



# **ViewPoint** **Financial Group, Inc.**

**NASDAQ: VPFG**

**Acquisition of Highlands Bancshares, Inc.**

**Announcement of New CEO**

**Approval of National Bank Charter**

**James McCarley** – Chairman of the Board of Directors

**Gary Base** – President and Chief Executive Officer

**Patti McKee** – Executive Vice President and Chief Financial Officer

# Safe Harbor Statement

When used in this presentation, in filings by the Company with the Securities and Exchange Commission (the “SEC”) in the Company’s press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “intends” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including, among other things, the expected cost savings, synergies and other financial benefits from the ViewPoint-Highlands merger might not be realized within the expected time frames or at all and costs or difficulties relating to integration matters might be greater than expected, the requisite regulatory approvals and the approval of the shareholders of Highlands might not be obtained or other conditions to completion of the merger set forth in the merger agreement might not be satisfied or waived, changes in economic conditions, legislative changes, changes in policies by regulatory agencies, fluctuations in interest rates, the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses, the Company’s ability to access cost-effective funding, fluctuations in real estate values and both residential and commercial real estate market conditions, demand for loans and deposits in the Company’s market area, the industry-wide decline in mortgage production, competition, changes in management’s business strategies and other factors set forth in the Company’s filings with the SEC.

The Company does not undertake – and specifically declines any obligation – to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. ViewPoint Financial Group, Inc. will be filing with the SEC a registration statement on Form S-4 concerning the merger. The registration statement will include a proxy statement/prospectus, which will be sent to the shareholders of Highlands Bancshares, Inc. **INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE MERGER BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors will be able to obtain these documents free of charge at the SEC’s website ([www.sec.gov](http://www.sec.gov)). In addition, documents filed with the SEC by ViewPoint will be available free of charge by accessing ViewPoint’s website ([www.viewpointfinancialgroup.com](http://www.viewpointfinancialgroup.com), under “SEC Filings”) or by contacting Patti McKee (972) 578-5000, Ext. 7223. The directors, executive officers and certain other members of management and employees of ViewPoint may be deemed to be participants in the solicitation of proxies in favor of the merger from the shareholders of Highlands Bancshares, Inc. Information about the directors and executive officers of ViewPoint is included in the proxy statement for its 2011 annual meeting of shareholders, which was filed with the SEC on April 18, 2011. The directors, executive officers and certain other members of management and employees of Highlands may also be deemed to be participants in the solicitation of proxies in favor of the merger from the shareholders of Highlands. Information about the directors and executive officers of Highlands will be included in the proxy statement/prospectus for the merger.

# Transaction Summary

- ❑ Strategic, in-market acquisition
  - ✓ Business banking model to expand ViewPoint's existing commercial division
  - ✓ \$508m of assets; 6 bank offices; 4 in high-income areas of D/FW MSA
- ❑ Significant C&I loan franchise with good credit metrics
  - ✓ 27% C&I component to loan composition
  - ✓ 20% non-interest bearing deposits
  - ✓ 1.11% NPAs/Assets
- ❑ Earnings accretive, all-stock transaction
  - ✓ 11% earnings accretive for first full year, excluding transaction costs
  - ✓ Minimal TBV dilution; recaptured in approximately 4 years
  - ✓ Pro forma TCE approximately 13% to support further growth
  - ✓ Anticipate full recapture of Highlands' deferred tax asset and reversal of valuation allowance
- ❑ Experienced CEO to continue successful expansion of ViewPoint franchise

Source: SNL Financial

# Transaction Overview

## Consideration

- ❑ 100% Stock Transaction; approximately 5.5 million shares issued

## Transaction Value

- ❑ Approximately \$71.0 million; assuming \$12.88 stock price for VPFG

## Deal Pricing Multiples

- ❑ 1.18x Price/ Tangible Book Value
- ❑ Approximately 3.58% Core Deposit Premium

## Pro Forma Board Composition

- ❑ Two seats offered to Highlands (including new CEO); nine total board members

## Due Diligence

- ❑ Completed

## Required Approval

- ❑ Highlands shareholder and customary regulatory approvals

## Anticipated Closing

- ❑ Early 2012





# Attractive Demographics: Strengthening Dallas Franchise

Highlands Dallas Branch Demographics & Market Share				
Zip Code	Branches	Jun. 30, 2011 Deposits (\$mm)	Jun. 30, 2011 Market Share (%)	Dec. 31, 2010 Median Household Income (\$)
75225	1	\$158.7	3.84	\$103,717
75205	1	\$37.5	2.08	\$79,494
75230	2	\$33.3	2.19	\$66,390
<b>Total</b>	<b>4</b>	<b>\$229.5</b>		<b>\$94,345</b>
			VPFG Total Franchise	\$83,278

Deposit Market Share: Collin & Dallas Counties <sup>1</sup>				
Rank	Institution	Branches	Jun. 30, 2011 Deposits In Market (\$mm)	Jun. 30, 2011 Market Share (%)
1	Comerica Inc.	47	3,837	14.8
2	Texas Capital Bancshares Inc.	6	3,142	12.1
	<b>Pro Forma</b>	<b>26</b>	<b>2,372</b>	<b>9.2</b>
3	Beal Financial Corp.	4	2,208	8.5
4	ViewPoint Financial Group Inc.	22	2,142	8.3
5	PlainsCapital Corp.	7	1,571	6.1
6	Independent Bankers Financial Corp.	1	1,153	4.4
7	LegacyTexas Group Inc.	13	1,104	4.3
8	Inwood Bancshares Inc.	12	1,070	4.1
9	North Dallas Bank & Trust Co.	6	994	3.8
10	SWS Group Inc.	3	991	3.8
23	Highlands Bancshares Inc.	4	230	0.9

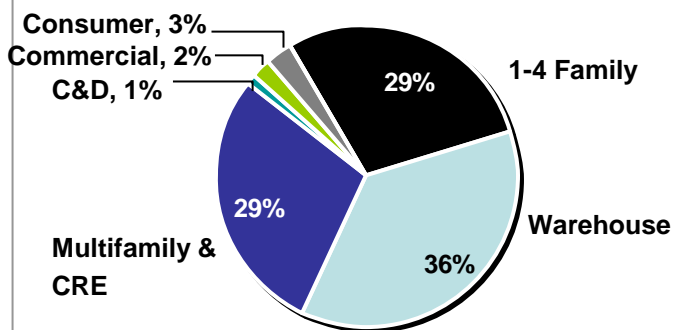
<sup>1</sup>Includes only banks & thrifts headquartered in Collin & Dallas Counties

Source: SNL Financial

# Accelerates Commercial Banking Platform\*

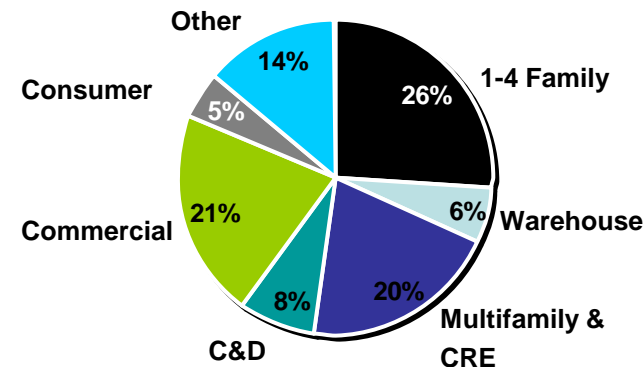
- ★ Strong C&I lending platform and team
- ★ Doubles C&I loans
- ★ Attractive loan yields

**ViewPoint – Loans as of 3Q'11: \$1,857mm**



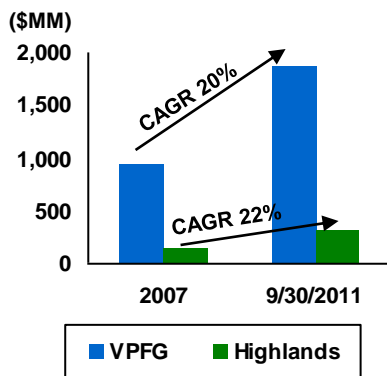
**Loan Yield: 5.66%**

**Highlands – Loans as of 3Q'11: \$296mm**

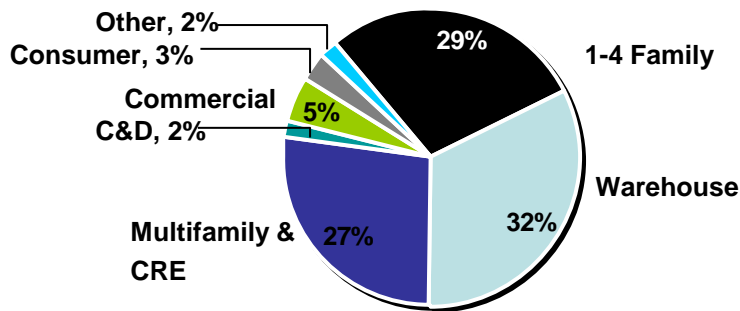


**Loan Yield: 6.23%**

**Strong Loan Growth**



**Pro Forma – Loans of \$2,153mm**



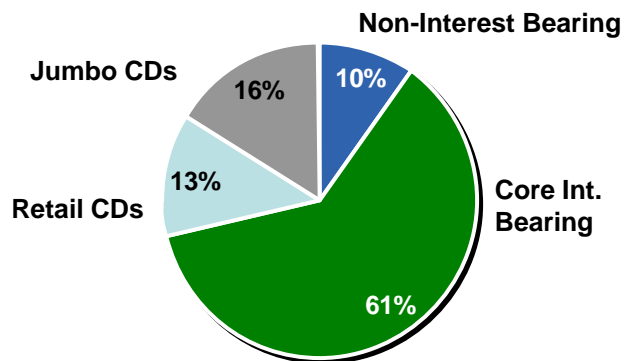
**Loan Yield: 5.75%**

Source: SNL Financial  
\*ViewPoint based on GAAP data and Highlands based on regulatory data.

# Attractive Deposit Mix\*

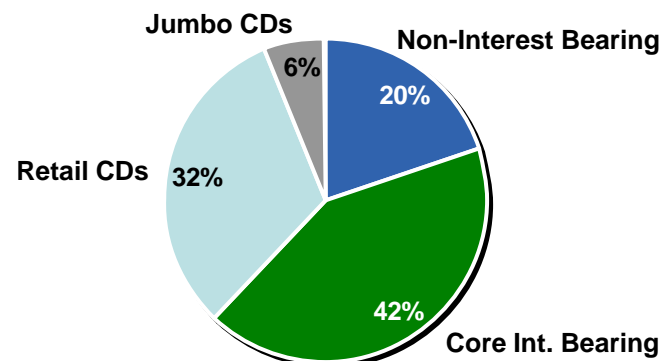
- ☆ Attractive, low-cost deposits
- ☆ Significant non-interest bearing deposits
- ☆ 81% of Highlands' CDs mature in less than 12 months (average rate of 1.70%)

**ViewPoint – Deposits at 3Q'11: \$2,074mm**



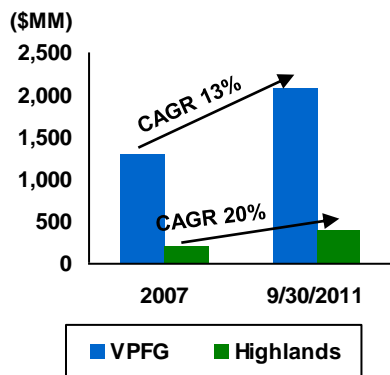
Cost of Deposits: 1.10%

**Highlands – Deposits at 3Q'11: \$381mm**

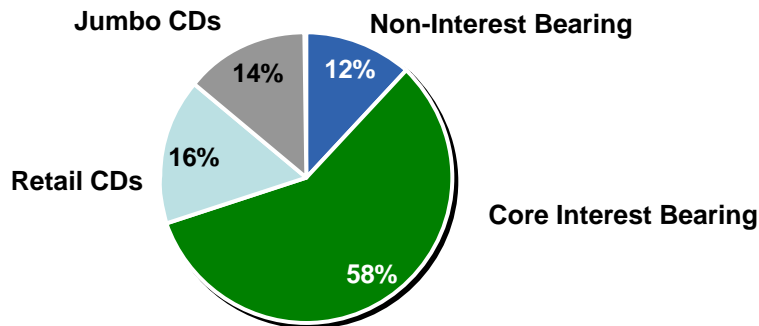


Cost of Deposits: 0.94%

**Significant Deposit Growth**



**Pro Forma – Deposits of \$2,455mm**



Cost of Deposits: 1.08%

Source: SNL Financial  
\*Based on regulatory data.



# Detailed Due Diligence Process

- ❑ Comprehensive review of all operations and business lines
- ❑ Extensive loan production / underwriting / credit review
  - ✓ 60% of commercial portfolio review
  - ✓ All criticized loans over \$500,000 were reviewed
  - ✓ Pre-tax Credit mark of \$9.4 million (3.2% of gross loans)
- ❑ Third party review of value of deferred tax assets
  - ✓ Anticipate full reversal of current valuation allowance - \$5.8 million

# Pro Forma Financial Impact of Transaction

## □ Assumptions

- ✓ Anticipated cost savings of 26% in 2012
- ✓ \$4.9 million in core deposit intangibles; 8 year, sum-of-year's amortization method
- ✓ \$8.8 million net, estimated after-tax fair market value adjustments
- ✓ \$3.5 million in after-tax one time transaction related expenses

Est. TBV Dilution (%) at closing	3%
Est. TBV Dilution Earn-back Period*	~ 4 Years
First Full Year Earnings Accretion	11.6%
Pro Forma TCE/TA**	12.1%
Pro Forma Bank Level Total RBC Ratio**	16.4%

\* Excludes potential revenue synergies

\*\*Ratios are pro forma September 30, 2011 for the incremental impact of pro forma adjustments anticipated at closing

# Experienced CEO to Continue Successful Expansion of ViewPoint Franchise

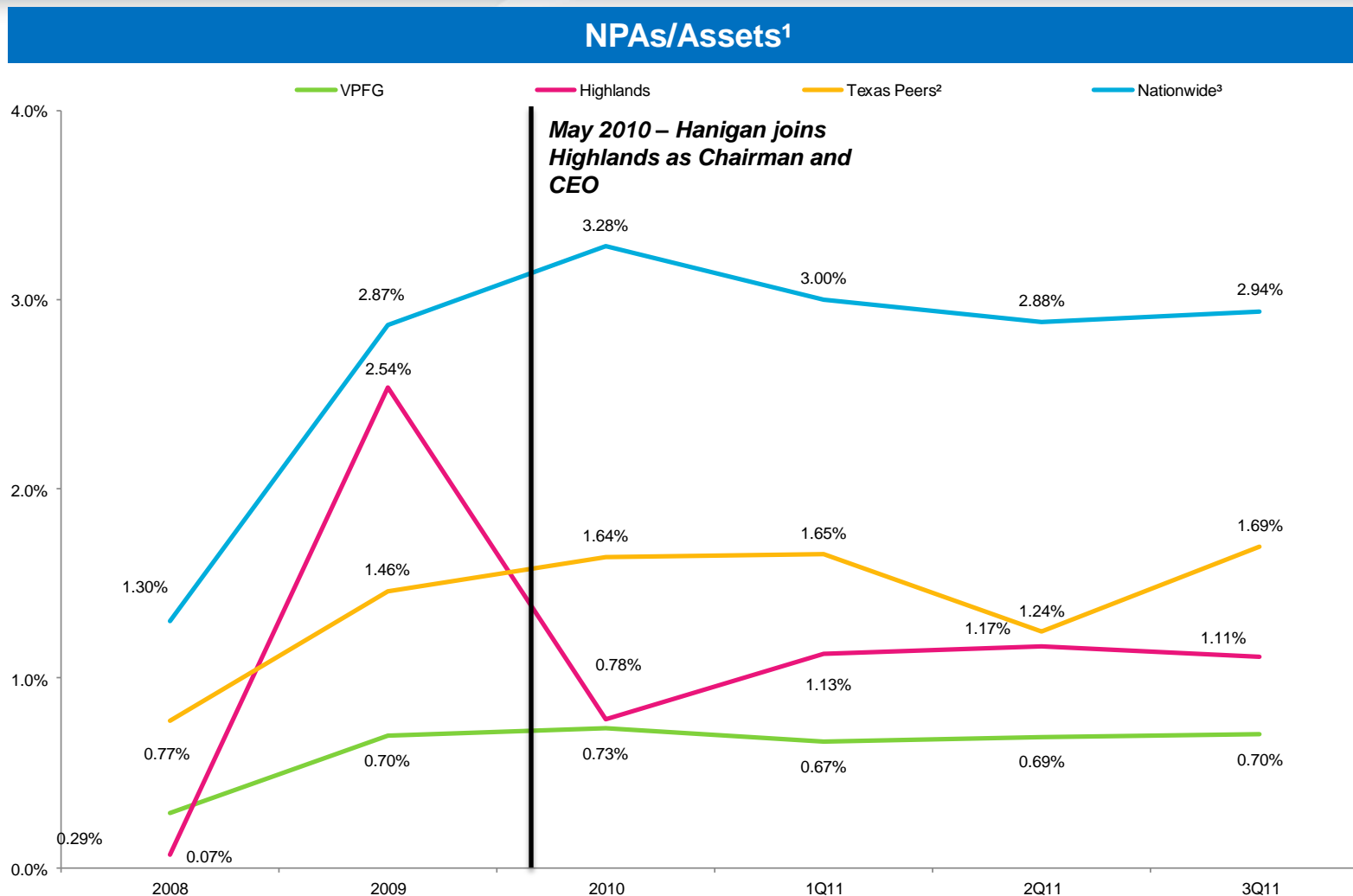
## Kevin Hanigan, Highlands CEO to become ViewPoint CEO upon Closing

- ✓ 30+ Years of Experience in Texas Banking
- ✓ At Highlands (2010-present):
  - Raised significant capital from prominent local investors
  - Disposed of underperforming assets
  - Returned Highlands to profitability
  - Improved Highlands' standing with banking regulators
- ✓ Led C&I Lending and 163-branch retail division of \$14 billion asset Guaranty Bank
  - Joined Guaranty Bank in December 1996
  - Grew C&I commitments to \$4 billion (traditional C&I and Oil and Gas)
  - Asked by Major Shareholders and Regulators to assume CEO role
- ✓ Head of Commercial Banking at MBank

# Summary of Transaction

- ❑ Acquisition of strategically accretive business bank in Dallas marketplace
- ❑ Financially attractive multiple for metropolitan Texas franchise
- ❑ Reasonable payback period assuming conservative structure and cost savings estimates
- ❑ Pro forma capital still very strong to allow for organic and strategic growth
- ❑ Incoming CEO has proven track record in building C&I business and improving profitability

# Highlands and VPFG Historical Performance

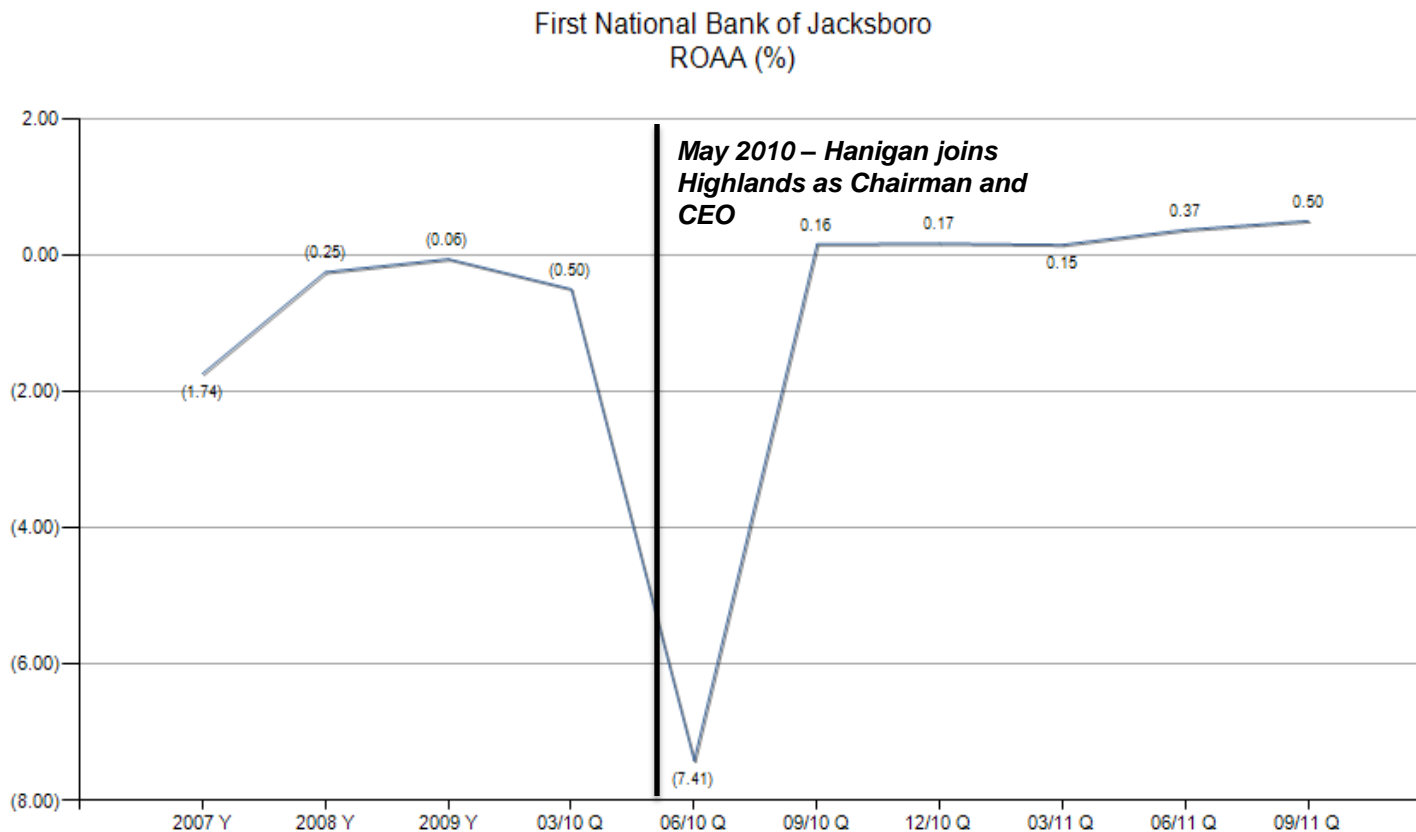


- (1) Non-performing asset balances include performing, troubled debt restructurings
  - (2) Texas Peers include: EBTX, FFIN, MCBI, NODB, OABC, PRSP, SBSI, TCBI
  - (3) Nationwide Peers include public U.S. depositories with assets between \$2 billion and \$5 billion
- Source: SNL Financial



# Highlands Historical Financial Performance

**Since Hanigan's appointment as CEO in May 2010, Highlands has improved asset quality and returned to profitability and growth.**



Bank level data  
Source: SNL Financial

# Questions?

# Appendix: Overview of Highlands Franchise

- ❑ Highlands Bancshares, Inc. is a privately owned bank holding company with a local Texas investor base and is headquartered in the demographically attractive Preston Center area of Dallas.
- ❑ The bank has successfully grown the commercial banking line of business by hiring an experienced commercial lending team and developing treasury management services and products to support this strategic line of business.
- ❑ Highlands maintains a strong balance sheet with sound asset quality and well capitalized equity position.
- ❑ Highlands has strong core customer base resulting in significant growth in transaction rich core deposits over the last several years.
- ❑ The bank has maintained a 120 year old OCC charter and prides itself with strong control culture and enjoys a solid relationship with the regulatory community.

# Appendix: Highlands Historical Financials

Dollar Value in Thousands	As of December 31,				For nine months ending
	2007	2008	2009	2010	
<b>Balance Sheet</b>					
Total Assets	\$ 311,937	\$ 488,155	\$ 455,314	\$ 475,843	\$ 507,589
Gross Loans	\$ 139,857	\$ 277,820	\$ 274,187	\$ 266,608	\$ 296,250
Deposits	\$ 193,157	\$ 283,331	\$ 353,162	\$ 352,756	\$ 381,078
<b>Summary Income Statement</b>					
Net Interest Income	\$ 6,760	\$ 11,676	\$ 11,917	\$ 13,122	\$ 10,457
Provision Expense	\$ 916	\$ 2,674	\$ 2,518	\$ 2,649	\$ 160
Non Interest Income	\$ 1,217	\$ 3,884	\$ 5,040	\$ (4,988)	\$ 1,135
Operating Expense	\$ 10,703	\$ 13,907	\$ 14,735	\$ 13,779	\$ 10,197
Net Income before tax	\$ (3,642)	\$ (1,021)	\$ (296)	\$ (8,294)	\$ 1,235

Bank level data  
Source: SNL Financial

# Appendix: Credit Metrics

## ❑ Five-year historical credit metrics

	As of December 31,				For nine months ending
	2007	2008	2009	2010	
<b>Highlands*</b>					
NPL/Loans	0.00	0.11	3.57	0.77	1.26
NPA/ Assets	0.00	0.07	2.54	0.78	1.11
NCO/ to Avg Loans	0.11	0.17	0.72	0.93	0.21
Reserves to Loans	1.12	1.39	1.56	1.68	1.42

\*Bank level data  
Source: SNL Financial