
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 March 31, 2015

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 May 12, 2015, there were 26,176,118 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 associated with the relatively unseasoned nature of a significant portion of our loan portfolio;
- 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;
- 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;
- 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;

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- 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;
- 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;
- 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.

Other factors not identified above, including those described in our Annual Report on Form 10-K for year ended December 31, 2014 under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” 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)**

	March 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$ 15,826	\$ 13,963
Interest bearing deposits in financial institutions	113,282	54,960
Total cash and cash equivalents	129,108	68,923
Available-for-sale securities, at fair value	180,038	187,565
Held-to-maturity securities, at amortized cost (fair value of \$48,362 and \$50,725, respectively)	47,997	50,713
Federal Reserve Bank stock	7,186	7,173
Federal Home Loan Bank of Dallas stock	2,814	4,192
Total securities and other investments	238,035	249,643
Loans held-for-sale	939	573
Loans held for investment	1,810,842	1,799,155
Allowance for loan losses	(17,542)	(15,605)
Loans, net	1,794,239	1,784,123
Premises and equipment, net	24,817	25,200
Goodwill	30,129	30,129
Core deposit intangibles, net of accumulated amortization	4,000	4,148
Accrued interest receivable	5,506	4,916
Deferred tax asset, net	8,109	8,468
Real estate acquired by foreclosure	4,863	4,863
Bank owned life insurance	7,957	7,903
Other assets	5,902	7,819
TOTAL ASSETS	\$ 2,252,665	\$ 2,196,135
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 459,100	\$ 431,942
Interest-bearing transaction and savings	809,300	777,431
Certificates and other time deposits	663,451	636,340
Total deposits	1,931,851	1,845,713
Securities sold under agreements to repurchase	13,012	4,605
Other borrowed funds	7,323	47,586
Accrued interest payable	731	767
Other liabilities	5,978	9,059
Total liabilities	1,958,895	1,907,730
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, 26,176,118 and 26,175,949 shares issued and outstanding at March 31, 2015 and December 31, 2014	262	262
Capital surplus	252,652	252,421
Retained earnings	39,309	34,660
Accumulated other comprehensive income (loss), net	1,547	1,062
Total shareholders' equity	293,770	288,405
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,252,665	\$ 2,196,135

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	
	March 31,	
	2015	2014
INTEREST INCOME:		
Loans, including fees	\$ 21,659	\$ 16,976
Securities	878	1,029
Other investments	110	78
Deposits in financial institutions	55	24
Total interest income	<u>22,702</u>	<u>18,107</u>
INTEREST EXPENSE:		
Transaction and savings deposits	682	577
Certificates and other time deposits	1,474	1,810
Other borrowed funds	30	44
Total interest expense	<u>2,186</u>	<u>2,431</u>
NET INTEREST INCOME	20,516	15,676
PROVISION FOR LOAN LOSSES	<u>1,505</u>	<u>1,223</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>19,011</u>	<u>14,453</u>
NONINTEREST INCOME:		
Customer service fees	863	531
Loan fees	371	550
Gain on sale of guaranteed portion of loans, net	645	430
Gain on sale of loans held-for-sale, net	75	-
Other	131	96
Total noninterest income	<u>2,085</u>	<u>1,607</u>
NONINTEREST EXPENSE:		
Salaries and employee benefits	8,757	6,931
Occupancy	1,460	1,133
Professional and regulatory fees	1,467	780
Data processing	644	388
Software license and maintenance	362	315
Marketing	148	172
Loan related	109	117
Real estate acquired by foreclosure, net	13	169
Other	796	592
Total noninterest expense	<u>13,756</u>	<u>10,597</u>
INCOME BEFORE INCOME TAXES	7,340	5,463
PROVISION FOR INCOME TAXES	<u>2,691</u>	<u>1,975</u>
NET INCOME	<u>\$ 4,649</u>	<u>\$ 3,488</u>
EARNINGS PER SHARE:		
Basic	<u>\$ 0.18</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.17</u>

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	
	March 31,	
	2015	2014
NET INCOME	\$ 4,649	\$ 3,488
OTHER COMPREHENSIVE INCOME, BEFORE TAX:		
Change in unrealized gain on securities available-for-sale	746	1,183
Total other comprehensive income before tax	746	1,183
DEFERRED TAX EXPENSE RELATED TO OTHER COMPREHENSIVE INCOME	261	414
OTHER COMPREHENSIVE INCOME, NET OF TAX	485	769
COMPREHENSIVE INCOME	<u>\$ 5,134</u>	<u>\$ 4,257</u>

See notes to interim condensed consolidated financial statements.

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

	<u>Common Stock</u>			<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital Surplus</u>			
BALANCE — January 1, 2014	20,771	\$ 208	\$179,219	\$ 19,918	\$ (127)	\$ 199,218
Net income	-	-	-	3,488	-	3,488
Net change in unrealized gains and losses on available-for-sale securities, net of taxes of \$414 and reclassification adjustment	-	-	-	-	769	769
Issuance of common stock in connection with exercise of stock options	9	-	76	-	-	76
Stock-based compensation expense	-	-	49	-	-	49
BALANCE — March 31, 2014	<u>20,780</u>	<u>\$ 208</u>	<u>\$179,344</u>	<u>\$ 23,406</u>	<u>\$ 642</u>	<u>\$ 203,600</u>
BALANCE — January 1, 2015	26,176	\$ 262	\$252,421	\$ 34,660	\$ 1,062	\$ 288,405
Net income	-	-	-	4,649	-	4,649
Net change in unrealized gains and losses on available-for-sale securities, net of taxes of \$261 and reclassification adjustment	-	-	-	-	485	485
Issuance of common stock in connection with exercise of stock options	-	-	2	-	-	2
Stock-based compensation expense	-	-	229	-	-	229
BALANCE — March 31, 2015	<u>26,176</u>	<u>\$ 262</u>	<u>\$252,652</u>	<u>\$ 39,309</u>	<u>\$ 1,547</u>	<u>\$ 293,770</u>

See notes to interim condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,649	\$ 3,488
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization and accretion of premiums and discounts on securities, net	270	291
Accretion of loan discounts, net	(713)	(141)
Amortization of deposit premiums	(241)	(93)
Amortization of core deposit intangibles	148	61
Accretion of borrowing valuation allowance	(6)	-
Provision for loan losses	1,505	1,223
Depreciation	426	336
Net gain on sale of mortgage loans held-for-sale	(75)	-
Net gain on sale of guaranteed portion of loans	(645)	(430)
Originations of loans held-for-sale	(3,251)	-
Proceeds from sales of and principal collected on loans held-for-sale	2,960	-
Stock-based compensation expense	121	49
Increase in accrued interest receivable and other assets, net	1,371	1,601
Increase in accrued interest payable and other liabilities, net	(3,009)	(802)
Net cash provided by operating activities	<u>3,510</u>	<u>5,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the maturities or calls and paydowns of available-for-sale securities	11,042	15,328
Purchases of available-for-sale securities	(2,976)	(10,015)
Proceeds from the maturities or calls and paydowns of held-to-maturity securities	2,653	2,204
Purchases of held-to-maturity securities	-	(1,988)
Proceeds from sales of guaranteed portion of loans	7,099	6,312
Purchases of Federal Home Loan Bank of Dallas stock, net of redemptions	1,378	(5)
Purchases of Federal Reserve Bank stock	(13)	(1,127)
Net increase in loans held for investment	(16,996)	(53,066)
Investment in construction of premises and purchases of other fixed assets	(43)	(447)
Net cash provided by (used in) investing activities	<u>2,144</u>	<u>(42,804)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposit accounts	86,379	39,161
Net increase in securities sold under agreements to repurchase	8,407	5,800
Net repayment of other short-term borrowed funds	(257)	(12)
Repayment of other long-term borrowed funds	(40,000)	-
Proceeds from issuance of common stock due to exercise of stock options	2	76
Net cash provided by financing activities	<u>54,531</u>	<u>45,025</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 60,185	\$ 7,804
CASH AND CASH EQUIVALENTS:		
Beginning of year	68,923	34,757
End of year	<u>\$ 129,108</u>	<u>\$ 42,561</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 2,222	\$ 2,496
Income taxes paid	\$ -	\$ 100

See notes to interim condensed consolidated financial statements.

GREEN BANCORP, INC. AND SUBSIDIARY
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(Unaudited)

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 Company’s Annual Report on Form 10-K for the year ended December 31, 2014. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 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, Dallas, Austin and Louisville 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.

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.

GREEN BANCORP, INC. AND SUBSIDIARY
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(Unaudited)

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

	Three Months Ended March 31,			
	2015		2014	
	Amount	Per Share Amount	Amount	Per Share Amount
	(Amounts in thousands, except per share amounts)			
Net income	\$ 4,649		\$ 3,488	
Basic:				
Weighted average shares outstanding	26,176	\$ 0.18	20,775	\$ 0.17
Diluted:				
Add incremental shares for:				
Effect of dilutive securities - options	183		132	
Total	26,359	\$ 0.18	20,907	\$ 0.17

3. RECENT ACCOUNTING STANDARDS

Accounting Standards Updates (“ASU”)

FASB ASU No. 2014-04—“*Receivables—Troubled Debt Restructuring by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure*” clarifies when an in substance foreclosure occurs, that is, when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. This is the point when the consumer mortgage loan should be derecognized and the real property recognized. ASU 2014-04 was effective for the Company on January 1, 2015 and did not have a significant impact on the Company’s financial statements.

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, 2017, with retrospective application to each prior reporting period presented, and is not expected to have a significant impact on the Company’s financial statements.

FASB ASU No. 2014-11 — “*Transfers and Servicing (Topic 860) – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure*” changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. It also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting and disclosure for the repurchase agreement. The adoption of this ASU becomes effective for the Company beginning after January 1, 2016 and 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

GREEN BANCORP, INC. AND SUBSIDIARY
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(Unaudited)

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 becomes effective for the Company beginning after January 1, 2016 and is not expected to have a significant impact on the Company's financial statements.

FASB ASU No. 2014-14 — *“Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure”* requires creditors to reclassify mortgage loans as another receivable that is separate from loans and to measure the receivable at the fixed or determinable amount expected to be received under the government guarantee if upon foreclosure the mortgage loans meet certain conditions. ASU 2014-04 was effective for the Company on January 1, 2015 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 is effective for the Company beginning January 1, 2016, though early adoption is permitted. ASU 2015-01 is not expected to have a significant impact 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 a non-pro rata 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 obtaining fair values for certain acquired assets and assumed liabilities and therefore the following estimates for the SharePlus acquisition are preliminary.

On October 17, 2014, the Company completed the acquisition of SP Bancorp, Inc. and its wholly owned subsidiary SharePlus Bank (collectively “SharePlus”). SharePlus Bank was a Texas chartered state bank headquartered in Plano, Texas, with four branches, two in Plano, Texas, one in Dallas, Texas and one in Louisville, Kentucky. The expansion complements the Company's Dallas area growth. As of September 30, 2014, SharePlus, on a consolidated basis, had \$348.7 million in total assets, \$248.2 million in loans, \$280.5 million in deposits and \$33.7 million in stockholders' equity. The acquisition was not considered significant to the Company's financial statements and therefore pro forma financial data and related disclosures are not included.

Pursuant to the terms of the acquisition agreement, the Company paid \$46.4 million in cash for all outstanding shares of SP Bancorp capital stock, which resulted in goodwill of \$14.5 million as of December 31, 2014. Additionally, the Company recognized \$3.5 million of core deposit intangibles as of December 31, 2014. These goodwill, deferred tax asset and core deposit intangible balances as of March 31, 2015 do not include potential subsequent fair value adjustments that are still being finalized.

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 include restricted amounts of \$44.2 million and \$42.0 million at March 31, 2015 and December 31, 2014, respectively, as a result of this requirement.

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6. SECURITIES

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

	March 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	\$ 55,049	\$ 78	\$ (5)	\$ 55,122
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	94,716	2,445	(28)	97,133
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	27,893	72	(182)	27,783
Total	\$ 177,658	\$ 2,595	\$ (215)	\$ 180,038
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	\$ 15,650	\$ 493	\$ (83)	\$ 16,060
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	32,347	137	(182)	32,302
Total	\$ 47,997	\$ 630	\$ (265)	\$ 48,362
December 31, 2014				
	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	\$ 57,108	\$ 21	\$ (85)	\$ 57,044
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	100,002	2,022	(108)	101,916
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	28,821	74	(290)	28,605
Total	\$ 185,931	\$ 2,117	\$ (483)	\$ 187,565
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	\$ 16,823	\$ 485	\$ (123)	\$ 17,185
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	33,890	87	(437)	33,540
Total	\$ 50,713	\$ 572	\$ (560)	\$ 50,725

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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:

	March 31, 2015			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
Due in one year or less	\$ 15,023	\$ 15,037	\$ -	\$ -
Due after one year through five years	40,026	40,085	-	-
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	94,716	97,133	15,650	16,060
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	27,893	27,783	32,347	32,302
Total	\$ 177,658	\$ 180,038	\$ 47,997	\$ 48,362

There were no sales of securities during the three months ended March 31, 2015 or 2014.

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 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 March 31, 2015, 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 March 31, 2015, 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 March 31, 2015, 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 March 31, 2015.

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

	March 31, 2015					
	Less than 12 Months			More than 12 Months		
	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	\$ 7,003	\$ (5)	\$ 6,998	\$ -	\$ -	\$ -
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	7,438	(28)	7,410	-	-	-
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	3,396	(7)	3,389	7,642	(175)	7,467
Total	\$ 17,837	\$ (40)	\$ 17,797	\$ 7,642	\$ (175)	\$ 7,467
Held-to-maturity:						
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	\$ 1,714	\$ (23)	\$ 1,691	\$ 2,631	\$ (60)	\$ 2,571
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	6,968	(15)	6,953	10,431	(167)	10,264
Total	\$ 8,682	\$ (38)	\$ 8,644	\$ 13,062	\$ (227)	\$ 12,835

	December 31, 2014					
	Less than 12 Months			More than 12 Months		
	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	\$ 37,049	\$ (85)	\$ 36,964	\$ -	\$ -	\$ -
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	20,403	(53)	20,350	4,440	(56)	4,384
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	3,514	-	3,514	12,559	(289)	12,270
Total	\$ 60,966	\$ (138)	\$ 60,828	\$ 16,999	\$ (345)	\$ 16,654
Held-to-maturity:						
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	\$ -	\$ -	\$ -	\$ 4,564	\$ (122)	\$ 4,442
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	12,414	(92)	12,322	13,988	(346)	13,642
Total	\$ 12,414	\$ (92)	\$ 12,322	\$ 18,552	\$ (468)	\$ 18,084

At March 31, 2015 and December 31, 2014, there were fifteen securities and twelve securities, respectively, in an unrealized loss position for more than 12 months.

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 March 31, 2015 or December 31, 2014.

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Securities with an amortized cost of \$17.1 million and \$17.7 million and fair value of \$17.3 million and \$17.9 million were pledged and available to be sold under repurchase agreements at March 31, 2015 and December 31, 2014, respectively. Securities with an amortized cost of \$56.5 million and \$55.0 million and fair value of \$56.6 million and \$54.8 million were pledged to various Federal Reserve Districts related to deposits of bankruptcy trustees at March 31, 2015 and December 31, 2014, respectively. In addition, securities with an amortized cost of \$616 thousand and \$669 thousand and fair value of \$648 thousand and \$701 thousand were pledged as collateral for the Company's derivative instruments at March 31, 2015 and December 31, 2014, respectively.

7. LOANS

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

	March 31, 2015		
	Originated	Acquired	Total
(Dollars in thousands)			
Commercial & industrial	\$ 724,871	\$ 19,509	\$ 744,380
Real estate:			
Owner occupied commercial real estate	152,034	14,570	166,604
Commercial real estate	338,709	28,362	367,071
Construction, land & land development	262,406	10,719	273,125
Residential mortgage	111,163	138,428	249,591
Consumer and other	6,970	3,101	10,071
Total loans held for investment	<u>\$ 1,596,153</u>	<u>\$ 214,689</u>	<u>\$ 1,810,842</u>
Total loans held-for-sale	<u>\$ 939</u>	<u>\$ -</u>	<u>\$ 939</u>

	December 31, 2014		
	Originated	Acquired	Total
(Dollars in thousands)			
Commercial & industrial	\$ 759,810	\$ 28,600	\$ 788,410
Real estate:			
Owner occupied commercial real estate	148,197	15,395	163,592
Commercial real estate	308,521	30,485	339,006
Construction, land & land development	230,143	10,523	240,666
Residential mortgage	107,275	149,791	257,066
Consumer and other	6,785	3,630	10,415
Total loans held for investment	<u>\$ 1,560,731</u>	<u>\$ 238,424</u>	<u>\$ 1,799,155</u>
Total loans held-for-sale	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 573</u>

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 \$10.0 million and \$10.3 million of net deferred loan origination fees and unamortized premium and discount at March 31, 2015 and December 31, 2014, respectively. Also included in loans at March 31, 2015 and December 31, 2014, respectively was \$905 thousand and \$1.4 million in non-accretable discount on acquired credit impaired loans. Accrued interest receivable on loans was \$5.0 million and \$4.5 million at March 31, 2015 and December 31, 2014, respectively. Consumer and other loans include overdrafts of \$55 thousand and \$51 thousand as of March 31, 2015 and December 31, 2014, respectively.

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The loan portfolio consists of various types of loans made principally to borrowers located in the Houston, Dallas, Austin and Louisville 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 7.6% and 8.7% of total funded loans, respectively, as of March 31, 2015 and December 31, 2014. Energy related service industry loans represented approximately 4.8% and 5.2% of total funded loans, respectively, as of March 31, 2015 and December 31, 2014. None of these loans were impaired as of March 31, 2015. Management believes the allowance for loan losses is appropriate to cover estimated losses on loans at each balance sheet date.

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

	March 31, 2015			Total
	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years	
	(Dollars in thousands)			
Commercial & industrial	\$ 243,532	\$ 444,662	\$ 56,186	\$ 744,380
Real estate:				
Owner occupied commercial real estate	24,158	61,166	81,280	166,604
Commercial real estate	25,263	265,775	76,033	367,071
Construction, land & land development	65,566	123,082	84,477	273,125
Residential mortgage	4,905	58,945	185,741	249,591
Consumer and Other	6,329	2,942	800	10,071
Total loans held for investment	\$ 369,753	\$ 956,572	\$ 484,517	\$ 1,810,842
Fixed rate	\$ 44,040	\$ 223,689	\$ 98,549	\$ 366,278
Floating rate	325,713	732,883	385,968	1,444,564
Total loans held for investment	\$ 369,753	\$ 956,572	\$ 484,517	\$ 1,810,842

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 March 31, 2015 and December 31, 2014 was as follows:

	March 31, 2015	December 31, 2014
	(Dollars in thousands)	
Beginning balance	\$ -	\$ -
Advances	-	2
Repayments	-	(2)
Ending Balance	\$ -	\$ -

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

	March 31, 2015	December 31, 2014
(Dollars in thousands)		
Credit impaired acquired loans:		
Outstanding principal balance	\$ 15,417	\$ 16,224
Recorded investment	13,409	14,154
Discount, net	\$ 2,008	\$ 2,070
Other acquired loans:		
Outstanding principal balance	202,804	226,284
Deferred fees, net	(58)	(3)
Recorded investment	201,280	224,270
Discount, net	\$ 1,466	\$ 2,011
Total acquired loans:		
Outstanding principal balance	218,221	242,508
Deferred fees, net	(58)	(3)
Recorded investment	214,689	238,424
Discount, net	\$ 3,474	\$ 4,081

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

	Three Months Ended March 31,	
	2015	2014
(Dollars in thousands)		
Balance at beginning of period	\$ 685	\$ 603
Additions	-	62
Reclassifications from nonaccretable yield	480	161
Accretion	(63)	(141)
Balance at period end	\$ 1,102	\$ 685

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

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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:

	March 31, 2015							Total Loans
	Loans Past Due and Still Accruing			Nonaccrual	Purchased Credit Impaired	Current		
30 - 89 Days Past Due	90 Days or More Past Due	Total	(Dollars in thousands)					
Originated Loans								
Commercial & industrial	\$ 2,898	\$ -	\$ 2,898	\$ 3,319	\$ -	\$ 718,654	\$ 724,871	
Real estate:								
Owner occupied commercial real estate	379	-	379	1,029	-	150,626	152,034	
Commercial real estate	-	-	-	-	-	338,709	338,709	
Construction, land & land development	2	-	2	516	-	261,888	262,406	
Residential mortgage	728	-	728	1,279	-	109,156	111,163	
Consumer and other	109	-	109	-	-	6,861	6,970	
Total loans held for investment	\$ 4,116	\$ -	\$ 4,116	\$ 6,143	\$ -	\$ 1,585,894	\$ 1,596,153	
Acquired Loans								
Commercial & industrial	\$ 649	\$ -	\$ 649	\$ -	\$ 2,055	\$ 16,805	\$ 19,509	
Real estate:								
Owner occupied commercial real estate	-	-	-	-	1,063	13,507	14,570	
Commercial real estate	1,139	-	1,139	547	7,145	19,531	28,362	
Construction, land & land development	468	-	468	-	57	10,194	10,719	
Residential mortgage	1,201	-	1,201	212	3,089	133,926	138,428	
Consumer and other	29	7	36	-	-	3,065	3,101	
Total loans held for investment	\$ 3,486	\$ 7	\$ 3,493	\$ 759	\$ 13,409	\$ 197,028	\$ 214,689	

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December 31, 2014							
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	\$ 7,266	\$ -	\$ 7,266	\$ 1,789	\$ -	\$ 750,755	\$ 759,810
Real estate:							
Owner occupied commercial real estate	1,464	-	1,464	173	-	146,560	148,197
Commercial real estate	-	-	-	-	-	308,521	308,521
Construction, land & land development	677	-	677	940	-	228,526	230,143
Residential mortgage	382	16	398	1,277	-	105,600	107,275
Consumer and other	217	-	217	95	-	6,473	6,785
Total loans held for investment	<u>\$ 10,006</u>	<u>\$ 16</u>	<u>\$ 10,022</u>	<u>\$ 4,274</u>	<u>\$ -</u>	<u>\$ 1,546,435</u>	<u>\$ 1,560,731</u>
Acquired Loans							
Commercial & industrial	\$ 137	\$ -	\$ 137	\$ -	\$ 2,432	\$ 26,031	\$ 28,600
Real estate:							
Owner occupied commercial real estate	-	-	-	-	1,248	14,147	15,395
Commercial real estate	1,141	-	1,141	570	7,261	21,513	30,485
Construction, land & land development	2,048	-	2,048	-	72	8,403	10,523
Residential mortgage	981	-	981	-	3,141	145,669	149,791
Consumer and other	7	-	7	-	-	3,623	3,630
Total loans held for investment	<u>\$ 4,314</u>	<u>\$ -</u>	<u>\$ 4,314</u>	<u>\$ 570</u>	<u>\$ 14,154</u>	<u>\$ 219,386</u>	<u>\$ 238,424</u>

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

	March 31, 2015	December 31, 2014
(Dollars in thousands)		
Nonaccrual loans	\$ 3,789	\$ 2,127
Accruing loans past due 90 days or more	7	16
Restructured loans - nonaccrual	3,113	2,717
Restructured loans - accruing	2,390	2,257
Total nonperforming loans	<u>\$ 9,299</u>	<u>\$ 7,117</u>

Based on an analysis of impaired loans at March 31, 2015 and December 31, 2014, an allowance of \$433 thousand and \$468 thousand, respectively, was allocated to impaired loans. The average recorded investment in impaired loans for the three months ended March 31, 2015, and for the year ended December 31, 2014, was \$9.1 million and \$11.7 million, respectively. There was approximately \$53 thousand and \$55 thousand in interest recognized on impaired loans, for the three months ended March 31, 2015 and 2014, respectively. Interest recognized includes interest accrual on restructured loans that are performed based on their restructured terms and interest calculated on paid nonaccrual loans.

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Impaired loans of \$6.9 million and \$4.8 million at March 31, 2015 and December 31, 2014 respectively, have been categorized by management as nonaccrual loans. Interest foregone on nonaccrual loans for the three months ended March 31, 2015 and 2014 was approximately \$164 thousand and \$398 thousand, respectively.

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

	Recorded Investment	March 31, 2015	
		Unpaid Principal Balance	Related Allowance
	(Dollars in thousands)		
With no related allowance recorded:			
Commercial & industrial	\$ 1,433	\$ 1,442	\$ -
Owner occupied commercial real estate	1,029	1,034	-
Commercial real estate	547	547	-
Construction, land & land development	2,430	2,431	-
Residential mortgage	1,263	1,264	-
Consumer and other	152	152	-
With an allowance recorded:			
Commercial & industrial	\$ 2,210	\$ 2,211	\$ 261
Residential mortgage	228	228	172
Total:			
Commercial & industrial	\$ 3,643	\$ 3,653	\$ 261
Owner occupied commercial real estate	1,029	1,034	-
Commercial real estate	547	547	-
Construction, land & land development	2,430	2,431	-
Residential mortgage	1,491	1,492	172
Consumer and other	152	152	-
	<u>\$ 9,292</u>	<u>\$ 9,309</u>	<u>\$ 433</u>

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	December 31, 2014		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
(Dollars in thousands)			
With no related allowance recorded:			
Commercial & industrial	\$ 1,424	\$ 1,424	\$ -
Owner occupied commercial real estate	173	173	-
Commercial real estate	2,506	2,510	-
Construction, land & land development	969	969	-
Residential mortgage	1,277	1,277	-
Consumer and other	155	156	-
With an allowance recorded:			
Commercial & industrial	\$ 502	\$ 502	\$ 373
Consumer and other	95	95	95
Total:			
Commercial & Industrial	\$ 1,926	\$ 1,926	\$ 373
Owner occupied commercial real estate	173	173	-
Commercial real estate	2,506	2,510	-
Construction, land & land development	969	969	-
Residential mortgage	1,277	1,277	-
Consumer and other	250	251	95
	<u>\$ 7,101</u>	<u>\$ 7,106</u>	<u>\$ 468</u>

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 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.

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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:

March 31, 2015							
	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Consumer and Other	Total
(Dollars in thousands)							
Grade 1	\$ 1,868	\$ -	\$ -	\$ -	\$ 283	\$ 1,209	\$ 3,360
Grade 2	5,337	-	-	-	-	-	5,337
Grade 3	153,619	25,123	35,692	7,203	56,707	2,891	281,235
Grade 4	483,546	139,236	302,004	258,075	186,104	5,682	1,374,647
Grade 5	51,412	154	8,141	1,153	98	141	61,099
Grade 6	40,948	-	4,652	-	518	120	46,238
Grade 7	2,276	-	8,890	6,121	1,300	28	18,615
Grade 8	3,009	1,028	547	516	1,492	-	6,592
Grade 9	310	-	-	-	-	-	310
	<u>742,325</u>	<u>165,541</u>	<u>359,926</u>	<u>273,068</u>	<u>246,502</u>	<u>10,071</u>	<u>1,797,433</u>
Purchased Credit Impaired	<u>2,055</u>	<u>1,063</u>	<u>7,145</u>	<u>57</u>	<u>3,089</u>	<u>-</u>	<u>13,409</u>
Total loans	<u>\$ 744,380</u>	<u>\$ 166,604</u>	<u>\$ 367,071</u>	<u>\$ 273,125</u>	<u>\$ 249,591</u>	<u>\$ 10,071</u>	<u>\$ 1,810,842</u>

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	December 31, 2014						
	Commercial & Industrial	Owner Occupied Commercial Real Estate	Commercial Real Estate	Construction & Land Development	Residential Mortgage	Consumer and Other	Total
	(Dollars in thousands)						
Grade 1	\$ 2,410	-	-	-	285	997	3,692
Grade 2	5,338	-	-	-	-	-	5,338
Grade 3	183,109	26,830	33,347	7,605	57,945	2,956	311,792
Grade 4	484,214	133,051	283,401	222,209	192,565	6,067	1,321,507
Grade 5	62,783	1,016	1,935	3,692	99	150	69,675
Grade 6	42,995	-	2,680	-	447	121	46,243
Grade 7	3,341	1,273	9,812	6,148	1,307	29	21,910
Grade 8	1,788	174	570	940	1,277	95	4,844
Grade 9	-	-	-	-	-	-	-
	<u>785,978</u>	<u>162,344</u>	<u>331,745</u>	<u>240,594</u>	<u>253,925</u>	<u>10,415</u>	<u>1,785,001</u>
Purchased Credit Impaired	<u>2,432</u>	<u>1,248</u>	<u>7,261</u>	<u>72</u>	<u>3,141</u>	<u>-</u>	<u>14,154</u>
Total loans	<u>\$ 788,410</u>	<u>\$ 163,592</u>	<u>\$ 339,006</u>	<u>\$ 240,666</u>	<u>\$ 257,066</u>	<u>\$ 10,415</u>	<u>\$ 1,799,155</u>

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:

	Three Months Ended March 31, 2015		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Recorded Investment as of March 31, 2015
	(Dollars in thousands)		
Commercial & industrial	1	\$ 739	\$ 689
Total	<u>1</u>	<u>\$ 739</u>	<u>\$ 689</u>

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. For the three months ended March 31, 2015, the Company added \$739 thousand in new troubled debt restructurings of which \$689 thousand was still outstanding on March 31, 2015. The decrease in outstanding balance was due to payments totaling \$50 thousand during the three months ended March 31, 2015. Restructured loans are individually evaluated for impairment. The allowance for loan losses included specific reserves of \$37 thousand related to the \$689 thousand loan at March 31, 2015.

There were no loans restructured during the three months ended March 31, 2014.

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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 - January 1, 2015	\$ 8,145	\$ 974	\$ 2,942	\$ 2,633	\$ 645	\$ 266	\$ 15,605
Charge-offs	(77)	-	-	-	-	(105)	(182)
Recoveries	597	-	1	-	12	4	614
Provision	(25)	334	923	(164)	398	39	1,505
Balance - March 31, 2015	<u>\$ 8,640</u>	<u>\$ 1,308</u>	<u>\$ 3,866</u>	<u>\$ 2,469</u>	<u>\$ 1,055</u>	<u>\$ 204</u>	<u>\$ 17,542</u>
As of March 31, 2015							
Allowance for loan losses:							
Collectively evaluated for impairment	\$ 7,625	\$ 1,305	\$ 3,712	\$ 2,458	\$ 883	\$ 204	\$ 16,187
Individually evaluated for impairment	261	-	-	-	172	-	433
Purchased credit impaired	754	3	154	11	-	-	922
Total allowance for loan losses	<u>\$ 8,640</u>	<u>\$ 1,308</u>	<u>\$ 3,866</u>	<u>\$ 2,469</u>	<u>\$ 1,055</u>	<u>\$ 204</u>	<u>\$ 17,542</u>
Loans receivable:							
Collectively evaluated for impairment	\$ 738,682	\$ 164,512	\$ 359,379	\$ 270,638	\$ 245,011	\$ 9,919	\$ 1,788,141
Individually evaluated for impairment	3,643	1,029	547	2,430	1,491	152	9,292
Purchased credit impaired	2,055	1,063	7,145	57	3,089	-	13,409
Total loans evaluated for impairment	<u>\$ 744,380</u>	<u>\$ 166,604</u>	<u>\$ 367,071</u>	<u>\$ 273,125</u>	<u>\$ 249,591</u>	<u>\$ 10,071</u>	<u>\$ 1,810,842</u>

	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, 2014	\$ 10,196	\$ 874	\$ 2,216	\$ 1,103	\$ 654	\$ 1,318	\$ 16,361
Charge-offs	(2,927)	-	-	-	-	(1,297)	(4,224)
Recoveries	118	14	1	-	20	622	775
Provision	758	86	725	1,530	(29)	(377)	2,693
Balance - December 31, 2014	<u>\$ 8,145</u>	<u>\$ 974</u>	<u>\$ 2,942</u>	<u>\$ 2,633</u>	<u>\$ 645</u>	<u>\$ 266</u>	<u>\$ 15,605</u>
As of December 31, 2014							
Allowance for loan losses:							
Collectively evaluated for impairment	\$ 7,772	\$ 971	\$ 2,789	\$ 2,622	\$ 645	\$ 171	\$ 14,970
Individually evaluated for impairment	373	-	-	-	-	95	468
Purchased credit impaired	-	3	153	11	-	-	167
Total allowance for loan losses	<u>\$ 8,145</u>	<u>\$ 974</u>	<u>\$ 2,942</u>	<u>\$ 2,633</u>	<u>\$ 645</u>	<u>\$ 266</u>	<u>\$ 15,605</u>
Loans receivable:							
Collectively evaluated for impairment	\$ 784,052	\$ 162,171	\$ 329,239	\$ 239,625	\$ 252,648	\$ 10,165	\$ 1,777,900
Individually evaluated for impairment	1,926	173	2,506	969	1,277	250	7,101
Purchased credit impaired	2,432	1,248	7,261	72	3,141	-	14,154
Total loans evaluated for impairment	<u>\$ 788,410</u>	<u>\$ 163,592</u>	<u>\$ 339,006</u>	<u>\$ 240,666</u>	<u>\$ 257,066</u>	<u>\$ 10,415</u>	<u>\$ 1,799,155</u>

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	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 - January 1, 2014	\$ 10,196	\$ 874	\$ 2,216	\$ 1,103	\$ 654	\$ 1,318	\$ 16,361
Charge-offs	(1,239)	-	-	-	-	(1,281)	(2,520)
Recoveries	50	-	1	-	3	1	55
Provision	471	(82)	499	(24)	66	293	1,223
Balance - March 31, 2014	<u>\$ 9,478</u>	<u>\$ 792</u>	<u>\$ 2,716</u>	<u>\$ 1,079</u>	<u>\$ 723</u>	<u>\$ 331</u>	<u>\$ 15,119</u>
As of March 31, 2014							
Allowance for loan losses:							
Collectively evaluated for impairment	\$ 7,752	\$ 789	\$ 2,537	\$ 1,060	\$ 589	\$ 330	\$ 13,057
Individually evaluated for impairment	1,726	-	29	-	134	-	1,889
Purchased credit impaired	-	3	150	19	-	1	173
Total allowance for loan losses	<u>\$ 9,478</u>	<u>\$ 792</u>	<u>\$ 2,716</u>	<u>\$ 1,079</u>	<u>\$ 723</u>	<u>\$ 331</u>	<u>\$ 15,119</u>
Loans receivable:							
Collectively evaluated for impairment	\$ 668,579	\$ 150,906	\$ 302,715	\$ 150,501	\$ 105,919	\$ 5,792	\$ 1,384,412
Individually evaluated for impairment	6,396	-	3,132	1,738	1,317	42	12,625
Purchased credit impaired	837	1,609	4,532	88	172	-	7,238
Total loans evaluated for impairment	<u>\$ 675,812</u>	<u>\$ 152,515</u>	<u>\$ 310,379</u>	<u>\$ 152,327</u>	<u>\$ 107,408</u>	<u>\$ 5,834</u>	<u>\$ 1,404,275</u>

9. PREMISES AND EQUIPMENT

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

	March 31, 2015	December 31, 2014
(Dollars in thousands)		
Land	\$ 7,652	\$ 7,652
Buildings and improvements	21,827	21,831
Furniture, fixtures and equipment	8,124	8,075
	37,603	37,558
Less accumulated depreciation	(12,786)	(12,358)
Total	<u>\$ 24,817</u>	<u>\$ 25,200</u>

Depreciation of premises and equipment totaled \$426 thousand and \$336 thousand for the three months ended March 31, 2015 and 2014, respectively.

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10. GOODWILL AND CORE DEPOSIT INTANGIBLES

The Company reviews its goodwill for impairment annually, or more frequently, if indicators of impairment exist. At March 31, 2015 and December 31, 2014, 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, 2014. 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, 2013	\$ 15,672	\$ 984
Add - acquisition of SharePlus	14,457	3,467
Less - amortization	-	(303)
Balance - December 31, 2014	<u>\$ 30,129</u>	<u>\$ 4,148</u>
Less amortization	-	(148)
Balance - March 31, 2015	<u>\$ 30,129</u>	<u>\$ 4,000</u>

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 SharePlus acquisition completed during 2014 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:

	March 31, 2015	
	(Dollars in thousands)	
2015	\$	442
2016		571
2017		525
2018		318
2019		271
Thereafter		1,873
Total	<u>\$</u>	<u>4,000</u>

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11. DEPOSITS

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

	March 31, 2015	December 31, 2014
	(Dollars in thousands)	
Three months or less	\$ 87,233	\$ 83,584
Over three through six months	82,933	86,893
Over six through twelve months	148,050	95,389
Over one through two years	91,618	112,316
Over two through three years	65,857	43,191
Over three through four years	49,106	74,745
Over four through five years	10,157	9,158
Over five years	-	-
Total	<u>\$ 534,954</u>	<u>\$ 505,276</u>

Interest expense for certificates of deposit and other time deposits of \$100,000 or more was approximately \$1.3 million and \$1.4 million for the three months ended March 31, 2015 and 2014, respectively.

The Company had \$4.3 million and \$5.7 million in brokered time deposits, at March 31, 2015 and December 31, 2014, respectively.

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

12. OTHER BORROWED FUNDS

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

	March 31, 2015	December 31, 2014
	(Dollars in thousands)	
Federal Home Loan Bank advances	\$ 7,323	\$ 47,586
Repurchase agreements	13,012	4,605
Total	<u>\$ 20,335</u>	<u>\$ 52,191</u>

Federal Home Loan Bank Advances — The Company has an available borrowing arrangement with the FHLB, which allows the Company to borrow on a collateralized basis. At March 31, 2015 and December 31, 2014, total borrowing capacity of \$483.8 million and \$367.2 million, respectively, was available under this arrangement. At March 31, 2015 and December 31, 2014, \$7.3 million and \$47.6 million was outstanding, respectively, with an average interest rate of 0.83% and 0.25%, respectively. All of the Company's FHLB advances mature within eight years. These borrowings are collateralized by a blanket lien on certain real estate 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 "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 March 31, 2015 and December 31, 2014, \$367.0 million and \$377.3 million, respectively, were available under this arrangement and no borrowings were outstanding. The available capacity decreased due to changes in collateral margins for Fed discount window lending.

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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 March 31, 2015 and December 31, 2014, there were no federal funds purchased outstanding.

13. INCOME TAXES

Income tax expense was \$2.7 million and \$2.0 million for the three months ended March 31, 2015 and 2014, respectively. The Company's effective tax rate was 36.7% and 36.2% for the three months ended March 31, 2015 and 2014, respectively.

14. 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 March 31, 2015 and December 31, 2014 there were 31,000 and 11,000 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 March 31, 2015 and December 31, 2014 there were 422,447 and 425,996 time based options, respectively, and 1,652,588 and 1,674,511 performance options, respectively, 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 March 31, 2015 and December 31, 2014 there were 362,500 options outstanding under the 2006 Option Plan.

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 March 31, 2015 and December 31, 2014, respectively, there were 297,278 options outstanding under the Redstone Option Plan.

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Restricted Stock Units. In connection with the initial public offering in August 2014, 275,000 restricted stock units were granted under the 2014 Plan. At March 31, 2015 and December 31, 2014 there were 275,000 restricted stock units outstanding under the 2014 Plan. Total restricted stock units compensation expense was \$206 thousand in the quarter ended March 31, 2015.

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 plan participants under certain circumstances whereby the participant will be paid the excess, if any, of the book 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 March 31, 2015 and December 31, 2014, there were 121,334 and 134,000 units outstanding under the SAR Plan, respectively.

Prior to the initial public offering, the Company elected to account for the accrued SAR Plan liability under the intrinsic-value method as allowed for non-public companies by ASC 718, *Compensation — Stock Compensation*. During the quarter ended September 30, 2014, the Company began to account for the accrued SAR Plan liability utilizing the fair value method. During the quarter ended March 31, 2015, a \$108 thousand reversal of stock based compensation expense to reflect the fair value of the SARs was recorded.

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 March 31, 2015 and 2014, were \$243 thousand and \$187 thousand, respectively.

15. 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, Federal Home Loan Bank advances including interest, and operating leases, as of the date indicated are as follows:

	March 31, 2015				
	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	\$ 383,667	\$ 205,372	\$ 74,412	\$ -	\$ 663,451
Federal Home Loan Bank advances	3,750	1,158	2,077	556	7,541
Operating leases	1,251	2,416	1,491	2,023	7,181
Total	<u>\$ 388,668</u>	<u>\$ 208,946</u>	<u>\$ 77,980</u>	<u>\$ 2,579</u>	<u>\$ 678,173</u>

Payments related to leases are based on actual payments specified in underlying contracts.

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Leases — A summary of the Company’s noncancelable future operating lease commitments as of the date indicated was as follows:

March 31, 2015	
(Dollars in thousands)	
2015	\$ 933
2016	1,274
2017	1,215
2018	860
2019	758
Thereafter	2,141
Total	\$ 7,181

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 \$392 thousand and \$329 thousand for the three months ended March 31, 2015 and 2014, 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:

	March 31, 2015				
	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	\$ 158,446	\$ 179,717	\$ 99,475	\$ 75,576	\$ 513,214
Standby and commercial letters of credit	3,707	69	-	-	3,776
Total	\$ 162,153	\$ 179,786	\$ 99,475	\$ 75,576	\$ 516,990

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.

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16. DERIVATIVE FINANCIAL INSTRUMENTS

In order to accommodate the borrowing needs of certain commercial customers, the Company entered into interest rate swap 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 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. Due to the nature of the offset in values between customer and correspondent swaps, the Company did not recognize any changes in the net fair value of the derivative instruments during the three months ended March 31, 2015 or 2014. The fair value amounts are included in other assets and other liabilities.

The following is a summary of the derivative instruments outstanding as of the dates set forth:

March 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	\$ 24,300	4.87% - 5.99%	LIBOR 1 month + 3.25% - 4.50%	Wtd. Avg. 2.2 years	\$ 350
Correspondent interest rate swap:					
pay fixed/receive floating	\$ 24,300	4.87% - 5.99%	LIBOR 1 month + 3.25% - 4.50%	Wtd. Avg. 2.2 years	\$ (362)
December 31, 2014					
	Notional Amount	Fixed Rate	Floating Rate	Maturity	Fair Value
(Dollars in thousands)					
Non-hedging derivative instruments:					
Customer interest rate swap:					
receive fixed/pay floating	\$ 24,485	4.87% - 5.99%	LIBOR 1 month + 3.25% - 4.50%	Wtd. Avg. 2.5 years	\$ 274
Correspondent interest rate swap:					
pay fixed/receive floating	\$ 24,485	4.87% - 5.99%	LIBOR 1 month + 3.25% - 4.50%	Wtd. Avg. 2.5 years	\$ (287)

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:

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	March 31, 2015	
	Notional Amount	Fair Value
(Dollars in thousands)		
Customer interest rate swaps (commercial customer counterparty):		
Assets	\$ 24,300	\$ 350
Correspondent interest rate swaps (financial institution counterparty):		
Liabilities	\$ 24,300	\$ (362)

	December 31, 2014	
	Notional Amount	Fair Value
(Dollars in thousands)		
Customer interest rate swaps (commercial customer counterparty):		
Assets	\$ 24,485	\$ 274
Correspondent interest rate swaps (financial institution counterparty):		
Liabilities	\$ 24,485	\$ (287)

17. 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 Common Equity Tier 1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define Common Equity Tier 1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to Common Equity Tier 1 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 fully phased in on January 1, 2019.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios CET1, Tier 1 and Total capital to risk-weighted assets, and of Tier 1 capital to average assets, each as defined in the regulations. Management believes, as of March 31, 2015, that the Company and the Bank met all capital adequacy requirements to which they are subject.

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 March 31, 2015, and December 31, 2014. 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.

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.

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

	March 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)	\$ 277,937	13.9 %	\$ 160,359	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	260,148	13.0	120,269	6.0	N/A	N/A
Common equity tier 1 capital ⁽³⁾	260,148	13.0	90,202	4.5	N/A	N/A
Tier I capital (to average assets)	260,148	12.0	87,032	4.0	N/A	N/A
The Bank⁽²⁾:						
Total capital (to risk weighted assets)	\$ 268,912	13.4 %	\$ 160,178	8.0 %	\$ 200,223	10.0 %
Tier 1 capital (to risk weighted assets)	251,123	12.5	120,134	6.0	160,178	8.0
Common equity tier 1 capital ⁽³⁾	251,123	12.5	90,100	4.5	130,145	6.5
Tier I capital (to average assets)	251,123	11.6	86,705	4.0	108,381	5.0

	December 31, 2014					
	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)	\$ 268,770	14.0 %	\$ 154,052	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	252,963	13.1	77,026	4.0	N/A	N/A
Tier I capital (to average assets)	252,963	12.1	84,003	4.0	N/A	N/A
The Bank⁽²⁾:						
Total capital (to risk weighted assets)	\$ 259,313	13.5 %	\$ 153,867	8.0 %	\$ 192,334	10.0 %
Tier 1 capital (to risk weighted assets)	243,506	12.7	76,934	4.0	115,400	6.0
Tier I capital (to average assets)	243,506	11.6	83,738	4.0	104,673	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.
- (3) Common equity tier 1 capital is a new ratio required under Basel III Capital Rules effective January 1 2015.

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 the Bank. No dividends were paid for the periods ended March 31, 2015 and December 31, 2014.

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18. 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.

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Financial Assets:				
Available-for-sale securities	\$ 30,084	\$ 149,954	\$ -	\$ 180,038
Customer interest rate swaps	-	350	-	350
Financial Liabilities:				
Correspondent interest rate swaps	\$ -	\$ 362	\$ -	\$ 362

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	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Financial Assets:				
Available-for-sale securities	\$ 27,035	\$ 160,530	\$ -	\$ 187,565
Customer interest rate swaps	-	274	-	274
Financial Liabilities:				
Correspondent interest rate swaps	\$ -	\$ 287	\$ -	\$ 287

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:

	March 31, 2015		Losses for the Three Months Ended March 31, 2015
	Level 3	Total	
	(Dollars in thousands)		
Assets Measured on a Nonrecurring Basis:			
Impaired loans	\$ 2,467	\$ 2,467	\$ 323
Other real estate owned	-	-	-

	March 31, 2014		Losses for the Three Months Ended March 31, 2014
	Level 3	Total	
	(Dollars in thousands)		
Assets Measured on a Nonrecurring Basis:			
Impaired loans	\$ 7,769	\$ 7,769	\$ 71
Other real estate owned	-	-	-

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The estimated fair values of financial instruments were determined by management as of March 31, 2015 and December 31, 2014, and required judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values presented.

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.

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.

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

March 31, 2015					
Carrying Value	Level 1	Level 2	Level 3	Fair Value	
(Dollars in thousands)					
Financial Assets:					
Cash and short term investments	\$ 129,108	\$ 129,108	\$ -	\$ -	\$ 129,108
Available-for-sale securities	180,038	30,084	149,954	-	180,038
Held-to-maturity securities	47,997	-	48,362	-	48,362
Other securities	10,000	10,000	-	-	10,000
Loans held-for-sale	939	939	-	-	939
Loans held for investment	1,810,842	-	-	1,799,619	1,799,619
Real estate acquired by foreclosure	4,863	-	-	4,863	4,863
Total	\$ 2,183,787	\$ 170,131	\$ 198,316	\$ 1,804,482	\$ 2,172,929
Financial Liabilities:					
Deposits	\$ 1,931,851	\$ -	\$ 1,934,954	\$ -	\$ 1,934,954
Securities sold under agreements to repurchase	13,012	-	13,012	-	13,012
Other borrowed funds	7,323	-	7,340	-	7,340
Total	\$ 1,952,186	\$ -	\$ 1,955,306	\$ -	\$ 1,955,306
December 31, 2014					
Carrying Value	Level 1	Level 2	Level 3	Fair Value	
(Dollars in thousands)					
Financial Assets:					
Cash and short term investments	\$ 68,923	\$ 68,923	\$ -	\$ -	\$ 68,923
Available-for-sale securities	187,565	27,035	160,530	-	187,565
Held-to-maturity securities	50,713	-	50,725	-	50,725
Other securities	11,365	11,365	-	-	11,365
Loans held-for-sale	573	573	-	-	573
Loans held for investment	1,799,155	-	-	1,788,454	1,788,454
Real estate acquired by foreclosure	4,863	-	-	4,863	4,863
Total	\$ 2,123,157	\$ 107,896	\$ 211,255	\$ 1,793,317	\$ 2,112,468
Financial Liabilities:					
Deposits	\$ 1,845,713	\$ -	\$ 1,849,281	\$ -	\$ 1,849,281
Securities sold under agreements to repurchase	4,605	-	4,605	-	4,605
Other borrowed funds	47,586	-	47,561	-	47,561
Total	\$ 1,897,904	\$ -	\$ 1,901,447	\$ -	\$ 1,901,447

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19. SUBSEQUENT EVENTS

Share Repurchase Program

On April 30, 2015, Green Bancorp announced the approval of a share repurchase program. Under this program, the Board of Directors has authorized the repurchase of up to \$15 million of the Green Bancorp's common stock from time to time. The amount and timing of any share repurchases will depend upon a variety of factors, including the trading price of the Green Bancorp's common stock, liquidity, securities laws restrictions, other regulatory restrictions, potential alternative uses of capital, and market and economic conditions. No shares have been repurchased by Green Bancorp under this program through the date of this report.

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, 2014.

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 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, Dallas—Fort Worth—Arlington, Austin—Round Rock and Louisville—Jefferson County metropolitan statistical areas as the Houston, Dallas, Austin and Louisville 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 sixteen full service branches in the Houston, Dallas, Austin and Louisville MSAs. The Houston, Dallas and Austin 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 \$2.3 billion as of March 31, 2015 compared with \$2.2 billion as of December 31, 2014, an increase of \$56.5 million or 2.6%. Total deposits were \$1.9 billion as of March 31, 2015 compared with \$1.8 billion as of December 31, 2014, an increase of \$86.1 million or 4.7%. Total loans held for investment were \$1.8 billion at March 31, 2015, an increase of \$11.7 million or 0.6% compared with \$1.8 billion as of December 31, 2014. At March 31, 2015 and December 31, 2014, we had \$6.9 million and \$4.8 million, respectively, in non-accrual loans and our allowance for loan losses was \$17.5 million and \$15.6 million, respectively. Shareholders' equity was \$293.8 million and \$288.4 million at March 31, 2015 and December 31, 2014, respectively. The increases are primarily due to execution of our organic growth strategy and the SharePlus acquisition.

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, 2014. 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 including 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 various factors including our historical loss experience, historical loss experience for peer banks, growth trends, loan concentrations, migration trends between internal loan risk ratings, current economic conditions and other qualitative factors. The other qualitative factors considered may include changes in lending policies and procedures, changes in the experience and ability of lending and credit staff and management, changes in the quality of the loan review system 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. 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 actual three year loss history as a percentage of loans by type. A minimum actual loss factor equal to the average three year loss history for the total loan portfolio is then applied. A peer loss factor is calculated by weighting our actual loss history and that of our peer banks as a percentage of loans by type for the same historical three year period. A peer loss factor is added to increase the allowance if our actual loss history is less than the calculated peer loss factor. Additional factors are evaluated based on our loan growth when compared to prior year growth, loan concentrations in groups of similar loan types, migration in our loans by internal risk grade and the level of monitored and classified loans to capital. Management also evaluates various economic indicators, such as state and national unemployment, initial jobless claims, consumer confidence, natural gas price, GDP and a composite city home price index, to establish an economic 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.

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 accretible 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, 2014, 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 JOBS 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 17, 2014 we acquired SP Bancorp, Inc. and its subsidiary SharePlus Bank (together, “SharePlus”), a Texas chartered state bank headquartered in the Dallas MSA for aggregate cash consideration of \$46.4 million. SharePlus operated as a full-service commercial bank, providing services that include the acceptance of checking and saving deposits and the origination of one- to four-family residential mortgage, mortgage warehouse, commercial real estate, commercial business, home equity, automobile and personal loans. SharePlus’ business consisted primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in loans and securities. As of September 30, 2014 SharePlus had four branches (three in the Dallas MSA and one in Kentucky), \$33.7 million in stockholders’ equity, \$348.7 million in assets, \$280.5 million in deposits and \$248.2 million in loans, and \$204.0 million, or 82.2% of its total loan portfolio was comprised of residential and commercial real estate loans. See “Note 4—Acquisitions” for further information.

Results of Operations

Net income available to common shareholders was \$4.6 million (\$0.18 per common share on a diluted basis) for the quarter ended March 31, 2015 compared with \$3.5 million for the quarter ended March 31, 2014, an increase in net income of \$1.1 million or 33.3%. We experienced returns on average common equity of 6.46% and 7.04%, returns on average assets of 0.85% and 0.82% and efficiency ratios of 60.9% and 61.3% for the quarters ended March 31, 2015 and 2014, respectively. The efficiency ratio is calculated as noninterest expense divided by the sum of net interest income and noninterest income. The improvement in the efficiency ratio was primarily due to increased net interest income and noninterest income.

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.”

Net interest income before the provision for loan losses for the three months ended March 31, 2015 was \$20.5 million compared with \$15.7 million for the three months ended March 31, 2014, an increase of \$4.8 million or 30.9%. The increase in net interest income was primarily due to the increase in average loans outstanding of \$410.2 million, or 29.8%, driven by the SharePlus acquisition and organic loan growth compared to the same period in 2014. Interest income was \$22.7 million for the three months ended March 31, 2015, an increase of \$4.6 million compared with the three months ended March 31, 2014. Interest income on loans was \$21.7 million for the three months ended March 31, 2015, an increase of \$4.7 million or 27.6% compared with the three months ended March 31, 2014 primarily due to the increase in average loans outstanding related to the SharePlus acquisition. Interest income on securities was \$878 thousand for the three months ended March 31, 2015, a decrease of \$151 thousand compared with the three months ended March 31, 2014 primarily due to a 13 basis point decrease in the average yield on the securities portfolio. Average interest-bearing liabilities decreased \$231.4 million for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 and average rate on interest-bearing liabilities decreased from 0.79% to 0.60% for the same time period resulting in an overall decrease in interest expense of \$245 thousand. During the three months ended March 31, 2015, average noninterest-bearing deposits increased \$155.0 million from \$275.6 million during the three months ended March 31, 2014 to \$430.5 million for the three months ended March 31, 2015. Total cost of funds, including noninterest-bearing deposits decreased 18 basis points to 0.46% for the three months ended March 31, 2015 compared to 0.65% for the same period in 2014.

Net interest margin, defined as net interest income divided by average interest-earning assets, for the three months ended March 31, 2015 was 3.93%, an increase of 13 basis points compared with 3.79% for the same period in 2014.

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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 March 31,					
	2015			2014		
	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	\$ 1,784,400	\$ 21,659	4.92 %	\$ 1,374,230	\$ 16,976	5.01 %
Securities	235,946	878	1.51	255,039	1,029	1.64
Other investments	10,435	110	4.28	9,021	78	3.51
Federal funds sold	639	-	-	596	-	-
Interest earning deposits in financial institutions	86,536	55	0.26	36,621	24	0.27
Total interest-earning assets	<u>2,117,956</u>	<u>22,702</u>	<u>4.35 %</u>	<u>1,675,507</u>	<u>18,107</u>	<u>4.38 %</u>
Allowance for loan losses	(15,784)			(16,792)		
Noninterest-earning assets	105,697			69,815		
Total assets	<u>\$ 2,207,869</u>			<u>\$ 1,728,530</u>		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing transaction and savings deposits	\$ 788,020	\$ 682	0.35 %	\$ 603,653	\$ 577	0.39 %
Certificates and other time deposits	639,300	1,474	0.94	572,389	1,810	1.28
Securities sold under agreements to repurchase	15,194	6	0.16	6,234	2	0.13
Other borrowed funds	35,540	24	0.27	64,338	42	0.26
Total interest-bearing liabilities	<u>1,478,054</u>	<u>2,186</u>	<u>0.60 %</u>	<u>1,246,614</u>	<u>2,431</u>	<u>0.79 %</u>
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	430,542			275,584		
Other liabilities	7,599			5,314		
Total liabilities	<u>1,916,195</u>			<u>1,527,512</u>		
Shareholders' equity	291,674			201,018		
Total liabilities and shareholders' equity	<u>\$ 2,207,869</u>			<u>\$ 1,728,530</u>		
Net interest rate spread			3.75 %			3.59 %
Net interest income and margin ⁽¹⁾		<u>\$ 20,516</u>	3.93 %		<u>\$ 15,676</u>	3.79 %

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

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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		
	March 31,		
	2015 vs. 2014		
	Increase (Decrease)		Total
	Due to Change in		
	Volume	Rate	
	(Dollars in thousands)		
Interest-Earning assets:			
Loans, including fees	\$ 5,067	\$ (384)	\$ 4,683
Securities	(77)	(74)	(151)
Other investments	12	20	32
Federal funds sold	-	-	-
Interest-earning deposits in financial institutions	33	(2)	31
Total increase (decrease) in interest income	5,035	(440)	4,595
Interest-bearing liabilities:			
Interest-bearing transaction and savings deposits	\$ 176	\$ (71)	\$ 105
Certificates and other time deposits	212	(548)	(336)
Securities sold under agreements to repurchase	3	1	4
Other borrowings	(19)	1	(18)
Total increase (decrease) in interest expense	372	(617)	(245)
Increase (decrease) in net interest income	\$ 4,663	\$ 177	\$ 4,840

Provision for loan losses

Our provisions 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 March 31, 2015 was \$17.5 million, representing 0.97% of total loans as of such date.

We recorded \$1.5 million in provision for loan losses for the three months ended March 31, 2015 compared with \$1.2 million for the same period in 2014. Net recoveries for the three months ended March 31, 2015 were \$432 thousand compared with net charge-offs of \$2.5 million for the three months ended March 31, 2014. This increase reflected a decrease in gross charge-offs from \$2.5 million to \$182 thousand for the three months ended March 31, 2015 and 2014, respectively, and an increase in recoveries from \$54 thousand to \$614 thousand for the three months ended March 31, 2015 and 2014, respectively.

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 March 31, 2015, noninterest income totaled \$2.1 million, an increase of \$478 thousand or 29.7% compared with the three months ended March 31, 2014. This increase was primarily due to a \$332 thousand, or 62.5%, increase in customer service fees, a \$215 thousand, or 50.0%, increase in gain on sale of the government guaranteed portion of certain loans, offset by a \$179 thousand, or 32.5%, decrease in miscellaneous loan fees.

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

	For the Three Months Ended March 31,	
	2015	2014
(Dollars in thousands)		
Customer service fees	\$ 863	\$ 531
Loan fees	371	550
Gain on sale of guaranteed portion of loans	645	430
Gain on sale of loans held-for-sale, net	75	-
Other	131	96
Total noninterest income	<u>\$ 2,085</u>	<u>\$ 1,607</u>

Noninterest Expense

For the three months ended March 31, 2015, noninterest expense totaled \$13.8 million, an increase of \$3.2 million or 29.8% compared with the three months ended March 31, 2014. The increase was primarily due to a \$1.8 million increase in salaries and employee benefits resulting from increased staffing, increased compensation due to our portfolio banker compensation program and general merit compensation increases. Additionally, \$687 thousand increase in professional fees, \$327 thousand increase in occupancy expenses and \$256 thousand increase in data processing, primarily due to the Share Plus acquisition, contributed to the increase in noninterest expense comparing the quarter ended March 31, 2015 to the same period in 2014.

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

	For the Three Months Ended March 31,	
	2015	2014
(Dollars in thousands)		
Salaries and employee benefits ⁽¹⁾	\$ 8,757	\$ 6,931
Non-staff expenses:		
Occupancy	1,460	1,133
Professional and regulatory fees	1,467	780
Data processing	644	388
Software license and maintenance	362	315
Marketing	148	172
Loan related	109	117
Real estate acquired by foreclosure, net	13	169
Other	796	592
Total noninterest expense	<u>\$ 13,756</u>	<u>\$ 10,597</u>

(1) Total salaries and employee benefits include stock based compensation expense of \$121 thousand and \$49 thousand for the three months ended March 31, 2015 and 2014, 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 60.9% for the three months ended March 31, 2015, compared with 61.3% for the three months ended March 31, 2014. The decrease was primarily due to increased net interest income and noninterest income.

Income Taxes

Income tax expense increased \$716 thousand, or 36.3% to \$2.7 million for the three months ended March 31, 2015, compared with \$2.0 million for the same period in 2014. The increases were primarily attributable to higher pre-tax net earnings for the three

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months ended March 31, 2015 compared with the same period in 2014. The effective income tax rate for the three months ended March 31, 2015 and 2014 was 36.7% and 36.2%, respectively.

Financial Condition

Loan Portfolio

At March 31, 2015, total loans were \$1.8 billion, an increase of \$12.1 million or 0.7% compared with December 31, 2014. This increase was primarily due to the execution of our growth strategy and the continued strength of our target markets. At March 31, 2015 and December 31, 2014, \$939 thousand and \$573 thousand of loans were classified as held-for-sale, respectively.

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

	March 31, 2015		December 31, 2014	
	Amount	Percent	Amount	Percent
(Dollars in thousands)				
Commercial & industrial	\$ 744,380	41.1 %	\$ 788,410	43.8 %
Real Estate:				
Owner occupied commercial real estate	166,604	9.2	163,592	9.1
Commercial real estate	367,071	20.3	339,006	18.8
Construction, land & land development	273,125	15.1	240,666	13.4
Residential mortgage	249,591	13.7	257,066	14.3
Consumer and Other	10,071	0.6	10,415	0.6
Total loans held for investment	\$ 1,810,842	100.0 %	\$ 1,799,155	100.0 %
Total loans held-for-sale	\$ 939	100.0 %	\$ 573	100.0 %

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 \$9.3 million in nonperforming loans at March 31, 2015, compared with \$7.1 million at December 31, 2014. The ratio of nonperforming loan to total loans was 0.51% at March 31, 2015 compared with 0.40% at December 31, 2014.

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:

	March 31, 2015	December 31, 2014
(Dollars in thousands)		
Nonaccrual loans	\$ 3,789	\$ 2,127
Accruing loans 90 or more days past due	7	16
Restructured loans—nonaccrual	3,113	2,717
Restructured loans—accrual	2,390	2,257
Total nonperforming loans	\$ 9,299	\$ 7,117

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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 March 31, 2015 was \$17.5 million, representing 0.97% of total loans, compared with \$15.6 million, or 0.87% of total loans, at December 31, 2014. 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 Three Months Ended	
	March 31,	
	2015	2014
	(Dollars in thousands)	
Average loans outstanding ⁽¹⁾	\$ 1,783,456	\$ 1,374,230
Total loans outstanding at end of period ⁽¹⁾	1,810,842	1,404,275
Allowance for loan losses at beginning of period	15,605	16,361
Provision for loan losses	1,505	1,223
Charge-offs:		
Commercial and industrial	(77)	(1,239)
Consumer and Other	(105)	(1,281)
Total charge-offs	(182)	(2,520)
Recoveries:		
Commercial and industrial	597	50
Commercial real estate	1	1
Residential mortgage	12	3
Consumer and Other	4	1
Total recoveries	614	55
Net recoveries (charge-offs)	432	(2,465)
Allowance for loan losses at end of period	\$ 17,542	\$ 15,119
Ratio of allowance to end of period loans	0.97 %	1.08 %
Ratio of net charge-offs to average loans	(0.02)%	0.18 %

(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

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- 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 increased the qualitative factors utilized in the allowance methodology to recognize the increased risk profile as a result of the economic uncertainties primarily driven by the decline in oil prices. We believe that the allowance for loan losses at March 31, 2015 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 March 31, 2015.

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 March 31, 2015, the carrying amount of investment securities totaled \$228.0 million, a decrease of \$10.2 million or 4.3% compared with \$238.3 million at December 31, 2014. At March 31, 2015, securities represented 10.1% of total assets compared with 10.8% at December 31, 2014.

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

	March 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	\$ 55,049	\$ 78	\$ (5)	\$ 55,122
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	94,716	2,445	(28)	97,133
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	27,893	72	(182)	27,783
Total	\$ 177,658	\$ 2,595	\$ (215)	\$ 180,038
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	\$ 15,650	\$ 493	\$ (83)	\$ 16,060
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	32,347	137	(182)	32,302
Total	\$ 47,997	\$ 630	\$ (265)	\$ 48,362

	December 31, 2014			
	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	\$ 57,108	\$ 21	\$ (85)	\$ 57,044
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	100,002	2,022	(108)	101,916
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	28,821	74	(290)	28,605
Total	\$ 185,931	\$ 2,117	\$ (483)	\$ 187,565
Held-to-maturity:				
Mortgage-backed securities issued by U.S. government agencies or sponsored enterprises	\$ 16,823	\$ 485	\$ (123)	\$ 17,185
Collateralized mortgage obligations issued by U.S. government agencies or sponsored enterprises	33,890	87	(437)	33,540
Total	\$ 50,713	\$ 572	\$ (560)	\$ 50,725

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 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 March 31, 2015, 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 March 31, 2015, 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 March 31, 2015, 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 in the first three months of March 31, 2015 or the 2014 fiscal year.

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Deposits

Total deposits at March 31, 2015 were \$1.9 billion, an increase of \$86.1 million, or 4.7%, compared to \$1.8 billion at December 31, 2014, due to an increase in noninterest bearing demand deposits of \$27.2 million, an increase in interest-bearing transaction and savings accounts of \$32.0 million and an increase in certificates and other time deposits of \$27.1 million. Noninterest bearing deposits at March 31, 2015 were \$459.1 million compared with \$431.9 million at December 31, 2014, an increase of \$27.2 million or 6.3%. Interest bearing deposits at March 31, 2015 were \$1.5 billion an increase of \$59.0 million or 4.2% compared with December 31, 2014.

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

	Three Months Ended March 31,			
	2015		2014	
	Average Balance	Average Rate	Average Balance	Average Rate
(Dollars in thousands)				
Interest-bearing transaction deposits	\$ 135,727	0.11 %	\$ 75,770	0.22 %
Money market and savings deposits	652,293	0.40	527,883	0.41
Certificates and other time deposits	639,300	0.94	572,389	1.28
Total interest-bearing deposits	\$ 1,427,320	0.61	\$ 1,176,042	0.82
Noninterest-bearing deposits	430,542	-	275,584	-
Total deposits	<u>\$ 1,857,862</u>	0.47 %	<u>\$ 1,451,626</u>	0.67 %

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.

	March 31, 2015	December 31, 2014
(Dollars in thousands)		
Federal Home Loan Bank advances	\$ 7,323	\$ 47,586
Repurchase agreements	13,012	4,605
Total	<u>\$ 20,335</u>	<u>\$ 52,191</u>

FHLB advances—We have an available borrowing arrangement with the FHLB, which allows the Company to borrow on a collateralized basis. At March 31, 2015 and December 31, 2014, total borrowing capacity of \$483.8 million and \$367.2 million, respectively, was available under this arrangement. At March 31, 2015 and December 31, 2014, \$7.3 million and \$47.6 million was outstanding with an average interest rate of 0.83% and 0.25%, respectively. All of the Company's FHLB advances mature within eight years. These borrowings are collateralized by a blanket lien on certain real estate 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 March 31, 2015 and December 31, 2014, \$367.0 million, \$377.3 million, respectively, were available under this arrangement and no borrowings were outstanding.

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Federal Funds Purchased—We have available federal funds lines of credit with our correspondent banks. As of March 31, 2015 and December 31, 2014, there were no federal funds purchased outstanding.

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 three months ended March 31, 2015 and the 2014 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 March 31, 2015, we had outstanding \$513.2 million in commitments to extend credit and \$3.8 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 March 31, 2015, we had no exposure to future cash requirements associated with known uncertainties or capital expenditures of a material nature.

As of March 31, 2015, we had cash and cash equivalents of \$129.1 million, an increase of \$60.2 million compared with \$69.0 million as of December 31, 2014.

Contractual Obligations

The following table summarizes our contractual obligations and other commitments to make future payments as of March 31, 2015 (other than securities sold under repurchase agreements). The Company's future cash payments associated with its contractual obligations pursuant to its certificates and other time deposits, Federal Home Loan Bank advances including interest, and operating leases, as of the date indicated are as follows:

	March 31, 2015				Total
	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	
(Dollars in thousands)					
Certificates and other time deposits	\$ 383,667	\$ 205,372	\$ 74,412	\$ -	\$ 663,451
Federal Home Loan Bank advances	3,750	1,158	2,077	556	7,541
Operating leases	1,251	2,416	1,491	2,023	7,181
Total	\$ 388,668	\$ 208,946	\$ 77,980	\$ 2,579	\$ 678,173

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.

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Our commitments associated with outstanding standby and commercial letters of credit and commitments to extend credit expiring by period as of March 31, 2015 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:

	March 31, 2015				
	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	\$ 158,446	\$ 179,717	\$ 99,475	\$ 75,576	\$ 513,214
Standby and commercial letters of credit	3,707	69	-	-	3,776
Total	\$ 162,153	\$ 179,786	\$ 99,475	\$ 75,576	\$ 516,990

Capital Resources

Total shareholders' equity was \$293.8 million at March 31, 2015, an increase of \$5.4 million or 1.9% compared with \$288.4 million at December 31, 2014. The increase was the result of retained earnings of \$4.6 million for the three month period and an increase in the value of available for sale securities recognized in other accumulated comprehensive earnings of \$485 thousand.

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 Common Equity Tier 1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define Common Equity Tier 1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to Common Equity Tier 1 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 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 March 31, 2015 and December 31, 2014 to the minimum and well capitalized regulatory standards:

	March 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)	\$ 277,937	13.9 %	\$ 160,359	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	260,148	13.0	120,269	6.0	N/A	N/A
Common equity tier 1 capital ⁽²⁾	260,148	13.0	90,202	4.5	N/A	N/A
Tier I capital (to average assets)	260,148	12.0	87,032	4.0	N/A	N/A
The Bank⁽²⁾:						
Total capital (to risk weighted assets)	\$ 268,912	13.4 %	\$ 160,178	8.0 %	\$ 200,223	10.0 %
Tier 1 capital (to risk weighted assets)	251,123	12.5	120,134	6.0	160,178	8.0
Common equity tier 1 capital ⁽³⁾	251,123	12.5	90,100	4.5	130,145	6.5
Tier I capital (to average assets)	251,123	11.6	86,705	4.0	108,381	5.0

	December 31, 2014					
	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)	\$ 268,770	14.0 %	\$ 154,052	8.0 %	N/A	N/A
Tier 1 capital (to risk weighted assets)	252,963	13.1	77,026	4.0	N/A	N/A
Tier I capital (to average assets)	252,963	12.1	84,003	4.0	N/A	N/A
The Bank⁽²⁾:						
Total capital (to risk weighted assets)	\$ 259,313	13.5 %	\$ 153,867	8.0 %	\$ 192,334	10.0 %
Tier 1 capital (to risk weighted assets)	243,506	12.7	76,934	4.0	115,400	6.0
Tier I capital (to average assets)	243,506	11.6	83,738	4.0	104,673	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.
- (3) Common equity tier 1 capital ratio is a new ratio required under the Basel III Capital Rules effective January 1, 2015.

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, 2014 "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 March 31, 2015 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.

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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, 2014.

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

(a) None.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
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: May 15, 2015

/s/ Manuel J. Mehos
Manuel J. Mehos
Chairman and Chief Executive Officer

Date: May 15, 2015

/s/ John P. Durie
John P. Durie
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Manuel J. Mehos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Green Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2015

/s/ Manuel J. Mehos
Manuel J. Mehos
Chairman and Chief Executive Officer

**Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Green Bancorp, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Manuel J. Mehos, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and operating results of the Company.

Date: May 15, 2015

/s/ Manuel J. Mehos
Manuel J. Mehos
Chairman and Chief Executive Officer

**Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Green Bancorp, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Durie, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and operating results of the Company.

Date: May 15, 2015

/s/ John P. Durie
John P. Durie
Executive Vice President and Chief Financial Officer
