016 or December 31, 2015.

Securities with an amortized cost of $13.6 million and $14.9 million and fair value of $13.7 million and $15.0 million were pledged and available to be sold under repurchase agreements at June 30, 2016 and December 31, 2015, respectively. Securities with an amortized cost of $87.7 million and $97.3 million and fair value of $88.0 million and $97.1 million were pledged to various Federal Reserve Districts related to deposits of bankruptcy trustees at June 30, 2016 and December 31, 2015, respectively. In addition, securities with an amortized cost of $3.1 million and $2.8 million and fair value of $3.2 million and $2.9 million were pledged as collateral for the Company's derivative instruments at June 30, 2016 and December 31, 2015, respectively.

7. LOANS

The loan portfolio classified by type and class as of the dates set forth were as follows:

	June 30, 2016		
	Originated	Acquired (Dollars in thousands)	Total
Commercial & industrial	$ 905,683	$ 222,858	$ 1,128,541
Real estate:			
Owner occupied commercial real estate	222,762	143,825	366,587
Commercial real estate	710,431	368,003	1,078,434
Construction, land & land development	240,098	94,827	334,925
Residential mortgage	128,168	142,169	270,337
Consumer and other	7,922	2,690	10,612
Total loans held for investment	$ 2,215,064	$ 974,372	$ 3,189,436
Total loans held for sale	$ 6,253	$ -	$ 6,253

	December 31, 2015		
	Originated	Acquired (Dollars in thousands)	Total
Commercial & industrial	$ 850,048	$ 356,404	$ 1,206,452
Real estate:			
Owner occupied commercial real estate	188,908	164,981	353,889
Commercial real estate	521,887	382,228	904,115
Construction, land & land development	242,611	116,202	358,813
Residential mortgage	120,260	173,223	293,483
Consumer and other	9,843	4,074	13,917
Total loans held for investment	$ 1,933,557	$ 1,197,112	$ 3,130,669
Total loans held for sale	$ 384	$ -	$ 384

The loan portfolio is comprised of three types, commercial and industrial loans, real estate loans and consumer and other loans. The real estate loans are further segregated into owner occupied commercial real estate, commercial real estate, which includes multi-family loans, construction, land and land development, which includes both commercial construction and loans for the construction of residential properties and residential mortgage, which includes first and second liens and home equity lines. Consumer and other loans includes various types of loans to consumers and overdrafts. Loans are further separated between loans originated by the Company and loans acquired.

Included in the loans held for investment balance was $17.0 million and $19.8 million of net deferred loan origination fees and unamortized premium and discount at June 30, 2016 and December 31, 2015, respectively. Also included in loans at June 30, 2016 and December 31, 2015 was $13.0 million and $13.4 million, respectively, in non-accretable discount on acquired credit impaired loans. Accrued interest receivable on loans was $7.2 million and $7.3 million at June 30, 2016 and December 31, 2015, respectively. Consumer and other loans include overdrafts of $69 thousand and $560 thousand as of June 30, 2016 and December 31, 2015, respectively.

The loan portfolio consists of various types of loans made to borrowers principally located in the Houston and Dallas metropolitan areas. Although the portfolio is diversified and generally secured by various types of collateral, a substantial portion of its debtors' ability to honor their obligations is dependent on local economic conditions. The risks created by this geographic concentration and our exposure to energy related borrowers have been considered by management in the determination of the adequacy of the allowance for loan losses.

Reserved-based energy loans outstanding represented approximately 3.2% and 4.2% of total funded loans as of June 30, 2016 and December 31, 2015, respectively. Energy related service industry loans represented approximately 4.3% and 5.2% of total funded loans as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016, and December 31, 2015, $46.2 million and $32.3 million of reserved-based energy loans and $9.3 million $291 thousand of energy related service industry loans were impaired, respectively. Management believes the allowance for loan losses is appropriate to cover estimated losses on loans at each balance sheet date.

Most of the Company's activities are with customers located within the Texas cities of Houston, Dallas, Honey Grove, Austin and their respective surrounding areas. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Houston and Dallas MSA's. The Company does not have any significant concentration to any one industry or customer. As of June 30, 2016 and December 31, 2015, there were no concentrations of loans related to any single industry in excess of 10% of total loans.

Loan maturities and rate sensitivity of the loans held for investment, as of the date indicated, were as follows:

	June 30, 2016			
	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years	Total
	(Dollars in thousands)			
Commercial & industrial	$ 432,407	$ 644,544	$ 51,590	$ 1,128,541
Real estate:				
Owner occupied commercial real estate	26,978	183,944	155,665	366,587
Commercial real estate	61,751	800,924	215,759	1,078,434
Construction, land & land development	108,289	149,176	77,460	334,925
Residential mortgage	18,884	68,852	182,601	270,337
Consumer and Other	6,804	2,893	915	10,612
Total loans held for investment	$ 655,113	$ 1,850,333	$ 683,990	$ 3,189,436
Fixed rate	$ 75,299	$ 490,934	$ 123,573	$ 689,806
Floating rate	579,814	1,359,399	560,417	2,499,630
Total loans held for investment	$ 655,113	$ 1,850,333	$ 683,990	$ 3,189,436

In the ordinary course of business, the Company has granted loans to certain directors, officers and their affiliates. In the opinion of management, all transactions entered into between the Bank and such related parties have been and are in the ordinary course of business, made on the same terms and conditions as similar transactions with unaffiliated persons.

An analysis of activity with respect to these related-party loans for the periods ended June 30, 2016 and December 31, 2015 was as follows:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Beginning balance	$ 9,741	$ -
Additions (at Acquisition)	-	10,003
Advances	482	-
Repayments	(3,428)	(262)
Ending Balance	$ 6,795	$ 9,741

Acquired Loans — The outstanding principal balance and recorded investment in the total acquired loans from all completed acquisitions, as of the dates set forth, was as follows:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Credit impaired acquired loans:		
Outstanding principal balance	$ 53,214	$ 60,554
Recorded investment	39,326	46,174
Discount, net	$ 13,888	$ 14,380
Other acquired loans:		
Outstanding principal balance	941,744	1,162,068
Deferred fees, net	(174)	(162)
Recorded investment	935,046	1,150,938
Discount, net	$ 6,524	$ 10,968
Total acquired loans:		
Outstanding principal balance	994,958	1,222,622
Deferred fees, net	(174)	(162)
Recorded investment	974,372	1,197,112
Discount, net	$ 20,412	$ 25,348

Changes in the accretable yield for credit impaired acquired loans for the periods indicated, were as follows:

	Six Months Ended June 30, 2016	2015
	(Dollars in thousands)	
Balance at beginning of period	$ 966	$ 685
Additions (at acquisition)	-	-
Reclassifications from (to) nonaccretable discount	-	480
Accretion	(38)	(63)
Balance at period end	$ 928	$ 1,102

Purchased credit impaired loans are evaluated on an ongoing basis after acquisition. Reclassifications from nonaccretable discount to accretable yield are recorded based on the current estimates of the timing and amount of expected future cash flows.

Nonaccrual and Past Due Loans — When management doubts a borrower's ability to meet payment obligations, which typically occurs when principal or interest payments are more than 90 days past due, the loans are placed on nonaccrual status.

The age analysis of loans, segregated by class, as of the dates set forth was as follows:

	June 30, 2016						
	Loans Past Due and Still Accruing						
	30 - 89 Days Past Due	90 Days or More Past Due	Total	Nonaccrual	Purchased Credit Impaired	Current	Total Loans
	(Dollars in thousands)						
Originated Loans							
Commercial & industrial	$ 6,382	$ 298	$ 6,680	$ 58,173	$ -	$ 840,830	$ 905,683
Real estate:							
Owner occupied commercial real estate	1,454	1,737	3,191	778	-	218,793	222,762
Commercial real estate	2,375	-	2,375	-	-	708,056	710,431
Construction, land & land development	1,176	846	2,022	-	-	238,076	240,098
Residential mortgage	1,887	-	1,887	581	-	125,700	128,168
Consumer and other	153	4	157	-	-	7,765	7,922
Total originated loans	$ 13,427	$ 2,885	$ 16,312	$ 59,532	$ -	$ 2,139,220	$ 2,215,064
Acquired Loans							
Commercial & industrial	$ 17,992	$ 9,978	$ 27,970	$ 2,327	$ 8,281	$ 184,280	$ 222,858
Real estate:							
Owner occupied commercial real estate	1,991	-	1,991	1,360	6,605	133,869	143,825
Commercial real estate	1,107	1,026	2,133	2,060	12,072	351,738	368,003
Construction, land & land development	177	358	535	-	8,345	85,947	94,827
Residential mortgage	251	73	324	2,200	4,023	135,622	142,169
Consumer and other	64	-	64	2	-	2,624	2,690
Total acquired loans	$ 21,582	$ 11,435	$ 33,017	$ 7,949	$ 39,326	$ 894,080	$ 974,372
Total loans held for investment	$ 35,009	$ 14,320	$ 49,329	$ 67,481	$ 39,326	$ 3,033,300	$ 3,189,436

	December 31, 2015						
	Loans Past Due and Still Accruing						
	30 - 89 Days Past Due	90 Days or More Past Due	Total	Nonaccrual	Purchased Credit Impaired	Current	Total Loans
	(Dollars in thousands)						
Originated Loans							
Commercial & industrial	$ 2,064	$ 25	$ 2,089	$ 34,205	$ -	$ 813,754	$ 850,048
Real estate:							
Owner occupied commercial real estate	9,158	-	9,158	829	-	178,921	188,908
Commercial real estate	1,108	-	1,108	-	-	520,779	521,887
Construction, land & land development	181	-	181	472	-	241,958	242,611
Residential mortgage	890	-	890	197	-	119,173	120,260
Consumer and other	593	20	613	-	-	9,230	9,843
Total originated loans	$ 13,994	$ 45	$ 14,039	$ 35,703	$ -	$ 1,883,815	$ 1,933,557
Acquired Loans							
Commercial & industrial	$ 10,908	$ -	$ 10,908	$ 420	$ 13,905	$ 331,171	$ 356,404
Real estate:							
Owner occupied commercial real estate	741	-	741	-	7,149	157,091	164,981
Commercial real estate		-	-	1,590	12,288	368,350	382,228
Construction, land & land development	111	-	111	-	8,681	107,410	116,202
Residential mortgage	4,065	6	4,071	1,292	4,151	163,709	173,223
Consumer and other	52	1	53	-	-	4,021	4,074
Total acquired loans	$ 15,877	$ 7	$ 15,884	$ 3,302	$ 46,174	$ 1,131,752	$ 1,197,112
Total loans held for investment	$ 29,871	$ 52	$ 29,923	$ 39,005	$ 46,174	$ 3,015,567	$ 3,130,669

Impaired Loans — The following is a summary of information related to impaired, nonaccrual and restructured loans and accruing loans past due 90 days or more as of the dates set forth:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Nonaccrual loans	$ 66,628	$ 37,541
Accruing loans past due 90 days or more	14,320	52
Restructured loans - nonaccrual	853	1,464
Restructured loans - accruing	5,469	5,988
Total nonperforming loans	$ 87,270	$ 45,045

Based on an analysis of impaired loans at June 30, 2016 and December 31, 2015, an allowance of $20.2 million and $14.8 million, respectively, was allocated to impaired loans. The average recorded investment in impaired loans for the six months ended June 30, 2016 and for the year ended December 31, 2015, was $57.1 million and $16.7 million, respectively. There was approximately $284 thousand and $260 thousand in interest recognized on impaired loans, for the three months ended June 30, 2016 and 2015, respectively. There was approximately $375 thousand and $296 thousand in interest recognized on impaired loans, for the six months ended June 30, 2016 and 2015, respectively. Interest recognized includes interest accrued on restructured loans that are performing based on their restructured terms and interest collected on paid nonaccrual loans.

Impaired loans of $67.5 million and $39.0 million at June 30, 2016 and December 31, 2015 respectively, have been categorized by management as nonaccrual loans. The increase was due primarily to energy-related migration to nonperforming loans and the down grade of loans acquired through the Patriot acquisition. Interest foregone on nonaccrual loans for the three months ended June 30, 2016 and 2015 was approximately $681 thousand and $66 thousand, respectively, and for the six months ended June 30, 2016 and 2015 was approximately $1.6 million and $230 thousand, respectively.

The following tables present, for the periods indicated, the average recorded investment in impaired loans and the approximate amount of interest recognized on impaired loans. Interest recognized includes interest accrued on restructured loans that have performed based on their restructured terms and interest collected on nonaccrual loans that were paid in full during the period.

	Three Months Ended			
	June 30, 2016		June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)			
Commercial & industrial	$ 53,587	$ 13	$ 3,739	$ 18
Owner occupied commercial real estate	1,343	-	1,426	-
Commercial real estate	7,152	80	534	-
Construction, land & land development	151	180	507	-
Residential mortgage	2,345	10	1,173	240
Consumer and other	84	1	152	2
Total	$ 64,662	$ 284	$ 7,531	$ 260

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(Dollars in thousands)			
Commercial & industrial	$ 46,258	$ 20	$ 2,480	$ 20
Owner occupied commercial real estate	1,293	-	1,230	-
Commercial real estate	7,029	162	1,510	16
Construction, land & land development	307	180	651	15
Residential mortgage	2,066	10	1,277	240
Consumer and other	111	3	183	5
Total	$ 57,064	$ 375	$ 7,331	$ 296

The following table presents additional information regarding impaired loans that were individually evaluated for impairment as of the dates indicated:

	June 30, 2016		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(Dollars in thousands)		
With no related allowance recorded:			
Commercial & industrial	$ 10,581	$ 10,628	$ -
Owner occupied commercial real estate	1,576	1,596	-
Commercial real estate	7,290	7,313	-
Construction, land & land development	-	-	-
Residential mortgage	2,133	2,120	-
Consumer and other	108	108	-
With an allowance recorded:			
Commercial & industrial	$ 50,050	$ 50,091	$ 19,386
Owner occupied commercial real estate	562	560	560
Residential mortgage	648	645	229
Consumer and other	2	2	2
Total:			
Commercial & industrial	$ 60,631	$ 60,719	$ 19,386
Real estate	12,209	12,234	789
Consumer and other	110	110	2
Total	$ 72,950	$ 73,063	$ 20,177

	December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(Dollars in thousands)		
With no related allowance recorded:			
Commercial & industrial	$ 2,612	$ 2,613	$ -
Owner occupied commercial real estate	829	834	-
Commercial real estate	6,946	6,963	-
Construction, land & land development	268	268	-
Residential mortgage	1,423	1,418	-
Consumer and other	174	174	-
With an allowance recorded:			
Commercial & industrial	$ 32,471	$ 32,510	$ 14,733
Construction, land & land development	204	204	92
Residential mortgage	66	67	15
Total:			
Commercial & Industrial	$ 35,083	$ 35,123	$ 14,733
Real Estate	9,736	9,754	107
Consumer and other	174	174	-
Total	$ 44,993	$ 45,051	$ 14,840

Credit Quality — Internally assigned risk grades for loans are defined as follows:

Grade 1 (Highest Quality — No Apparent Risk) — This category includes loans to borrowers of unquestioned credit standing which are secured by readily marketable collateral of undisputed value, with appropriate margin. It also includes loans to borrowing entities with: excellent capitalization, liquidity and earnings levels; quality management; positive financial trends; and favorable industry conditions.

Grade 2 (Good Quality — Minimal Risk) — This category includes loans to investment grade entities with: good liquidity and financial condition; nominal term debt; strong debt service capability; solid management; and quality financial information. These loans are usually secured with current assets, but may be unsecured. Alternative financing from other lenders is generally available to these borrowers.

Grade 3 (Satisfactory Quality — Acceptable Risk — Tier One) — This category includes loans to entities maintaining fair liquidity and acceptable financial conditions. The level of term debt is moderate, with adequate debt service capability. Earnings may be volatile, but borrowers in this category generally do not show a loss within the last three years. Primary debt service must be supported by identified secondary repayment sources or by guarantors with adequate and proven responsibility and capacity.

Grade 4 (Satisfactory Quality — Acceptable Risk — Tier Two) — This category includes loans to borrowers maintaining acceptable financial conditions; however, borrowers may exhibit certain characteristics of leverage or asset dependency that reflect a greater level of risk than Tier One credits. This category may also include borrowers exhibiting explainable interim losses within the previous three years and/or industry characteristics that warrant frequent monitoring.

Grade 5 (Monitored Loans) — This category includes loans with trends or characteristics which, if continued, could result in impaired repayment ability. The borrower may exhibit a low degree of liquidity and relatively high leverage, erratic earnings history (including the possibility of a reported loss in the past four years), significant term debt and a nominal cushion for debt service capacity. Loans in this category may also include financing to start-up borrowers backed by experienced management and significant capital investment or established companies in distressed industry conditions.

Grade 6 (Other Assets Especially Mentioned) — This category includes loans which have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or a weakening of the Company's credit position at some future date. Grade 6 loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Grade 7 (Substandard — Accruing) — This category includes loans which are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any, or loans with identified weaknesses but where there is sufficient collateral value and/or cash flow coverage. This category includes loans that: (1) may require a secondary source of repayment (liquidation of collateral or repayment by a guarantor); (2) lack current financial information or appraisals; and/or (3) have collateral deficiencies such that the Company would be in an unsecured position with an obligor not deserving unsecured credit. This category may also include borrowers with operating losses in recent periods.

Grade 8 (Substandard — Nonaccrual) — This category includes loans with the same basic characteristics as Grade 7 loans and also meet the Company's criteria for nonaccrual status, but do not warrant a Grade 9 or Grade 10 classification.

Grade 9 (Doubtful/Exposure) — This category includes loans with all the Grade 7 or 8 characteristics but with weaknesses that make collection (or liquidation) highly questionable and improbable.

Grade 10 (Loss) — This category includes loans which are considered uncollectible, or of such little value that they should no longer be carried as an asset of the Company.

The credit risk profile of loans aggregated by class and internally assigned risk grades as of the dates set forth were as follows:

	June 30, 2016						
	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Other Consumer	Total
	(Dollars in thousands)						
Grade 1	$ 4,727	$ -	$ 78	$ -	$ 264	$ 1,151	$ 6,220
Grade 2	4,071	-	-	-	-	-	4,071
Grade 3	165,612	17,307	16,149	2,235	57,349	119	258,771
Grade 4	689,637	305,536	967,112	300,773	199,445	9,133	2,471,636
Grade 5	75,981	4,052	16,616	14,102	4,144	106	115,001
Grade 6	41,572	14,257	39,597	7,462	1,673	60	104,621
Grade 7	78,160	16,693	24,750	2,008	657	41	122,309
Grade 8	44,341	2,137	2,060	-	2,782	2	51,322
Grade 9	16,159	-	-	-	-	-	16,159
	1,120,260	359,982	1,066,362	326,580	266,314	10,612	3,150,110
Purchased Credit Impaired	8,281	6,605	12,072	8,345	4,023	-	39,326
Total loans	$ 1,128,541	$ 366,587	$ 1,078,434	$ 334,925	$ 270,337	$ 10,612	$ 3,189,436

	December 31, 2015						
	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Other Consumer	Total
	(Dollars in thousands)						
Grade 1	$ 6,464	$ -	$ 84	$ -	$ 268	$ 926	$ 7,742
Grade 2	6,348	-	-	-	-	-	6,348
Grade 3	189,370	17,996	27,851	4,973	63,118	622	303,930
Grade 4	798,335	304,827	770,241	328,296	221,463	11,695	2,434,857
Grade 5	48,083	4,696	49,275	15,103	1,222	499	118,878
Grade 6	46,068	16,114	20,246	1,288	1,109	116	84,941
Grade 7	63,254	2,278	22,540	-	663	59	88,794
Grade 8	27,276	829	1,590	472	1,489	-	31,656
Grade 9	7,349	-	-	-	-	-	7,349
	1,192,547	346,740	891,827	350,132	289,332	13,917	3,084,495
Purchased Credit Impaired	13,905	7,149	12,288	8,681	4,151	-	46,174
Total loans	$ 1,206,452	$ 353,889	$ 904,115	$ 358,813	$ 293,483	$ 13,917	$ 3,130,669

Troubled Debt Restructurings — The restructuring of a loan is considered a troubled debt restructuring if both the borrower is experiencing financial difficulties and the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses.

Troubled debt restructurings identified during the periods indicated were as follows:

	Six Months Ended					
	June 30, 2016			June 30, 2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Recorded Investment as of June 30, 2016	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Recorded Investment as of June 30, 2015
	(Dollars in thousands)					
Commercial & industrial	-	$ -	$ -	3	$ 985	$ 877
Total	-	$ -	$ -	3	$ 985	$ 877

The modifications primarily related to extending the maturity date of the loans, which includes loans modified post-bankruptcy. The Company did not forgive any principal or interest on the restructured loans. There were no loans restructured during the six months ended June 30, 2016. For the six months ended June 30, 2015, the Company added $985 thousand in new troubled debt restructurings of which $877 thousand was still outstanding on June 30, 2015. The decrease in outstanding balance was primarily due to payments received. Troubled debt restructurings are individually evaluated for impairment.

8. ALLOWANCE FOR LOAN LOSSES

An analysis of activity in the allowance for loan losses for the periods indicated, and the balance of loans receivable by the method of impairment evaluation for those periods were as follows:

	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Consumer and Other	Total
				(Dollars in thousands)			
Allowance for loan losses:							
For the Three Months							
Balance - April 1, 2016	$ 24,731	$ 2,275	$ 7,224	$ 2,868	$ 2,238	$ 378	$ 39,714
Charge-offs	(3,336)	(177)	-	-	-	(37)	(3,550)
Recoveries	175	-	-	47	20	14	256
Provision	9,719	606	341	336	282	(284)	11,000
Balance - June 30, 2016	$ 31,289	$ 2,704	$ 7,565	$ 3,251	$ 2,540	$ 71	$ 47,420
For the Six Months							
Balance - January 1, 2016	$ 23,130	$ 1,679	$ 4,691	$ 2,345	$ 816	$ 286	$ 32,947
Charge-offs	(13,216)	(177)	-	-	(6)	(57)	(13,456)
Recoveries	757	-	-	73	77	22	929
Provision	20,618	1,202	2,874	833	1,653	(180)	27,000
Balance - June 30, 2016	$ 31,289	$ 2,704	$ 7,565	$ 3,251	$ 2,540	$ 71	$ 47,420
As of June 30, 2016							
Allowance for loan losses:							
Collectively evaluated for impairment	$ 11,756	$ 2,124	$ 7,540	$ 2,440	$ 1,938	$ 68	$ 25,866
Individually evaluated for impairment	19,324	562	-	-	233	3	20,122
Purchased credit impaired	209	18	25	811	369	-	1,432
Total allowance for loan losses	$ 31,289	$ 2,704	$ 7,565	$ 3,251	$ 2,540	$ 71	$ 47,420
Loans receivable:							
Collectively evaluated for impairment	$ 1,059,630	$ 357,844	$ 1,059,072	$ 326,580	$ 263,532	$ 10,502	$ 3,077,160
Individually evaluated for impairment	60,631	2,138	7,290	-	2,781	110	72,950
Purchased credit impaired	8,280	6,605	12,072	8,345	4,024	-	39,326
Total loans evaluated for impairment	$ 1,128,541	$ 366,587	$ 1,078,434	$ 334,925	$ 270,337	$ 10,612	$ 3,189,436

	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Consumer and Other	Total
				(Dollars in thousands)			
Allowance for loan losses:							
For the Year							
Balance - January 1, 2015	$ 8,145	$ 974	$ 2,942	$ 2,633	$ 645	$ 266	$ 15,605
Charge-offs	(2,647)	-	-	-	(63)	(146)	(2,856)
Recoveries	2,185	-	77	5	36	31	2,334
Provision	15,447	705	1,672	(293)	198	135	17,864
Balance - December 31, 2015	$ 23,130	$ 1,679	$ 4,691	$ 2,345	$ 816	$ 286	$ 32,947
As of December 31, 2015							
Allowance for loan losses:							
Collectively evaluated for impairment	$ 8,352	$ 1,677	$ 4,537	$ 2,245	$ 801	$ 286	$ 17,898
Individually evaluated for impairment	14,733	-	-	92	15	-	14,840
Purchased credit impaired	45	2	154	8	-	-	209
Total allowance for loan losses	$ 23,130	$ 1,679	$ 4,691	$ 2,345	$ 816	$ 286	$ 32,947
Loans receivable:							
Collectively evaluated for impairment	$ 1,157,464	$ 345,911	$ 884,881	$ 349,660	$ 287,843	$ 13,743	$ 3,039,502
Individually evaluated for impairment	35,083	829	6,946	472	1,489	174	44,993
Purchased credit impaired	13,905	7,149	12,288	8,681	4,151	-	46,174
Total loans evaluated for impairment	$ 1,206,452	$ 353,889	$ 904,115	$ 358,813	$ 293,483	$ 13,917	$ 3,130,669

	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Consumer and Other	Total
				(Dollars in thousands)			
Allowance for loan losses:							
For the Three Months							
Balance - April 1, 2015	$ 8,640	$ 1,308	$ 3,866	$ 2,469	$ 1,055	$ 204	$ 17,542
Charge-offs	(1,227)	-	-	-	-	(12)	(1,239)
Recoveries	1,163	-	-	-	6	15	1,184
Provision	(113)	133	425	366	(171)	165	805
Balance - June 30, 2015	$ 8,463	$ 1,441	$ 4,291	$ 2,835	$ 890	$ 372	$ 18,292
For the Six Months							
Balance - January 1, 2015	$ 8,145	$ 974	$ 2,942	$ 2,633	$ 645	$ 266	$ 15,605
Charge-offs	(1,304)	-	-	-	-	(117)	(1,421)
Recoveries	1,760	-	1	-	18	19	1,798
Provision	(138)	467	1,348	202	227	204	2,310
Balance - June 30, 2015	$ 8,463	$ 1,441	$ 4,291	$ 2,835	$ 890	$ 372	$ 18,292
As of June 30, 2015							
Allowance for loan losses:							
Collectively evaluated for impairment	$ 7,913	$ 1,438	$ 4,137	$ 2,723	$ 831	$ 370	$ 17,412
Individually evaluated for impairment	516	-	-	103	59	2	680
Purchased credit impaired	34	3	154	9	-	-	200
Total allowance for loan losses	$ 8,463	$ 1,441	$ 4,291	$ 2,835	$ 890	$ 372	$ 18,292
Loans receivable:							
Collectively evaluated for impairment	$ 790,545	$ 173,978	$ 378,808	$ 289,916	$ 230,483	$ 14,297	$ 1,878,027
Individually evaluated for impairment	3,636	1,429	532	502	545	151	6,795
Purchased credit impaired	1,302	1,046	4,523	51	2,998	-	9,920
Total loans evaluated for impairment	$ 795,483	$ 176,453	$ 383,863	$ 290,469	$ 234,026	$ 14,448	$ 1,894,742

9. PREMISES AND EQUIPMENT

Premises and equipment as of the dates indicated are summarized as follows:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Land	$ 7,660	$ 7,660
Buildings and improvements	23,930	23,834
Furniture, fixtures and equipment	10,316	10,190
	41,906	41,684
Less accumulated depreciation	(15,200)	(13,948)
Total	$ 26,706	$ 27,736

Depreciation of premises and equipment totaled $610 thousand and $394 thousand for the three months ended June 30, 2016 and 2015, respectively, and $1.3 million and $820 thousand for the six months ended June 30, 2016 and 2015, respectively.

10. GOODWILL AND CORE DEPOSIT INTANGIBLES

The Company reviews its goodwill for impairment annually, or more frequently, if indicators of impairment exist. At June 30, 2016 and December 31, 2015, management determined that goodwill, as reflected in the Company's financial statements, was not impaired. The most recent goodwill impairment test was as of December 31, 2015. Subsequent to year end, management has determined that no triggering events have occurred that would result in impairment.

Changes in the carrying amount of goodwill and core deposit intangibles for the periods set forth were as follows:

	Goodwill	Core Deposit Intangibles
	(Dollars in thousands)	
Balance - December 31, 2014	$ 30,129	$ 4,148
Add - acquisition of Patriot	55,162	8,261
Less - amortization	-	(847)
Balance - December 31, 2015	$ 85,291	$ 11,562
Less amortization	-	(804)
Balance - June 30, 2016	$ 85,291	$ 10,758

The Company initially records the total premium paid on acquisitions as goodwill. After finalizing the valuation, core deposit intangibles are identified and reclassified from goodwill to core deposit intangibles on the balance sheet. This reclassification has no effect on total assets, liabilities, shareholders' equity, net income or cash flows. The measurement period for the Company to determine the fair value of acquired identifiable assets and assumed liabilities will be at the end of the earlier of (1) twelve months from the date of acquisition or (2) as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the date of acquisition. The Company may record subsequent adjustments to goodwill for amounts undeterminable at acquisition date, such as deferred taxes and real estate valuations, and therefore the goodwill amounts reflected in the table above may change accordingly. As such, the Patriot acquisition completed during 2015 may be subject to adjustment.

Core deposit intangibles are amortized on an accelerated basis over their estimated lives, which the Company believes is approximately six to nineteen years. The estimated future amortization expense for the core deposit intangibles remaining as of the date indicated is as follows:

	June 30, 2016
	(Dollars in thousands)
2016	$ 783
2017	1,472
2018	1,196
2019	1,080
2020	992
Thereafter	5,235
Total	$ 10,758

11. DEPOSITS

Included in certificates and other time deposits are individual amounts of $100,000 or more including brokered certificates of deposit, if any. The remaining maturities of these deposits as of the dates indicated are as follows:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Three months or less	$ 171,716	$ 191,133
Over three through six months	89,887	163,633
Over six through twelve months	426,736	209,954
Over one through two years	201,449	243,614
Over two through three years	94,177	94,238
Over three through four years	82,689	45,055
Over four through five years	8,958	39,956
Over five years	-	-
Total	$ 1,075,612	$ 987,583

Interest expense for certificates of deposit and other time deposits of $100,000 or more was approximately $3.0 million and $1.4 million for the three months ended June 30, 2016 and 2015, respectively, and $5.8 million and $2.7 for the six months ended June 30, 2016 and 2015.

The Company had $129.8 million and $93.6 million in brokered time deposits, at June 30, 2016 and December 31, 2015, respectively.

There are no major concentrations of deposits with any one depositor.

12. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWED FUNDS

Other borrowed funds as of the dates indicated were as follows:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Federal Home Loan Bank advances	$ 150,000	$ 223,265
Repurchase agreements	3,227	3,073
Total	$ 153,227	$ 226,338

Federal Home Loan Bank Advances — The Company has an available borrowing arrangement with the Federal Home Loan Bank (the “FHLB”), which allows the Company to borrow on a collateralized basis. At June 30, 2016 and December 31, 2015, total unused borrowing capacity of $675.3 million and $355.1 million, respectively, was available under this arrangement. At June 30, 2016, $150.0 million was outstanding with an average interest rate of 0.49% and all of the Company’s FHLB advances will mature within two years. At December 31, 2015, $223.3 million was outstanding with an average interest rate of 0.46% and all of the Company’s FHLB advances will mature within eight years. These borrowings are collateralized by a blanket lien on certain loans. The total borrowing capacity increased due to loan portfolio growth. The Company utilizes these borrowings to meet liquidity needs and to fund certain fixed rate loans in its loan portfolio.

Federal Reserve Bank — The Company has an available borrower in custody arrangement with the Federal Reserve Bank of Dallas (the “Dallas Fed”), which allows the Company to borrow, on a collateralized basis. Certain commercial and consumer loans are pledged under this arrangement. The Company maintains this borrowing arrangement to meet liquidity needs pursuant to its contingency funding plan. At June 30, 2016 and December 31, 2015, $327.0 million and $243.9 million, respectively, were available under this arrangement and no borrowings were outstanding. The available capacity increased due to changes in collateral margins for Dallas Fed discount window lending.

Securities Sold Under Agreements to Repurchase — Securities sold under agreements to repurchase represent the purchase of interests in securities by banking customers. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. Repurchase agreements with banking customers are settled on the following business day. All securities sold under agreements to repurchase are collateralized by pledged securities. The securities underlying the repurchase agreements are held in safekeeping by the Bank's safekeeping agent.

Federal Funds Purchased — The Company has available federal funds lines of credit with its correspondent banks. As of June 30, 2016 and December 31, 2015, there were no federal funds purchased outstanding.

13. SUBORDINATED DEBENTURES

At June 30, 2016, the Company had outstanding $13.4 million in subordinated debentures net of $8.8 million purchase discount. On October 1, 2015, the Company acquired Patriot Bancshares, Inc., and assumed the obligations related to the subordinated debentures issued to Capital Trust I and Capital Trust II.

A summary of pertinent information related to the Company's two issues of subordinated debentures outstanding at June 30, 2016 is set forth in the table below:

Description	Issuance Date	Trust Preferred Securities Outstanding	Interest Rate[(1)]	Subordinated Debt Owed to Trusts	Maturity Date[(2)]
			(Dollars in thousands)		
Patriot Bancshares Capital Trust I	March 31, 2006	$ 5,000	3 month LIBOR +1.85%, not to exceed 11.90%	$ 5,155	April 7, 2036
Patriot Bancshares Capital Trust II	August 8, 2007	$ 16,500	3 month LIBOR +1.80%, not to exceed 11.90%	$ 17,011	September 15, 2037

(1) The 3-month LIBOR in effect as of June 30, 2016 was 0.6541%.
(2) All debentures are callable five years from issuance date.

Each of the trusts is a capital trust organized for the sole purpose of issuing trust securities and investing the proceeds in the Company's junior subordinated debentures. The trust preferred securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust. The common securities of each trust are 100% owned by the Company. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related subordinated debentures. The debentures, which are the only assets of each trust, are subordinate and junior in right of payment to all of the Company's present and future senior indebtedness. The Company has fully and unconditionally guaranteed each trust's obligations under the trust securities issued by such trust to the extent not paid or made by each trust, provided such trust has funds available for such obligations.

Under the provisions of each issue of the debentures, the Company has the right to defer payment of interest on the debentures at any time, or from time to time, for periods not exceeding five years. If interest payments on either issue of the debentures are deferred, the distributions on the applicable trust preferred securities and common securities will also be deferred.

14. INCOME TAXES

Income tax expense was $2.0 million and $2.4 million for the three months ended June 30, 2016 and 2015, respectively, and $3.1 million and $5.0 million for the six months ended June 30, 2016 and 2015, respectively. The Company's effective tax rate was 35.7% and 36.3% for the three months ended June 30, 2016 and 2015, respectively, and 36.0% and 36.5% for the six months ended June 30, 2016 and 2015, respectively.

15. EMPLOYEE BENEFITS

Equity Incentive Plan — The 2014 Omnibus Equity Incentive Plan (the "2014 Plan") was approved by the Company's Board of Directors and shareholders on July 28, 2014 and became effective immediately prior to the initial public offering on August 7, 2014. A total of 1,273,838 shares of common stock were reserved for issuance under the 2014 Plan, which permits the grant of incentive stock options, within the meaning of Section 422 of the IRS Code, to the Company's employees, and the grant of non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other forms of equity-based awards to the Company's employees, directors, consultants and independent contractors. The 2014 Plan is administered by the Compensation Committee of the Board of Directors, who may select which eligible participants receive awards, the types of awards to be granted, the purchase price, if any, to be paid for shares covered by the awards and the vesting, forfeiture, cancellation and other terms and conditions of the awards.

Stock Options. At June 30, 2016 and December 31, 2015 there were 319,500 and 173,500 time based options outstanding under the 2014 Plan, respectively. The Company has three additional stock options plans, all of which are frozen to further issuance.

The Green Bancorp, Inc. 2010 Stock Option Plan (the "2010 Option Plan"), which was approved by the Company's Board of Directors on June 30, 2010, permitted the grant of up to 2,239,906 options. The non-qualified stock options granted were in the form of time-based options and performance options and may have been granted to a director, officer or employee of the Company. Time-based options under the 2010 Option Plan vest over a period of four years and expire on the tenth anniversary of the date of the grant. Performance options under the 2010 Option Plan vest upon the occurrence of a liquidity event, with the vested amounts determined based on the achievement of specified performance and market metrics. The 2010 Option Plan was frozen to further issuance upon approval of the 2014 Omnibus Plan. At June 30, 2016 there were 380,902 time based options, 1,223,234 performance options and 379,529 super-performance options outstanding under the 2010 Option Plan. At December 31, 2015 there were 381,071 time based options, 1,223,234 performance options and 379,529 super-performance options outstanding under the 2010 Option Plan.

The Green Bancorp, Inc. 2006 Stock Option Plan (the "2006 Option Plan"), which was approved by the shareholders of the Company on June 21, 2006, permitted the grant of up to 450,000 options. The options granted may have been in the form of nonqualified stock options, which may have been granted to a director, officer or employee of the Company, or incentive stock options, which may have been granted only to officers of the Company. Awards under the 2006 Option Plan vest over a four-year period, which began on the first anniversary of the grant date, and must be exercised within 10 years from the grant date. The 2006 Option Plan was frozen to further issuance upon approval of the 2010 Option Plan. At June 30, 2016 and December 31, 2015, there were 202,500 and 292,757 options outstanding under the 2006 Option Plan, respectively.

In addition to the 2006 Option Plan, the Company's Board of Directors adopted the Redstone Bank 2004 Stock Option Plan (the "Redstone Option Plan") and froze the plan to further issuance, following the Company's acquisition of Redstone Bank. At the time of adoption, all options to acquire stock of Redstone Bank were converted to options to acquire stock of the Company and adjusted in terms of number and exercise price based on the terms of the merger agreement. All options issued under the Redstone Option Plan are fully vested as a result of the 2006 change of control event. At June 30, 2016 and December 31, 2015, there were 225,407 and 234,573 options outstanding under the Redstone Option Plan, respectively.

Restricted Stock Units. In connection with the initial public offering, 275,000 restricted stock units were granted under the 2014 Plan. At June 30, 2016 and December 31, 2015, there were 288,500 and 292,500 restricted stock units outstanding under the 2014 Plan, respectively. Total restricted stock units compensation expense was $190 and $206 thousand for the three months ended June 30, 2016 and 2015, respectively, and $402 and $412 thousand for the six months ended June 30, 2016 and 2015, respectively.

Stock Appreciation Rights Plan — On May 18, 2007, the Company's Board of Directors adopted the Green Bancorp Stock Appreciation Rights Plan (the "SAR Plan"). The SAR Plan provided for the issuance of up to 200,000 units to plan participants at an exercise price of no less than the fair market value of the common stock of the Company at the time of grant. Units are redeemable by SAR Plan participants under certain circumstances whereby the participant will be paid the excess, if any, of the market value of the Company's common stock at the time of exercise over the exercise price. The SAR Plan provides for a 10-year maximum term for units issued, vesting and exercisability limitations and accelerated vesting and deemed exercise in the event of a change of control. The SAR Plan was frozen to further issuance upon approval of the 2014 Omnibus Plan. As of June 30, 2016 and December 31, 2015, there were 93,000 and 103,000 units outstanding under the SAR Plan, respectively.

For the three and six months ended June 30, 2016, a $90 thousand and $112 thousand reversal of stock based compensation expense to reflect the fair value of the SARs was recorded, respectively. For the three and six months ended June 30, 2015, a stock based compensation expense of $214 thousand and $106 thousand, respectively, were recorded to reflect the fair value of the SARs.

Benefit Plan — The Company sponsors a 401(k) plan (the "401k Plan"), which is a defined contribution plan available to substantially all employees. Participants in the 401k Plan may make salary deferral contributions up to the amount allowed by law. The Company makes safe harbor matching contributions to the 401k Plan equal to 100% of the participant's elective contribution for the plan year up to a maximum of 6% of the participant's salary. The Company contributions are fully vested at the date of contribution. The total of Company contributions for the three months ended June 30, 2016 and 2015, were $325 thousand and $241 thousand, respectively, and for the six months ended June 30, 2016 and 2015, were $651 thousand and $484 thousand, respectively.

16. OFF-BALANCE SHEET ARRANGEMENTS, COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of the date indicated (other than securities sold under agreements to repurchase). The Company's future cash payments associated with its contractual obligations pursuant to its certificates and other time deposits, FHLB advances, subordinated debentures and operating leases, as of the date indicated are as follows:

	June 30, 2016				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Certificates and other time deposits	$ 892,229	$ 393,581	$ 129,144	$ -	$ 1,414,954
Federal Home Loan Bank advances	728	150,443	-	-	151,171
Subordinated debentures	548	548	1,643	30,854	33,593
Operating leases	2,241	2,898	1,695	3,507	10,341
Total	$ 895,746	$ 547,470	$ 132,482	$ 34,361	$ 1,610,059

Payments for the FHLB advances includes interest of $1.2 million that will be paid in future years. Payments for subordinated debentures includes interest of $11.4 million that will be paid in future years. The future interest payments were calculated using the current rate in effect at June 30, 2016. Payments related to leases are based on actual payments specified in underlying contracts.

Leases — The Company's noncancelable future operating lease commitments as of the date indicated is as follows:

	June 30, 2016
	(Dollars in thousands)
2016	$ 1,216
2017	1,946
2018	1,419
2019	1,120
2020	799
Thereafter	3,841
Total	$ 10,341

The Company leases certain office facilities and equipment under operating leases. Rent expense under all noncancelable operating lease obligations, net of income from noncancelable subleases aggregated, was approximately $553 thousand and $343 thousand for the three months ended June 30, 2016 and 2015, respectively, and was $1.1 million and $735 thousand for the six months ended June 30, 2016 and 2015, respectively.

Litigation — The Company from time to time is involved in routine litigation arising from the normal course of business. Management does not believe that there are any pending or threatened proceedings against the Company which, upon resolution, would have a material effect on the consolidated financial statements.

Financial Instruments with Off-Balance Sheet Risk — In the normal course of business, the Company is a party to various financial instruments with off-balance sheet risk to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual or notional amount of these instruments. The Company uses the same credit policies in making these commitments and conditional obligations as it does for on-balance sheet instruments.

The following is a summary of the various financial instruments outstanding as of the date set forth:

	June 30, 2016				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Commitments to extend credit	$ 333,804	$ 215,156	$ 115,986	$ 67,545	$ 732,491
Standby and commercial letters of credit	16,384	2,344	63	800	19,591
Total	$ 350,188	$ 217,500	$ 116,049	$ 68,345	$ 752,082

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being fully drawn upon, the total commitment amounts disclosed above do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Company, upon extension of credit, is based on management's credit evaluation of the customer.

Standby and commercial letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event of nonperformance by the customer, the Company has rights to the underlying collateral, which can include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The credit risk to the Company in issuing letters of credit is essentially the same as that involved in extending loan facilities to its customers.

17. DERIVATIVE FINANCIAL INSTRUMENTS

In order to accommodate the borrowing needs of certain commercial customers, the Company entered into interest rate swap or cap agreements with those customers. In order to offset the exposure and manage interest rate risk, at the time an agreement was entered into with a customer, the Company entered into an interest rate swap or cap with a correspondent bank counterparty with offsetting terms. These derivative instruments are not designated as accounting hedges and changes in the net fair value are recognized in noninterest income or expense. Because we act as an intermediary for our customers, changes in the fair value of the underlying derivative contracts substantially offset each other and do not have a material impact on our results of operations. The fair value amounts are included in other assets and other liabilities.

The following is a summary of the interest rate swaps outstanding as of the dates set forth:

	June 30, 2016				
	Notional Amount	Fixed Rate	Floating Rate	Maturity	Fair Value
	(Dollars in thousands)				
Non-hedging derivative instruments:					
Customer interest rate swap:					
receive fixed/pay floating	$ 165,783	3.99% - 5.99%	LIBOR 1 month + 2.5% - 4.50%	Wtd. Avg. 3.4 years	$ 4,339
Correspondent interest rate swap:					
pay fixed/receive floating	$ 165,783	3.99% - 5.99%	LIBOR 1 month + 2.5% - 4.50%	Wtd. Avg. 3.4 years	$ (4,583)

	December 31, 2015				
	Notional Amount	Fixed Rate	Floating Rate	Maturity	Fair Value
	(Dollars in thousands)				
Non-hedging derivative instruments:					
Customer interest rate swap:					
receive fixed/pay floating	$ 115,459	3.99% - 5.99%	LIBOR 1 month + 2.5% - 4.50%	Wtd. Avg. 3.1 years	$ 1,528
Correspondent interest rate swap:					
pay fixed/receive floating	$ 115,459	3.99% - 5.99%	LIBOR 1 month + 2.5% - 4.50%	Wtd. Avg. 3.1 years	$ (1,612)

The estimated fair values of non-hedging derivative instruments are reflected within Company's consolidated balance sheet; customer interest rate swaps are included in other assets and correspondent interest rate swaps are included in other liabilities. The notional amounts and estimated fair values of the non-hedging derivative instruments by classification as the dates set forth were as follows:

	June 30, 2016		December 31, 2015	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars in thousands)			
Included in other assets:				
Commercial customer counterparty:				
Interest rate swap	$ 165,783	$ 4,339	$ 115,459	$ 1,528
Financial institution counterparty:				
Interest rate cap	16,727	2	16,929	25
Total included in other assets	$ 182,510	$ 4,341	$ 132,388	$ 1,553
Included in other liabilities:				
Financial institution counterparty:				
Interest rate swap	$ 165,783	$ (4,583)	$ 115,459	$ (1,612)
Commercial customer counterparty:				
Interest rate cap	16,727	(2)	16,929	(25)
Total included in other liabilities	$ 182,510	$ (4,585)	$ 132,388	$ (1,637)

The strike rate for the outstanding caps was 6.00% at both June 30, 2016 and December 31, 2015.

18. REGULATORY MATTERS

Capital Requirements — The Company is subject to various regulatory capital requirements administered by federal banking agencies. Any institution that fails to meet its minimum capital requirements is subject to actions by regulators that could have a direct material effect on its financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines based on the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amount and classification under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators.

In July 2013, the Federal Reserve published final rules for the adoption of the Basel III regulatory capital framework (the "Basel III Capital Rules"). The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations. The Basel III Capital Rules became effective for us on January 1, 2015 with certain transition provisions to be fully phased in on January 1, 2019.

Beginning on January 1, 2016, the capital conservation buffer was effective for the Company starting at the 0.625% level and increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress and effectively increases the minimum required risk-weighted capital ratios.

Financial institutions are categorized as “well capitalized” or “adequately capitalized”, based on minimum total risk-based, Tier 1 risk-based, CET1 and Tier 1 leverage ratios. As shown in the table below, the Company's capital ratios exceeded the regulatory definition of “adequately capitalized” as of June 30, 2016, and December 31, 2015. Based upon the information in its most recently filed call report, the Bank met the capital ratios necessary to be “well capitalized”. The regulatory authorities can apply changes in classification of assets and such changes may retroactively subject the Company to changes in capital ratios. Any such changes could result in reducing one or more capital ratios below “well-capitalized” status. In addition, a change may result in imposition of additional assessments by the FDIC or could result in regulatory actions that could have a material effect on condition and results of operations.

To meet the capital adequacy requirements, the Company and the Bank must maintain minimum capital amounts and ratios as defined in the regulations. Management believes, as of June 30, 2016 and December 31, 2015, that the Company and the Bank met all capital adequacy requirements to which they are subject.

The most recent notification from the regulatory banking agencies categorized Green Bank as “well capitalized” under the regulatory capital framework for prompt corrective action and there have been no events since that notification that management believes have changed the Bank's category.

The Company's consolidated capital ratios and the Bank's capital ratios as of the dates set forth are presented in the following table:

	June 30, 2016					
	Actual		For Capital Adequacy Purposes		To be Categorized as "Well Capitalized" under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
The Company[1]:						
Total capital (to risk weighted assets)	$ 399,806	11.1 %	$ 289,159	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	354,625	9.8	216,870	6.0	N/A	N/A
Common equity tier 1 capital	341,894	9.5	162,652	4.5	N/A	N/A
Tier I capital (to average assets)	354,625	9.6	148,407	4.0	N/A	N/A
The Bank[2]:						
Total capital (to risk weighted assets)	$ 393,791	10.9 %	$ 289,336	8.0 %	$ 361,670	10.0 %
Tier 1 capital (to risk weighted assets)	348,547	9.6	217,002	6.0	289,336	8.0
Common equity tier 1 capital	348,547	9.6	162,751	4.5	235,085	6.5
Tier I capital (to average assets)	348,547	9.4	148,306	4.0	185,383	5.0

	December 31, 2015					
	Actual		For Capital Adequacy Purposes		To be Categorized as "Well Capitalized" under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
The Company[1]:						
Total capital (to risk weighted assets)	$ 384,737	10.9 %	$ 282,733	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	351,482	10.0	212,050	6.0	N/A	N/A
Common equity tier 1 capital	338,961	9.6	159,037	4.5	N/A	N/A
Tier I capital (to average assets)	351,482	9.6	146,765	4.0	N/A	N/A
The Bank[2]:						
Total capital (to risk weighted assets)	$ 376,453	10.7 %	$ 282,725	8.0 %	$ 353,406	10.0 %
Tier 1 capital (to risk weighted assets)	343,199	9.7	212,044	6.0	282,725	8.0
Common equity tier 1 capital	343,199	9.7	159,033	4.5	229,714	6.5
Tier I capital (to average assets)	343,199	9.4	146,689	4.0	183,361	5.0

(1) The Federal Reserve may require the Company to maintain capital ratios above the required minimums.
(2) The FDIC or the Office of the Comptroller of the Currency (the "OCC") may require the Bank to maintain capital ratios above the required minimums.

Dividend Restrictions — Dividends paid by the Bank are subject to certain restrictions imposed by regulatory agencies. The Basel III Capital Rules further limit the amount of dividends that may be paid by our bank. No dividends were paid for the periods ended June 30, 2016 and December 31, 2015.

19. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 — Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 — Inputs other than those quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 2 assets and liabilities include available-for-sale securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Available-for-sale securities are valued using observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, prepayment speeds, credit information, and the bond's terms and conditions, among other things. Derivative valuations utilize certain Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. The significance of the impact of these credit valuation adjustments on the overall valuation of derivative positions are not significant to the overall valuation and result in all derivative valuations being classified in Level 2 of the fair value hierarchy.

Level 3 — Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. This category includes certain interest-only strip securities where independent pricing information was not able to be obtained for a significant portion of the underlying assets and loans held for sale.

The tables below presents the Company's assets and liabilities measured at fair value on a recurring basis as of the dates set forth aggregated by the level in the fair value hierarchy within which those measurements fall.

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Financial Assets:				
Available-for-sale securities	$ 20,050	$ 177,351	$ -	$ 197,401
Customer interest rate swaps	-	4,339	-	4,339
Correspondent interest rate caps	-	2	-	2
Financial Liabilities:				
Correspondent interest rate swaps	$ -	$ 4,583	$ -	$ 4,583
Customer interest rate caps	-	2	-	2

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Financial Assets:				
Available-for-sale securities	$ 74,974	$ 201,047	$ -	$ 276,021
Customer interest rate swaps	-	1,528	-	1,528
Correspondent interest rate caps	-	25	-	25
Financial Liabilities:				
Correspondent interest rate swaps	$ -	$ 1,612	$ -	$ 1,612
Customer interest rate caps	-	25	-	25

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Assets measured on a nonrecurring basis include impaired loans, real estate acquired by foreclosure and other repossessed assets.

A loan is defined as impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due, according to the contractual terms of the loan agreement. The allowance for loan losses related to impaired loans is determined based on the difference between the carrying value of the impaired loan and its fair value. The fair value of impaired loans is determined based on the fair value of the collateral if repayment is expected solely from the collateral. Fair value of the loan's collateral is determined by appraisals and third party estimates for real estate collateral and by appraisals or independent valuations for non-real estate collateral such as inventory, accounts receivable, equipment or other business assets. The fair value of real estate acquired by foreclosure is measured using appraisals and third party estimates. These values may be adjusted based on current information available to management, therefore the values are considered Level 3 inputs within the fair value hierarchy.

The following tables present the assets that were subject to fair value adjustments during the periods indicated, which were still on the balance sheet at the end of the reporting periods:

	June 30, 2016		
	Level 3	Total	Losses for the Six Months Ended June 30, 2016
	(Dollars in thousands)		
Assets Measured on a Nonrecurring Basis:			
Impaired loans	$ 54,123	$ 54,123	$ 14,999
Other real estate owned	-	-	-

	June 30, 2015		
	Level 3	Total	Losses for the Six Months Ended June 30, 2015
	(Dollars in thousands)		
Assets Measured on a Nonrecurring Basis:			
Impaired loans	$ 7,769	$ 7,769	$ 71
Other real estate owned	1,820	1,820	141

The following methods and assumptions were used to estimate the fair value of cash and of financial instruments for which it is practicable to estimate that value:

Cash and Short-Term Investments — The carrying amount of these short term investments is a reasonable estimate of fair value.

Securities — Securities are valued based on quoted prices in an active market when available. These securities are classified in Level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows or Level 2 of the valuation hierarchy.

Loans Held for Sale — The fair value of consumer residential mortgages held-for-sale is based on commitments from investors or prevailing market prices.

Loans Held for Investment — The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Real Estate Acquired by Foreclosure — Real estate acquired by foreclosure is adjusted to fair value less estimated costs to sell at the time of foreclosure. Subsequently, these assets are carried at the lower of carrying value or fair value less estimated costs to sell. Fair value is generally based upon market prices or appraised values of the property, and accordingly, the Company classifies real estate acquired by foreclosure as Level 3.

Deposit Liabilities — The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Other Borrowed Funds — The carrying amount of securities sold under agreements to repurchase is a reasonable estimate of fair value because these borrowings reprice at market rates generally daily. The fair value of long term FHLB advances is estimated using the rates currently offered for advances of similar remaining maturities.

Subordinated debentures—The fair value of the subordinated debentures was calculated using the quoted market prices, if available. If quoted market prices are not available, fair value is estimated using quoted market prices for similar subordinated debentures. Subordinated debentures fair value measurements utilize Level 2 inputs.

Off-Balance Sheet Financial Instruments — The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. These amounts were not significant at the reporting dates. The fair value of interest rate swaps is derived from pricing models based on past, present and projected future market conditions, quoted market prices of instruments with similar characteristics or discounted cash flows, classified in Level 2 of the fair value hierarchy.

The estimated fair values of the Company's financial instruments as of the dates indicated are as follows:

	June 30, 2016				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
	(Dollars in thousands)				
Financial Assets:					
Cash and short term investments	$ 199,950	$ 199,950	$ -	$ -	$ 199,950
Available-for-sale securities	197,401	20,050	177,351	-	197,401
Held-to-maturity securities	39,628	-	39,909	-	39,909
Other securities	17,920	17,920	-	-	17,920
Loans held for sale	6,253	6,253	-	-	6,253
Loans held for investment	3,189,436	-	-	3,207,449	3,207,449
Real estate acquired by foreclosure	6,216	-	-	6,216	6,216
Total	$ 3,656,804	$ 244,173	$ 217,260	$ 3,213,665	$ 3,675,098
Financial Liabilities:					
Deposits	$ 3,207,261	$ -	$ 3,215,865	$ -	$ 3,215,865
Securities sold under agreements to repurchase	3,227	-	3,227	-	3,227
Other borrowed funds	150,000	-	148,893	-	148,893
Subordinated debentures	13,397		13,397		13,397
Total	$ 3,373,885	$ -	$ 3,381,382	$ -	$ 3,381,382

	December 31, 2015				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
	(Dollars in thousands)				
Financial Assets:					
Cash and short term investments	$ 124,906	$ 124,906	$ -	$ -	$ 124,906
Available-for-sale securities	276,021	74,974	201,047	-	276,021
Held-to-maturity securities	42,130	-	41,996	-	41,996
Other securities	20,320	20,320	-	-	20,320
Loans held for sale	384	384	-	-	384
Loans held for investment	3,130,669	-	-	3,147,615	3,147,615
Real estate acquired by foreclosure	12,122	-	-	12,122	12,122
Total	$ 3,606,552	$ 220,584	$ 243,043	$ 3,159,737	$ 3,623,364
Financial Liabilities:					
Deposits	$ 3,100,748	$ -	$ 3,100,748	$ -	$ 3,100,748
Securities sold under agreements to repurchase	3,073	-	3,073	-	3,073
Other borrowed funds	223,265	-	221,104	-	221,104
Subordinated debentures	13,187	-	13,187	-	13,187
Total	$ 3,340,273	$ -	$ 3,338,112	$ -	$ 3,338,112

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Company's interim consolidated financial statements and the accompanying notes included elsewhere in this report and with the consolidated financial statements and accompanying notes and other detailed information appearing in the Company's Annual Report on Form 10-K for year ended December 31, 2015.

Except where the context otherwise requires or where otherwise indicated, in this Quarterly Report on Form 10-Q the terms "Company," "we," "us," "our," "our company" and "our business" refer to Green Bancorp, Inc. and our subsidiaries, including our banking subsidiary; Green Bank, N.A., a national banking association, and the term "Bank" refers to Green Bank, N.A. In this Quarterly Report on Form 10-Q, we refer to the Houston—Sugar Land—Baytown and Dallas—Fort Worth—Arlington metropolitan statistical areas as the Houston and Dallas MSAs.

Overview

We are a Texas focused bank holding company headquartered in Houston, Texas. Our wholly owned subsidiary, Green Bank, N.A., a nationally chartered commercial bank, provides commercial and private banking services primarily to Texas based customers through twenty-two full service branches in the Houston and Dallas MSAs and other markets. The Houston and Dallas MSAs are our target markets, and we believe their growing economies and attractive demographics, together with our scalable platform, provide us with opportunities for long-term and sustainable growth. Our emphasis is on continuing to expand our existing business by executing on our proven business model as well as pursuing select strategic acquisitions and attracting additional talented portfolio bankers.

We generate the majority of our revenues from interest income on loans, customer service and loan fees and income from investment in securities. The revenues are partially offset by interest expense paid on deposits and other borrowings and noninterest expenses such as administrative and occupancy expenses. Net interest income is the difference between interest income on earning assets such as loans and securities and interest expense on liabilities such as deposits and borrowings which are used to fund those assets. Net interest income is our largest source of revenue. To evaluate net interest income, we measure and monitor (1) yields on our loans and other interest-earning assets, (2) the costs of our deposits and other funding sources, (3) our net interest spread, (4) our net interest margin and (5) our provision for loan losses. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as net interest income divided by average interest-earning assets. Because noninterest-bearing sources of funds, such as noninterest-bearing deposits and shareholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing sources.

Total assets were $3.8 billion as of June 30, 2016 compared with $3.8 billion as of December 31, 2015, an increase of $41.3 million or 1.1%. Total deposits were $3.2 billion as of June 30, 2016 compared with $3.1 billion as of December 31, 2015, an increase of $106.5 million or 3.4%. Total loans held for investment were $3.2 billion at June 30, 2016, an increase of $58.8 million or 1.9% compared with $3.1 billion as of December 31, 2015. These increases are primarily due to execution of our organic growth strategy. At June 30, 2016 and December 31, 2015, we had $67.5 million and $39.0 million, respectively, in non-accrual loans and our allowance for loan losses was $47.4 million and $32.9 million, respectively. Shareholders' equity was $434.9 million and $429.4 million at June 30, 2016 and December 31, 2015, respectively.

Critical Accounting Policies

Our significant accounting policies are integral to understanding the results reported. Our accounting policies are described in detail in Note 1 to the consolidated financial statements included in the Company's Annual Report on the Form 10-K for the year ended December 31, 2015. We believe that of our significant accounting policies, the following may involve a higher degree of judgment and complexity:

Allowance for loan losses—The allowance for loan losses is maintained at a level that management estimates to be appropriate to absorb probable credit losses in the portfolio as of the balance sheet date. This estimate involves numerous assumptions and judgments. Management utilizes a calculation methodology that includes both quantitative and qualitative factors and applies judgment when establishing the factors utilized in the methodology and in assessing the overall adequacy of the calculated results.

The allowance for loan losses is a valuation allowance for losses incurred on loans. All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is probable. Recoveries are credited to the allowance at the time of recovery. Our allowance for loan losses consists of two components: a general component based upon probable but unidentified losses inherent in the portfolio and a specific component on individual loans that are considered impaired.

The general component of the allowance for loan losses related to probable but unidentified losses inherent in the portfolio is based on our actual historical loss experience and various qualitative factors. The qualitative factors include lending policies and procedures, loan volume and terms, experience, depth and ability of lending management, volume and severity of past due loans and monitored loans, quality of loan review system, concentrations, value of collateral underlying collateral dependent loans, economic conditions and other factors. Additional factors considered include the actual historical loss experience at the total portfolio level, a comparison of the allowance ratios to peer data, an analysis of the allowance by risk rating and other factors.

To arrive at the general component of the allowance, loans are first separated into originated and acquired groups and then further separated by loan type for each group. On a quarterly basis, the trends in various metrics related to each of the factors described above are reviewed to determine the appropriate level of change to be applied to each factor for the period. The factors described above are calculated for the applicable loan groups and for each loan type within the applicable group and then applied to the loan balance by type to calculate the general reserve. The actual loss factor is based on our loss migration analysis, which calculated the weighted average of actual losses by loan type and within each risk rating over the prior three years. A minimum actual loss factor equal to the average three year loss history for the total loan portfolio is included as a qualitative factor. The specific component of the allowance for loan losses is calculated based on a review of individual loans considered impaired. The analysis of impaired losses may be based on the present value of expected future cash flows discounted at the effective loan rate, an observable market price or the fair value of the underlying collateral on collateral dependent loans. In determining the collectability of certain loans, management also considers the fair value of any underlying collateral. The amount ultimately realized may differ from the carrying value of these assets because of economic, operating, or other conditions beyond our control.

The specific component of the allowance for loan losses is calculated based on a review of individual loans considered impaired. The analysis of impaired losses may be based on the present value of expected future cash flows discounted at the effective loan rate, an observable market price or the fair value of the underlying collateral on collateral dependent loans. In determining the collectability of certain loans, management also considers the fair value of any underlying collateral. The amount ultimately realized may differ from the carrying value of these assets because of economic, operating, or other conditions beyond our control.

Throughout the year, management estimates the probable level of losses to determine whether the allowance for loan losses is adequate to absorb inherent losses in the existing portfolio. Based on these estimates, an amount is charged to the provision for loan losses and credited to the allowance for loan losses in order to adjust the allowance to a level determined to be adequate to absorb inherent losses. If economic conditions or borrower behavior deviate substantially from the assumptions utilized in the allowance calculation, increases in the allowance may be required.

Estimates of loan losses involve an exercise of judgment. While it is reasonably possible that in the near term we may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the consolidated balance sheets is adequate to absorb probable losses that exist in the current loan portfolio.

Determining the amount of the allowance is considered a critical accounting estimate, as it requires significant judgment and the use of subjective measurements, including management's assessment of overall portfolio quality. We maintain the allowance at an amount that management believes is sufficient to provide for estimated losses inherent in our loan portfolio at each balance sheet date, and fluctuations in the provision for loan losses may result from management's assessment of the adequacy of the allowance. Changes in these estimates and assumptions are possible and may have a material impact on our allowance, and therefore our financial position, liquidity or results of operations.

Accounting for Acquired Loans and the Allowance for Acquired Loan Losses—Acquisitions are accounted for using the acquisition method of accounting. Accordingly, the assets, including loans, and liabilities of the acquired entity were recorded at their fair values at the acquisition date. No allowance for credit losses related to the acquired loans is recorded on the acquisition date, as the fair value of the acquired loans incorporates assumptions regarding credit risk. These fair value estimates associated with acquired loans, and based on a discounted cash flow model, include estimates related to market interest rates and undiscounted projections of future cash flows that incorporate expectations of prepayments and the amount and timing of principal, interest and other cash flows, as well as any shortfalls thereof. The excess of cash flows expected at acquisition over the estimated fair value is considered the accretable discount and is recognized in interest income over the remaining life of the loan using the interest method.

Acquired loans with evidence of credit deterioration and the probability that all contractually required payments will not be collected as of the date of acquisition are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 310-30. The difference between contractually required payments at acquisition and the cash flows expected to be collected is considered the non-accretable discount. The non-accretable discount represents the future credit losses expected to be incurred over the life of the loan. Subsequent increases in the expected cash flows will result in a recovery of any previously recorded allowance for loan losses and a reclassification from non-accretable discount to accretable discount.

At period-end after acquisition, the fair-valued acquired loans from each acquisition are reassessed to determine whether an addition to the allowance for credit losses is appropriate due to further credit quality deterioration. For further discussion of the methodology used in the determination of the allowance for credit losses for acquired loans, see "Financial Condition – Allowance for Loan Losses" section below.

Business combinations—The Company applies the acquisition method of accounting for business combinations in accordance with ASC 805, *Business Combinations*. Under the acquisition method, the acquiring entity in a business combination recognizes all of the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. The excess of the purchase price over the estimated fair value of the net assets, including identifiable intangible assets, for tax-free acquisitions is recorded as goodwill, none of which is deductible for tax purposes. The excess of the purchase price over the estimated fair value of the net assets, including identifiable intangible assets, for taxable acquisitions was also recorded as goodwill, and is deductible for tax purposes. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Acquisition-related costs are expensed as incurred. The results of operations for each acquisition have been included in the Company's consolidated financial results beginning on the respective acquisition date.

Determining the fair value of assets acquired and liabilities assumed is considered a critical accounting estimate because the allocation of the fair value to the assets acquired and liabilities assumed requires significant management judgment and the use of subjective measurements. Variability in the market and changes in assumptions or subjective measurements used to allocate fair value are reasonably possible and may have a material impact on our financial position, liquidity or results of operations.

Goodwill—Goodwill has an indefinite useful life and is subject to an annual impairment test and more frequently if a triggering event occurs indicating that it is more likely than not that the fair value of the Company, which is our only reporting unit, is below the carrying value of its equity. We completed our annual impairment analysis of goodwill as of December 31, 2015, and based on this analysis, we do not believe any of our goodwill is impaired as of such date because the fair value of our equity substantially exceeded our carrying value. The goodwill impairment test involves a two-step process. Under the first step, the estimation of fair value of the reporting unit is compared with its carrying value including goodwill. If step one indicates a potential impairment, the second step is performed to measure the amount of impairment, if any. Goodwill impairment exists when the implied fair value of goodwill is less than its carrying value. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. As part of our impairment analysis, we use a variety of methodologies in determining the fair value of the reporting unit, including cash flow analyses that are consistent with the assumptions management believes hypothetical marketplace participants would use.

Fair Value of Financial Instruments—The Company determines the fair market values of financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. Level 1 inputs include quoted market prices, where available. If such quoted market prices are not available, Level 2 inputs are used. These inputs are based upon internally developed models that primarily use observable market-based parameters. Level 3 inputs are unobservable inputs which are typically based on an entity's own assumptions, as there is little, if any, related market activity. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Emerging Growth Company—Pursuant to the Jumpstart Our Business Startups Act, an emerging growth company can elect to opt in to any new or revised accounting standards that may be issued by the FASB or the SEC otherwise applicable to non-emerging growth companies. We have elected to opt in to such standards, which election is irrevocable.

We will likely take advantage of some of the reduced regulatory and reporting requirements that are available to us so long as we qualify as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

Recent Acquisitions

On October 1, 2015, the Company completed the merger of Patriot with and into the Company and the merger of Patriot's wholly-owned subsidiary, Patriot Bank with and into the Bank. Patriot, headquartered in Houston, TX, operated six locations in Houston, two in Dallas and one in Fannin County, Texas. As of September 30, 2015, Patriot, on a consolidated basis, reported total assets of $1.4 billion, total loans of $1.1 billion, total deposits of $1.1 billion and total shareholders' equity of $125.2 million. Under the terms of the merger agreement, we issued 10.4 million shares of the Company's common stock for all outstanding shares of Patriot common stock, including the converted Series D and Series F preferred stock. In addition, Patriot's $27.3 million Series B and Series C preferred stock were redeemed in connection with the closing. Consistent with the Company's strategy, the primary reasons for the Patriot acquisition were to enhance market share in Houston and Dallas, and improve profitability through cost savings and revenue synergies.

In connection with the merger, we recognized $55.2 million of goodwill, $8.3 million of core deposit intangibles, and $7.3 million in net deferred tax assets as of June 30, 2016. These goodwill, core deposit intangible and deferred tax asset balances do not include subsequent fair value adjustments that are still being finalized.

See "Note 4 – Acquisitions" for further information.

Results of Operations

Three months ended June 30, 2016 compared with three months ended June 30, 2015. Net income available to common shareholders was $3.6 million for the three months ended June 30, 2016 compared with $4.1 million for the three months ended June 30, 2015, a decrease of $507 thousand or 12.3%. Earnings per common share on a diluted basis was $0.10 for the three months ended June 30, 2016 compared with $0.16 for the same period in 2015, a decrease of $0.06 or 37.5%. The decrease in net income was principally due to an increase in provision for loan losses primarily related to energy exposure. We experienced returns on average common equity of 3.35% and 5.60%, returns on average assets of 0.38% and 0.73% and efficiency ratios of 55.4% and 69.4% for the three months ended June 30, 2016 and 2015, respectively. The efficiency ratio is calculated as noninterest expense divided by the sum of net interest income and noninterest income. The decrease in the efficiency ratio was primarily due to increased net interest income.

Six months ended June 30, 2016 compared with six months ended June 30, 2015. For the six months ended months ended June 30, 2016 net income available to common shareholders was $5.5 million compared with $8.8 million for the same period in 2015, a decrease of $3.3 million or 37.7%. Earnings per common share on a diluted basis was $0.15 for the six months ended June 30, 2016 compared with $0.33 for the same period in 2015, a decrease of $0.18 or 54.5%. The decrease in net income principally due to an increase in provision for loan losses primarily related to energy exposure. We experienced returns on average common equity of 2.53% and 6.03%, returns on average assets of 0.29% and 0.79% and efficiency ratios of 53.0% and 65.3% for the six months ended June 30, 2016 and 2015, respectively.

Net Interest Income

Our operating results depend primarily on our net interest income, which is the difference between interest income on interest-earning assets, including loans and securities, and interest expense incurred on interest-bearing liabilities, including deposits and other borrowed funds. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities, combine to affect net interest income. Our net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as a "volume change." It is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds, referred to as a "rate change."

Three months ended June 30, 2016 compared with three months ended June 30, 2015. Net interest income before the provision for loan losses for the three months ended June 30, 2016 was $33.5 million compared with $20.9 million for the three months ended June 30, 2015, an increase of $12.6 million or 60.3%. The increase was primarily due to a $15.5 million increase in interest income on loans due to a 73.8% increase in average loan volume largely driven by the Patriot acquisition. Interest income was $39.1 million for the three months ended June 30, 2016, an increase of $15.8 million or 68.0% compared with the three months ended June 30, 2015. Interest income on loans was $37.7 million for the three months ended June 30, 2016, an increase of $15.5 million or 69.5% compared with the three months ended June 30, 2015 primarily due to the increase in average loans outstanding somewhat offset by the decrease in average loan yield. Interest income on securities was $988 thousand for the three months ended June 30, 2016, an increase of $150 thousand compared with the three months ended June 30, 2015 primarily due to a 22 basis point increase in the average yield on the securities portfolio. Average interest-bearing liabilities increased $1.3 billion for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 and average rate on interest-bearing liabilities increased from 0.63% to 0.80% for the same time period resulting in an overall increase in interest expense of $3.2 million. During the three months ended June 30, 2016, average noninterest-bearing deposits increased $101.3 million from $491.3 million during the three months ended June 30, 2015 to $592.6 million for the three months ended June 30, 2016. Total cost of funds, including noninterest-bearing deposits, increased 18 basis points to 0.66% for the three months ended June 30, 2016 compared to 0.48% for the same period in 2015.

Net interest margin, defined as net interest income divided by average interest-earning assets, for the three months ended June 30, 2016 was 3.74%, a decrease of 10 basis points compared with 3.84% for the same period in 2015.

Six months ended June 30, 2016 compared with six months ended June 30, 2015. Net interest income before the provision for loan losses for the six months ended June 30, 2016 was $67.8 million compared with $41.4 million for the six months ended June 30, 2015, an increase of $26.3 million or 63.5%. The increase was primarily due to a 74.4% increase in average loan volume largely driven by the Patriot acquisition. Interest income was $77.8 million for the six months ended June 30, 2016, an increase of $31.8 million or 69.3% compared with the six months ended June 30, 2015. Interest income on loans was $75.1 million for the six months ended June 30, 2016, an increase of $31.1 million or 70.9% compared with the six months ended June 30, 2015 due to the increase in average loans outstanding, partially offset by the decrease in the average yield on the loan portfolio. Interest income on securities was $2.1 million for the six months ended June 30, 2016, an increase of $353 thousand compared with the six months ended June 30, 2015 due primarily to a $39.9 million increase in the average balance. Average interest-bearing liabilities increased $1.3 billion for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 and average rate on interest-bearing liabilities increased from 0.62% to 0.74% for the same time period resulting in an overall increase in interest expense of $5.5 million. During the six months ended June 30, 2016, average noninterest-bearing deposits increased $141.5 million from $461.1 million during the same period in 2015 to $602.6 million for the six months ended June 30, 2016. Total cost of funds including noninterest-bearing deposits, increased 13 basis points to 0.60% for the six months ended June 30, 2016 compared to 0.47% for the same period in 2015.

Net interest margin, defined as net interest income divided by average interest-earning assets, for the six months ended June 30, 2016 was 3.81%, a decrease of 7 basis points compared with 3.88% for the same period in 2015.

The following tables present, for the periods indicated, the total dollar amount of average balances, interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. All average balances are daily average balances. Any nonaccruing loans have been included in the table as loans carrying a zero yield.

	For the Three Months Ended June 30,					
	2016			2015		
	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
	(Dollars in thousands)					
Assets						
Interest-Earning Assets:						
Loans	$ 3,188,438	$ 37,711	4.76 %	$ 1,834,975	$ 22,252	4.86 %
Securities	267,019	988	1.49	263,900	838	1.27
Other investments	24,542	205	3.36	9,940	113	4.56
Federal funds sold	1,166	1	0.34	1,006	-	-
Interest earning deposits in financial institutions	121,096	157	0.52	75,836	53	0.28
Total interest-earning assets	3,602,261	39,062	4.36 %	2,185,657	23,256	4.27 %
Allowance for loan losses	(42,020)			(18,387)		
Noninterest-earning assets	243,591			106,027		
Total assets	$ 3,803,832			$ 2,273,297		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing transaction and savings deposits	$ 1,151,728	$ 1,312	0.46 %	$ 775,043	$ 695	0.36 %
Certificates and other time deposits	1,424,437	3,702	1.05	662,109	1,607	0.97
Securities sold under agreements to repurchase	3,680	1	0.11	11,699	4	0.14
Other borrowed funds	165,776	263	0.64	29,230	27	0.37
Subordinated debentures	13,346	243	7.32	-	-	-
Total interest-bearing liabilities	2,758,967	5,521	0.80 %	1,478,081	2,333	0.63 %
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	592,649			491,305		
Other liabilities	16,757			7,652		
Total liabilities	3,368,373			1,977,038		
Shareholders' equity	435,459			296,259		
Total liabilities and shareholders' equity	$ 3,803,832			$ 2,273,297		
Net interest rate spread			3.56 %			3.63 %
Net interest income and margin[1]		$ 33,541	3.74 %		$ 20,923	3.84 %

[1] The net interest margin is equal to net interest income divided by average interest-earning assets.

	For the Six Months Ended June 30,					
	2016			2015		
	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Interest Paid	Average Yield/ Rate
	(Dollars in thousands)					
Assets						
Interest-Earning Assets:						
Loans	$ 3,156,574	$ 75,056	4.78 %	$ 1,809,827	$ 43,911	4.89 %
Securities	289,939	2,069	1.44	250,000	1,716	1.38
Other investments	23,520	378	3.23	10,186	223	4.41
Federal funds sold	1,836	2	0.22	824	-	-
Interest earning deposits in financial institutions	107,999	281	0.52	81,156	108	0.27
Total interest-earning assets	3,579,868	77,786	4.37 %	2,151,993	45,958	4.31 %
Allowance for loan losses	(37,549)			(17,093)		
Noninterest-earning assets	244,309			105,864		
Total assets	$ 3,786,628			$ 2,240,764		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing transaction and savings deposits	$ 1,109,364	$ 2,462	0.45 %	$ 781,495	$ 1,377	0.36 %
Certificates and other time deposits	1,383,500	6,465	0.94	650,768	3,081	0.95
Securities sold under agreements to repurchase	3,901	1	0.05	13,436	2	0.03
Other borrowed funds	223,307	609	0.55	32,368	59	0.37
Subordinated debentures	13,294	480	7.26	-	-	-
Total interest-bearing liabilities	2,733,366	10,017	0.74 %	1,478,067	4,519	0.62 %
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	602,594			461,091		
Other liabilities	16,706			7,627		
Total liabilities	3,352,666			1,946,785		
Shareholders' equity	433,962			293,979		
Total liabilities and shareholders' equity	$ 3,786,628			$ 2,240,764		
Net interest rate spread			3.63 %			3.69 %
Net interest income and margin(1)		$ 67,769	3.81 %		$ 41,439	3.88 %

(1) The net interest margin is equal to net interest income divided by average interest-earning assets.

The following table presents information regarding the dollar amount of changes in interest income and interest expense for the periods indicated for each major component of interest-earning assets and interest-bearing liabilities and distinguishes between the changes attributable to changes in volume and changes in interest rates. For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated to rate.

	For the Three Months Ended June 30, 2016 vs. 2015			For the Six Months Ended June 30, 2016 vs. 2015		
	Increase (Decrease) Due to Change in			Increase (Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in thousands)					
Interest-Earning assets:						
Loans, including fees	$ 16,368	$ (909)	$ 15,459	$ 32,766	$ (1,743)	$ 31,145
Securities	10	140	150	275	73	353
Other investments	166	(74)	92	293	(138)	155
Federal funds sold	-	1	1	-	2	2
Interest-earning deposits in financial institutions	32	72	104	36	137	173
Total increase (decrease) in interest income	16,576	(770)	15,806	33,370	(1,669)	31,828
Interest-bearing liabilities:						
Interest-bearing transaction and savings deposits	$ 337	$ 280	$ 617	$ 579	$ 502	$ 1,085
Certificates and other time deposits	1,845	250	2,095	3,479	(103)	3,384
Securities sold under agreements to repurchase	(3)	-	(3)	(1)	-	(1)
Other borrowings	126	110	236	349	201	550
Subordinated debentures	-	243	243	-	480	480
Total increase in interest expense	2,305	883	3,188	4,406	1,080	5,498
Increase (decrease) in net interest income	$ 14,271	$ (1,653)	$ 12,618	$ 28,964	$ (2,749)	$ 26,330

Provision for loan losses

Our provision for loan losses are charged to income in order to bring our total allowance for loan losses to a level deemed appropriate by management based on the factors discussed under "—Critical Accounting Policies—Allowance for loan losses." The allowance for loan losses at June 30, 2016 was $47.4 million, representing 1.49% of total loans as of such date.

Three months ended June 30, 2016 compared with three months ended June 30, 2015. We recorded $11.0 million in provision for loan losses for the three months ended June 30, 2016 compared with $805 thousand in provision for the same period in 2015. The second quarter 2016 provision reflects the addition of specific reserves primarily related to impairment in the energy portfolio and additional reserves on purchased credit impaired loans. Net charge-offs for the three months ended June 30, 2016 were 3.3 million compared with net charge offs of $55 thousand for the three months ended June 30, 2015. This increase reflected an increase in gross charge-offs from $1.2 million to $3.6 million for the three months ended June 30, 2016 and 2015, respectively, and a decrease in recoveries from $1.2 million to $256 thousand for the three months ended June 30, 2016 and 2015, respectively. For the three months ended Jun 30, 2016, the increase in charge-offs includes $3.2 million related to the energy portfolio.

Six months ended June 30, 2016 compared with six months ended June 30, 2015. The provision for loan losses for the six months ended June 30, 2016 million was $27.0 million compared with $2.3 million for the same period in 2015. The provision recorded for the six months ended June 30, 2016, reflects $15.0 million in specific reserves primarily related to impairment in the energy portfolio, additional reserves on purchased credit impaired loans and an increase in general reserves. The increase in general reserves was driven by an increase based on the Company's loss migration history and increase in qualitative factors related to classification loans, economic factors and loan growth. Net charge offs for the six months ended June 30, 2016 were $12.5 million compared with net recoveries of $377 thousand for the six months ended June 30, 2015. This increase reflected an increase in gross charge-offs from $1.4 million to $13.5 million for the six months ended June 30, 2016 and 2015, respectively, and a decrease in recoveries from

$1.8 million to $929 thousand for the six months ended June 30, 2016 and 2015, respectively. For the six months ended June 30, 2016, the increase in charge offs includes $13.0 million in charge-offs related to the energy portfolio.

Noninterest Income

Our primary sources of recurring noninterest income are customer service fees, loan fees, gains on the sale of loans and available for sale securities and other service fees. Noninterest income does not include loan origination fees which are recognized over the life of the related loan as an adjustment to yield.

For the three months ended June 30, 2016, noninterest income totaled $3.8 million, an increase of $827 thousand or 28.0% compared with the three months ended June 30, 2015. This increase was primarily due to a $530 thousand increase in customer service fees, a $233 thousand increase in swap income and a $179 thousand increase in bank owned life insurance income offset by a $157 thousand decrease in gain on sale of loans held for sale.

For the six months ended June 30, 2016, noninterest income totaled $7.9 million, an increase of $2.9 million or 57.5% compared with the six months ended June 30, 2015. This increase was primarily due to a $1.1 million increase in customer service fees, a $557 thousand increase in swap income, a $391 thousand increase in gain on sale of guaranteed portion of loans, a $376 thousand increase in loan fees and a $356 thousand increase in bank owned life insurance income, all principally due to the Patriot acquisition.

The following table presents, for the periods indicated, the major categories of noninterest income:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Customer service fees	$ 1,447	$ 917	$ 2,851	$ 1,780
Loan fees	719	671	1,418	1,042
Gain on sale of guaranteed portion of loans	858	960	1,996	1,605
Gain on sale of loans held-for-sale, net	-	157	41	232
Other	758	250	1,631	381
Total noninterest income	$ 3,782	$ 2,955	$ 7,937	$ 5,040

Noninterest Expense

For the three months ended June 30, 2016, noninterest expense totaled $20.7 million, an increase of $4.1 million or 24.7% compared with the three months ended June 30, 2015. The increase was primarily due to increases related to ongoing acquired Patriot operations and expenses related to the Managed Asset Reduction Strategy (“MARS”) initiative.

For the six months ended June 30, 2016, noninterest expense totaled $40.2 million, an increase of $9.8 million or 32.4% compared with the six months ended June 30, 2015. The increase was primarily due to increases related to ongoing acquired Patriot operations and MARS expenses.

The following table presents, for the periods indicated, the major categories of noninterest expense:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Salaries and employee benefits [(1)]	$ 11,461	$ 8,878	$ 23,440	$ 17,635
Non-staff expenses:				
Occupancy	2,035	1,562	4,065	3,022
Professional and regulatory fees	2,435	3,605	4,357	5,072
Data processing	945	583	1,915	1,227
Software license and maintenance	528	392	1,004	754
Marketing	301	152	599	300
Loan related	801	263	1,044	372
Real estate acquired by foreclosure, net	381	382	681	395
Other	1,788	761	3,057	1,557
Total noninterest expense	$ 20,675	$ 16,578	$ 40,162	$ 30,334

(1) Total salaries and employee benefits include stock based compensation expense of $203 thousand and $447 million for the three months ended June 30, 2016 and 2015, respectively, and $506 thousand and $567 thousand for the six months ended June 30, 2016 and 2015, respectively.

Efficiency Ratio. The efficiency ratio is a supplemental financial measure utilized in our internal evaluation of our performance. Efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income. An increase in the efficiency ratio indicates that more resources are being utilized to generate the same volume of income, while a decrease would indicate a more efficient allocation of resources. Our efficiency ratio was 55.4% for the three months ended June 30, 2016, compared with 69.4% for the three months ended June 30, 2015. The decrease was primarily due to increased net interest income and noninterest income, offset by an increase in noninterest expense primarily due to the Patriot acquisition. Our efficiency ratio was 53.0% and 65.3% for the six months ended June 30, 2016 and 2015, respectively.

Income Taxes

For the three months ended June 30, 2016, income tax expense was $2.0 million, a decreased of $340 thousand or 14.4%, compared with $2.4 million for the same period in 2015. The decrease was primarily attributable to lower pre-tax earnings for the three months ended June 30, 2016 compared with the same period in 2015. The effective income tax rate for the three months ended June 30, 2016 and 2015 was 35.7% and 36.3%, respectively.

For the six months ended June 30, 2016, income tax expense was $3.1 million, a decrease of $2.0 million or 39.1%, compared with $5.0 million for the same period in 2015. The decrease was primarily attributable to lower pre-tax net earnings for the six months ended June 30, 2016 compared with the same period in 2015. The effective income tax rate for the six months ended months ended June 30, 2016 and 2015 was 36.0% and 36.5%, respectively.

Financial Condition

Loan Portfolio

At June 30, 2016, total loans held for investment were $3.2 billion, an increase of $58.8 million or 1.9% compared with December 31, 2015. This increase was primarily due to continued opportunities for our portfolio bankers to generate new loans and expand existing relationships within our target markets.

Loans held for sale of $6.3 million included a group of energy loans to be sold in July 2016. A charge off of $2.4 million was recognized at the time of classification as held for sale.

The following table summarizes our loan portfolio by type of loan as of the dates indicated:

	June 30, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial & industrial	$ 1,128,541	35.4 %	$ 1,206,452	38.5 %
Real Estate:				
Owner occupied commercial real estate	366,587	11.5	353,889	11.3
Commercial real estate	1,078,434	33.8	904,115	28.9
Construction, land & land development	334,925	10.5	358,813	11.5
Residential mortgage	270,337	8.5	293,483	9.4
Consumer and Other	10,612	0.3	13,917	0.4
Total loans held for investment	$ 3,189,436	100.0 %	$ 3,130,669	100.0 %
Total loans held for sale	$ 6,253	100.0 %	$ 384	100.0 %

Managed Asset Reduction Strategy ("MARS")

We have initiated a strategy to divest our portfolio of energy loans and certain other classified assets on an accelerated basis. A team of eight workout professionals who report to our Corporate Chief Credit Officer have been assigned to focus solely on the resolution of the MARS portfolio. The MARS team will take a multifaceted approach to reducing the portfolio through the use of proven management and disposition techniques. During the second quarter of 2016, we resolved $36.6 million in energy related loans which included $6.3 million in energy loans that were classified as held-for-sale at June 30, 2016.

Reserved-based energy loans outstanding represented approximately 3.2% and 4.2% of total funded loans as of June 30, 2016 and December 31, 2015, respectively. Energy related service industry loans represented approximately 4.3% and 5.2% of total funded loans as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016 and December 31, 2015, $46.2 million and $32.3 million of reserved-based energy loans and $9.3 million and $291 thousand of energy related service industry loans were impaired, respectively.

Nonperforming Loans

Nonperforming loans include loans on nonaccrual status, accruing loans 90 or more days past due and restructured loans. Impaired loans do not include purchased loans that were identified upon acquisition as having experienced credit deterioration since origination ("purchased credit impaired loans" or "PCI loans"). We had $87.3 million in nonperforming loans at June 30, 2016, compared with $45.0 million at December 31, 2015. The ratio of nonperforming loans to total loans was 2.74% at June 30, 2016 compared with 1.44% at December 31, 2015.

We generally place a loan on nonaccrual status and cease accruing interest when a loan displays problems that may jeopardize full and timely collection of principal and/or interest, evidenced by one or more of the following: (i) full payment of principal and interest becomes questionable; (ii) the loan becomes 90 days past due as to principal or interest; (iii) the loan is graded as doubtful; (iv) the borrower files bankruptcy and does not reaffirm its indebtedness to us; or (v) foreclosure proceedings are initiated against collateral property. An exception to this is if the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan.

The following table presents information regarding nonperforming loans at the dates indicated:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Nonaccrual loans	$ 66,628	$ 37,541
Accruing loans 90 or more days past due	14,320	52
Restructured loans—nonaccrual	853	1,464
Restructured loans—accrual	5,469	5,988
Total nonperforming loans	$ 87,270	$ 45,045

Allowance for loan losses

Our allowance for loan losses is established through charges to income in the form of the provision in order to bring our allowance for loan losses to a level deemed appropriate by management based on the factors discussed under "—Critical Accounting Policies—Allowance for loan losses." The allowance for loan losses at June 30, 2016 was $47.4 million, representing 1.49% of total loans, compared with $32.9 million, or 1.05% of total loans, at December 31, 2015. Loans acquired were recorded at fair value based on a discounted cash flow valuation methodology.

The following table presents, as of and for the periods indicated, an analysis of the allowance for loan losses and other related data:

	As of and for the Six Months Ended June 30,	
	2016	2015
	(Dollars in thousands)	
Average loans outstanding [(1)]	$ 3,156,445	$ 1,808,472
Total loans outstanding at end of period [(1)]	3,189,436	1,894,742
Allowance for loan losses at beginning of period	32,947	15,605
Provision for loan losses	27,000	2,310
Charge-offs:		
Commercial and industrial	(13,216)	(1,304)
Owner occupied commercial real estate	(177)	-
Residential mortgage	(6)	-
Consumer and Other	(57)	(117)
Total charge-offs	(13,456)	(1,421)
Recoveries:		
Commercial and industrial	757	1,760
Commercial real estate	-	1
Construction, land & land development	73	-
Residential mortgage	77	18
Consumer and Other	22	19
Total recoveries	929	1,798
Net recoveries (charge-offs)	(12,527)	377
Allowance for loan losses at end of period	$ 47,420	$ 18,292
Ratio of allowance to end of period loans	1.49 %	0.97 %
Ratio of net recoveries (charge-offs) to average loans	(0.40)%	0.02 %

(1) Excluding loans held for sale

Please see "—Critical Accounting Policies—Allowance for loan losses" for additional discussion of our allowance policy.

In connection with our review of the loan portfolio, we consider risk elements attributable to particular loan types or categories in assessing the quality of individual loans. Some of the risk elements include:

- for commercial and industrial loans, the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral;

- for commercial mortgage loans and multifamily residential loans, the debt service coverage ratio (income from the property in excess of operating expenses compared to loan payment requirements), operating results of the owner in the case of owner occupied properties, the loan to value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type;

- for one-to-four family residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan-to-value ratio, and the age, condition and marketability of collateral; and

- for construction, land development and other land loans, the perceived feasibility of the project including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, experience and ability of the developer and loan-to-value ratio.

Acquired loans are recorded at fair value as of the date of acquisition. Determining the fair value of the acquired loans involves estimating the amount and timing of future expected cash flows and discounting those cash flows at a market rate of interest. Acquired loans with evidence of credit deterioration and the probability that all contractually required payments will not be collected as of the date of acquisition are accounted for in accordance with ASC 310-30, and the difference between contractually required payments at acquisition and the cash flows expected to be collected is considered the non-accretable discount. The non-accretable discount represents the future credit losses expected to be incurred over the life of the loan. No corresponding allowance for loan losses is recorded for these loans at acquisition.

We believe that the allowance for loan losses at June 30, 2016 was adequate to cover probable losses in the loan portfolio as of such date. There can be no assurance, however, that we will not sustain losses in future periods, which could be substantial in relation to the size of the allowance at June 30, 2016.

Securities

We use our securities portfolio to provide a source of liquidity, to provide an appropriate return on funds invested, to manage interest rate risk, to meet pledging requirements and to meet regulatory capital requirements. At June 30, 2016, the carrying amount of investment securities totaled $237.0 million, a decrease of $81.1 million or 25.5% compared with $318.2 million at December 31, 2015. At June 30, 2016, securities represented 6.2% of total assets compared with 8.4% at December 31, 2015.

The following table summarizes the amortized cost and fair value by classification of securities as of the dates shown:

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-sale:				
Obligations of the U.S. Treasury and other U.S. government agencies or sponsored enterprises	$ 29,997	$ 72	$ -	$ 30,069
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	114,716	1,544	(81)	116,179
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	47,050	151	(73)	47,128
Corporate debt securities	3,789	4	(14)	3,779
Obligations of municipal subdivisions	236	10	-	246
Total	$ 195,788	$ 1,781	$ (168)	$ 197,401
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 15,464	$ 323	$ (34)	$ 15,753
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	24,164	112	(120)	24,156
Total	$ 39,628	$ 435	$ (154)	$ 39,909

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Available-for-sale:				
Obligations of the U.S. Treasury and other U.S. government agencies or sponsored enterprises	$ 90,032	$ 3	$ (85)	$ 89,950
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	129,752	1,137	(184)	130,705
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	51,569	74	(314)	51,329
Corporate debt securities	3,790	4	(1)	3,793
Obligations of municipal subdivisions	236	8	-	244
Total	$ 275,379	$ 1,226	$ (584)	$ 276,021
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	$ 15,002	$ 320	$ (143)	$ 15,179
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	27,128	54	(365)	26,817
Total	$ 42,130	$ 374	$ (508)	$ 41,996

Certain investment securities are valued at less than their historical cost. Management evaluates securities for other than temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

In determining OTTI, management considers many factors, including the severity and the duration of time that the fair value has been less than cost, the credit quality of the issuer and whether it is more likely than not that we will be required to sell the security before a recovery in value. The assessment of whether an other than temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time. Securities within the available for sale portfolio may be used as part of our asset and liability management strategy and may be sold in response to changes in interest rate risk, prepayment risk or other factors.

Management does not intend to sell any debt securities classified as held to maturity and it is more likely than not that we will not be required to sell any such debt securities before their anticipated recovery of cost, if a loss currently exists, at which time we expect to receive full value for the securities. Furthermore, as of June 30, 2016, management does not have the intent to sell any of the securities classified as available for sale and believes that it is more likely than not that we will not be required to sell any such securities before a recovery of cost, if a loss currently exists. As of June 30, 2016, management believes any impairment in our securities is temporary and no impairment loss has been realized in our consolidated statement of income. We recorded no other than temporary impairment charges in the first six months of 2016 or the 2015 fiscal year.

Deposits

Total deposits at June 30, 2016 were $3.2 billion, an increase of $106.5 million or 3.4% compared to $3.1 billion at December 31, 2015, due primarily to increases in money market accounts and time deposits resulting from the Company's deposit attraction and retention initiatives. Noninterest bearing deposits at June 30, 2016 were $583.3 million compared with $643.4 million at December 31, 2015, a decrease of $60.0 million or 9.3%. Interest bearing deposits at June 30, 2016 were $2.6 billion an increase of $166.5 million or 6.8% compared with December 31, 2015.

The following table presents the daily average balances and weighted average rates paid on deposits for the periods indicated:

	Six Months Ended June 30,			
	2016		2015	
	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)			
Interest-bearing transaction deposits	$ 176,033	0.12 %	$ 134,455	0.06 %
Money market and savings deposits	933,331	0.54	647,040	0.20
Certificates and other time deposits	1,383,500	1.05	650,768	0.95
Total interest-bearing deposits	$ 2,492,864	0.81	$ 1,432,263	0.63
Noninterest-bearing deposits	602,594	-	461,091	-
Total deposits	$ 3,095,458	0.65 %	$ 1,893,354	0.47 %

Other Borrowed Funds

The following table presents our borrowings at the dates indicated. There were no borrowings outstanding under our arrangement with the Dallas Fed and there were no federal funds purchased outstanding at the dates indicated.

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Federal Home Loan Bank advances	$ 150,000	$ 223,265
Repurchase agreements	3,227	3,073
Total	$ 153,227	$ 226,338

FHLB advances—We have an available borrowing arrangement with the FHLB, which allows the Company to borrow on a collateralized basis. At June 30, 2016 and December 31, 2015, total unused borrowing capacity of $675.3 million and $355.1 million, respectively, was available under this arrangement. At June 30, 2016, $150.0 million was outstanding with an average interest rate of 0.49% and will mature within two years. At December 31, 2015, $223.3 million was outstanding with an average interest rate of 0.46% and all of the Company's FHLB advances will mature within eight years. These borrowings are collateralized by a blanket lien on certain loans. The increase in total borrowing capacity is due to loan portfolio growth. We utilize these borrowings to meet liquidity needs and to fund certain fixed rate loans in our portfolio.

Securities Sold Under Agreements to Repurchase—Securities sold under agreements to repurchase represent the purchase of interests in securities by banking customers. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. We do not account for any of our repurchase agreements as sales for accounting purposes in our financial statements. Repurchase agreements with banking customers are settled on the following business day. All securities sold under agreements to repurchase are collateralized by pledged securities. The securities underlying the repurchase agreements are held in safekeeping by the Bank's safekeeping agent.

Dallas Fed—We have an available borrower in custody arrangement with the Dallas Fed, which allows us to borrow on a collateralized basis. Certain commercial and consumer loans are pledged under this arrangement. We maintain this borrowing arrangement to meet liquidity needs pursuant to our contingency funding plan. At June 30, 2016 and December 31, 2015, $327.0 million and $243.9 million, respectively, were available under this arrangement and no borrowings were outstanding.

Federal Funds Purchased—We have available federal funds lines of credit with our correspondent banks. As of June 30, 2016 and December 31, 2015, there were no federal funds purchased outstanding.

Subordinated Debentures

At June 30, 2016, the Company had outstanding $13.4 million in subordinated debentures net of $8.8 million purchase discount, respectively. On October 1, 2015, the Company acquired Patriot Bancshares, Inc., and assumed the obligations related to the subordinated debentures issued to Patriot Bancshares Capital Trust I and Capital Trust II.

A summary of pertinent information related to the Company's issues of subordinated debentures outstanding at June 30, 2016 is set forth in the table below:

Description	**Issuance Date**	**Trust Preferred Securities Outstanding**	**Interest Rate[(1)]**	**Subordinated Debt Owed to Trusts**	**Maturity Date[(2)]**
			(Dollars in thousands)		
Patriot Bancshares Capital Trust I	March 31, 2006	$ 5,000	3 month LIBOR +1.85%, not to exceed 11.90%	$ 5,155	April 7, 2036
Patriot Bancshares Capital Trust II	August 8, 2007	$ 16,500	3 month LIBOR +1.80%, not to exceed 11.90%	$ 17,011	September 15, 2037

(1) The 3-month LIBOR in effect as of June 30, 2016 was 0.6541%.
(2) All debentures are callable five years from issuance date.

Each of the trusts is a capital trust organized for the sole purpose of issuing trust securities and investing the proceeds in the Company's junior subordinated debentures. The preferred trust securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust. The common securities of each trust are wholly owned by the Company. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures. The debentures, which are the only assets of each trust, are subordinate and junior in right of payment to all of the Company's present and future senior indebtedness. The Company has fully and unconditionally guaranteed each trust's obligations under the trust securities issued by such trust to the extent not paid or made by each trust, provided such trust has funds available for such obligations.

Under the provisions of each issue of the debentures, the Company has the right to defer payment of interest on the debentures at any time, or from time to time, for periods not exceeding five years. If interest payments on either issue of the debentures are deferred, the distributions on the applicable trust preferred securities and common securities will also be deferred.

Liquidity and Capital Resources

Liquidity

Liquidity involves our ability to raise funds to support asset growth and acquisitions or reduce assets to meet deposit withdrawals and other payment obligations, to maintain reserve requirements and otherwise to operate on an ongoing basis and manage unexpected events. During the six months ended June 30, 2016 and the 2015 fiscal year, our liquidity needs have primarily been met by core deposits, security and loan maturities and amortizing investment and loan portfolios. Although access to purchased funds from correspondent banks and overnight advances from the FHLB and the Dallas Fed are available and have been utilized on occasion to take advantage of investment opportunities, we do not generally rely on these external funding sources. We expect capital resources and liquidity will be sufficient for at least the next twelve months.

As of June 30, 2016, we had outstanding $732.5 million in commitments to extend credit and $19.6 million in commitments associated with outstanding standby and commercial letters of credit. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the total outstanding may not necessarily reflect the actual future cash funding requirements.

As of June 30, 2016, we had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature.

As of June 30, 2016, we had cash and cash equivalents of $200.0 million, an increase of $75.0 million compared with $124.9 million as of December 31, 2015.

Contractual Obligations

The following table summarizes our contractual obligations and other commitments to make future payments as of June 30, 2016 (other than securities sold under repurchase agreements), which consist of our future cash payments associated with our contractual obligations pursuant to our certificates and other time deposits, Federal Home Loan Bank advances, subordinated debentures, and noncancelable future operating leases. Payments for the Federal Home Loan Bank advances includes interest of $1.2 million that will be paid in future years. Payments for subordinated debentures includes interest of $11.4 million that will be paid in future years. The future interest payments were calculated using the current rate in effect at June 30, 2016. Payments related to leases are based on actual payments specified in underlying contracts.

	June 30, 2016				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Certificates and other time deposits	$ 892,229	$ 393,581	$ 129,144	$ -	$ 1,414,954
Federal Home Loan Bank advances	728	150,443	-	-	151,171
Subordinated debentures	548	548	1,643	30,854	33,593
Operating leases	2,241	2,898	1,695	3,507	10,341
Total	$ 895,746	$ 547,470	$ 132,482	$ 34,361	$ 1,610,059

Off Balance Sheet Items

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby and commercial letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

Our commitments associated with outstanding standby and commercial letters of credit and commitments to extend credit expiring by period as of June 30, 2016 are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements:

	June 30, 2016				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
	(Dollars in thousands)				
Commitments to extend credit	$ 333,804	$ 215,156	$ 115,986	$ 67,545	$ 732,491
Standby and commercial letters of credit	16,384	2,344	63	800	19,591
Total	$ 350,188	$ 217,500	$ 116,049	$ 68,345	$ 752,082

Capital Resources

Total shareholders' equity was $434.9 million at June 30, 2016, an increase of $5.5 million or 1.3% compared with $429.4 million at December 31, 2015. The increase was the result of retained earnings of $5.5 million for the six month period, proceeds from the exercise of stock options and an increase in the value of available for sale securities recognized in other accumulated comprehensive earnings and an increase due to stock compensation expense which was offset by Company's treasury stock purchases of $1.3 million.

In July 2013, the Federal Reserve published final rules for the adoption of the Basel III Capital Rules. The Basel III Capital Rules, among other things, (i) introduce CET1, a new capital measure, (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations. The Basel III Capital Rules became effective for us on January 1, 2015 with certain transition provisions to be fully phased in on January 1, 2019.

The following table provides a comparison of the Company’s and the Bank’s leverage and risk weighted capital ratios as of June 30, 2016 and December 31, 2015 to the minimum and well capitalized regulatory standards:

	June 30, 2016					
	Actual		For Capital Adequacy Purposes		To be Categorized as "Well Capitalized" under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
The Company[1]:						
Total capital (to risk weighted assets)	$ 399,806	11.1 %	$ 289,159	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	354,625	9.8	216,870	6.0	N/A	N/A
Common equity tier 1 capital	341,894	9.5	162,652	4.5	N/A	N/A
Tier I capital (to average assets)	354,625	9.6	148,407	4.0	N/A	N/A
The Bank[2]:						
Total capital (to risk weighted assets)	$ 393,791	10.9 %	$ 289,336	8.0 %	$ 361,670	10.0 %
Tier 1 capital (to risk weighted assets)	348,547	9.6	217,002	6.0	289,336	8.0
Common equity tier 1 capital	348,547	9.6	162,751	4.5	235,085	6.5
Tier I capital (to average assets)	348,547	9.4	148,306	4.0	185,383	5.0

	December 31, 2015					
	Actual		For Capital Adequacy Purposes		To be Categorized as "Well Capitalized" under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
The Company[1]:						
Total capital (to risk weighted assets)	$ 384,737	10.9 %	$ 282,733	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	351,482	10.0	212,050	6.0	N/A	N/A
Common equity tier 1 capital	338,961	9.6	159,037	4.5	N/A	N/A
Tier I capital (to average assets)	351,482	9.6	146,765	4.0	N/A	N/A
The Bank[2]:						
Total capital (to risk weighted assets)	$ 376,453	10.7 %	$ 282,725	8.0 %	$ 353,406	10.0 %
Tier 1 capital (to risk weighted assets)	343,199	9.7	212,044	6.0	282,725	8.0
Common equity tier 1 capital	343,199	9.7	159,033	4.5	229,714	6.5
Tier I capital (to average assets)	343,199	9.4	146,689	4.0	183,361	5.0

(1) The Federal Reserve may require the Company to maintain capital ratios above the required minimums.
(2) The FDIC or the OCC may require the Bank to maintain capital ratios above the required minimums.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company manages market risk, which for the Company is primarily interest rate risk, through its Asset Liability Committee, which is composed of certain members of its board of directors in accordance with asset liability and funds management policies approved by the Company's board of directors.

The Company uses an interest rate risk simulation model and shock analysis to test the interest rate sensitivity of net income and the balance sheet, respectively. See the Company's Annual Report on Form 10-K for year ended December 31, 2015 "Management Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Interest Rate Sensitivity and Market Risk".

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures — As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective as of the end of the period covered by this report.

Changes in internal control over financial reporting — There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(e) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and the Bank are from time to time subject to claims and litigation arising in the ordinary course of business. At this time, in the opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our consolidated results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management's attention and may materially adversely affect our reputation, even if resolved in our favor.

Item 1A. Risk Factors.

There have no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and those described in the definitive joint proxy statement/prospectus on Form S-4 (Registration No. 333-205495) filed by the Company on August 10, 2014.

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

(a) None.

(b) None.

(c) See "Note 2 – Earnings per Common Share" in Part I Item 1 in this quarterly report on Form 10-Q.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive Financial Data

* Filed with this Quarterly Report on Form 10-Q

** Furnished with this Quarterly Report on Form 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Green Bancorp, Inc.
(Registrant)

Date: August 12, 2016	/s/ Manuel J. Mehos
	Manuel J. Mehos
	Chairman and Chief Executive Officer
Date: August 12, 2016	/s/ John P. Durie
	John P. Durie
	Executive Vice President and Chief Financial Officer