



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

**NASDAQ: VPFG**

**2012 Earnings**

**Kevin Hanigan** – President and Chief Executive Officer

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

# Safe Harbor Statement

Certain matters discussed on this call may contain forward-looking statements, which are subject to risks and uncertainties. A number of factors, many of which are beyond ViewPoint Financial Group, Inc.'s control, could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These risks and uncertainties include the risk of adverse impacts from general economic conditions, competition, interest rate sensitivity and exposure to regulatory and legislative changes. These and other factors that could cause results to differ materially from those described in the forward-looking statements can be found in our annual report on Form 10-K for the year ended December 31, 2012, and in other filings made by ViewPoint Financial Group, Inc. with the Securities and Exchange Commission.

# Corporate & Geographic Overview

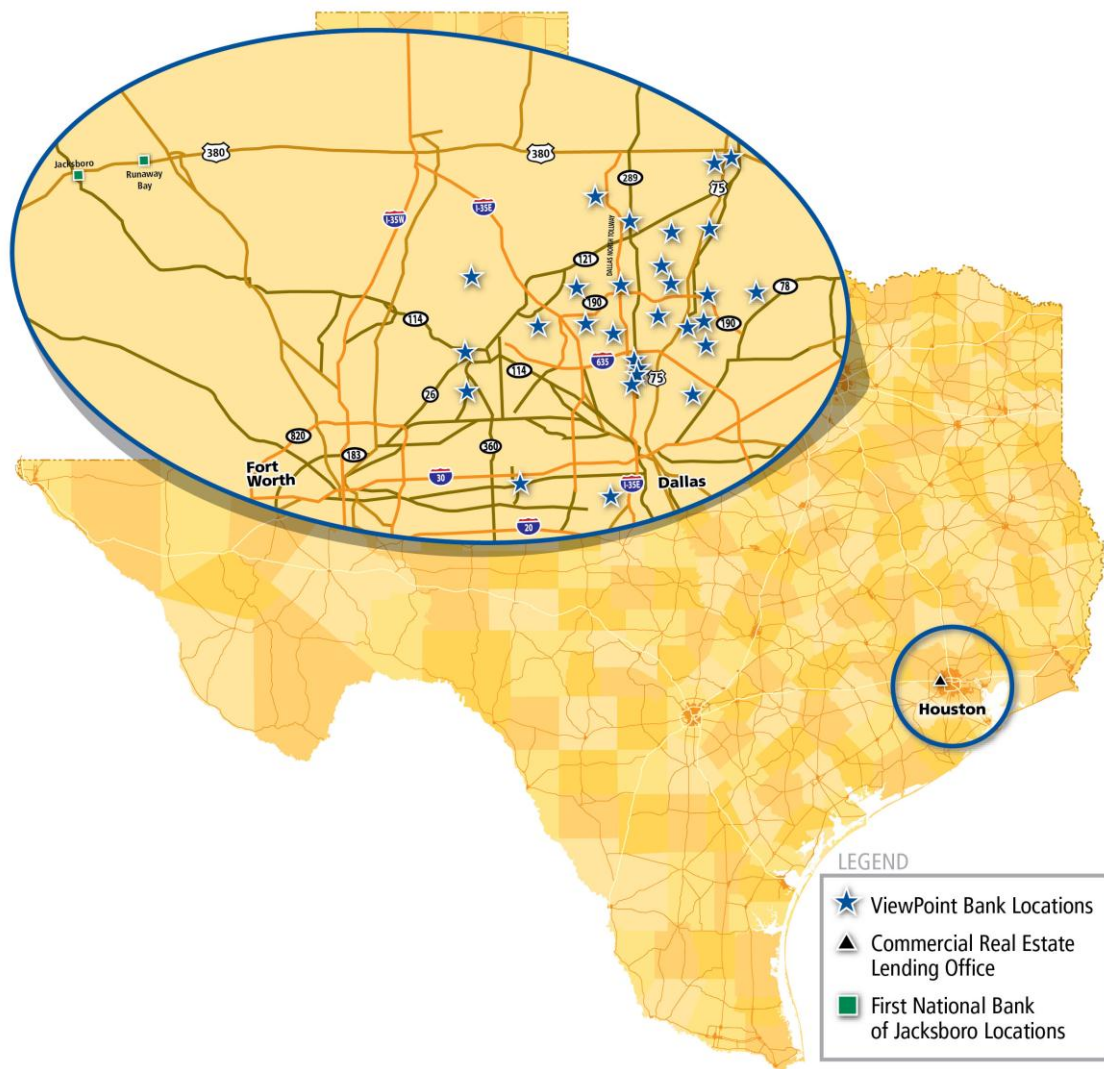
Total Assets: **\$3.66 billion<sup>1</sup>**  
Total Net Loans: **\$2.73 billion<sup>1</sup>**  
Total Deposits: **\$2.18 billion<sup>1</sup>**

## 31 Community Bank Locations

**60 years** in Texas market

**#1 in deposit market share** in the affluent Collin County market of those banks based in Texas <sup>2</sup>

**Ranked #4** in deposit market share among Texas-based community banks in DFW Metroplex<sup>2</sup>



Source: VPFG 10-K for 2012, Company documents

<sup>1</sup> As of December 31, 2012

<sup>2</sup> FDIC market share data as of June 2012

# Attractive Demographics: Strengthening Dallas Franchise

ViewPoint Bank has a wealthy depositor base and compares favorably to Texas peers.

## Texas Banks Ranked by Projected Income of Depositor Base

Company (ranked by 2011 HH)	Ticker	City	Median household income of depositor base - 2011*	Median household income of depositor base - projected 2016*
ViewPoint Financial Group Inc	VPFG	Plano	\$69,671	\$75,783
MetroCorp Bancshares Inc.	MCBI	Houston	\$56,602	\$64,629
Comerica Inc.	CMA	Dallas	\$55,245	\$63,747
OmniAmerican Bancorp Inc.	OABC	Fort Worth	\$55,027	\$62,087
Texas Capital Bancshares Inc.	TCBI	Dallas	\$51,840	\$59,051
Cullen/Frost Bankers Inc.	CFR	San Antonio	\$49,981	\$57,822
Prosperity Bancshares Inc.	PB	Houston	\$46,719	\$54,295
First Financial Bankshares	FFIN	Abilene	\$41,671	\$49,143
Southside Bancshares Inc.	SBSI	Tyler	\$41,555	\$51,269
Guaranty Bancshares Inc.	GNTY	Mount Pleasant	\$37,502	\$43,911
International Bancshares Corp.	IBOC	Laredo	\$35,790	\$42,159

ViewPoint Bank is ranked #1 in deposit market share in Collin County of banks based in Texas.

## Deposit Market share: Collin County<sup>1</sup>

Rank	Institution	Branches	June 30, 2012 Deposits In Market (\$mm)	June 30, 2012 Market share (%)
1	ViewPoint Bank, National Association	12	1,243	8.5
2	LegacyTexas Bank	9	1,049	7.1
3	Independent Bank	10	467	3.2
4	The American National Bank of Texas	4	324	2.2
5	Comerica Bank	8	274	1.9
6	North Dallas Bank and Trust Co.	2	268	1.8
7	Benchmark Bank	1	219	1.5
8	Texas Capital Bank, National Association	1	212	1.4

<sup>1</sup> Includes only banks and thrifts headquartered in Texas

Source: SNL Financial and the FDIC

# Business Strategy

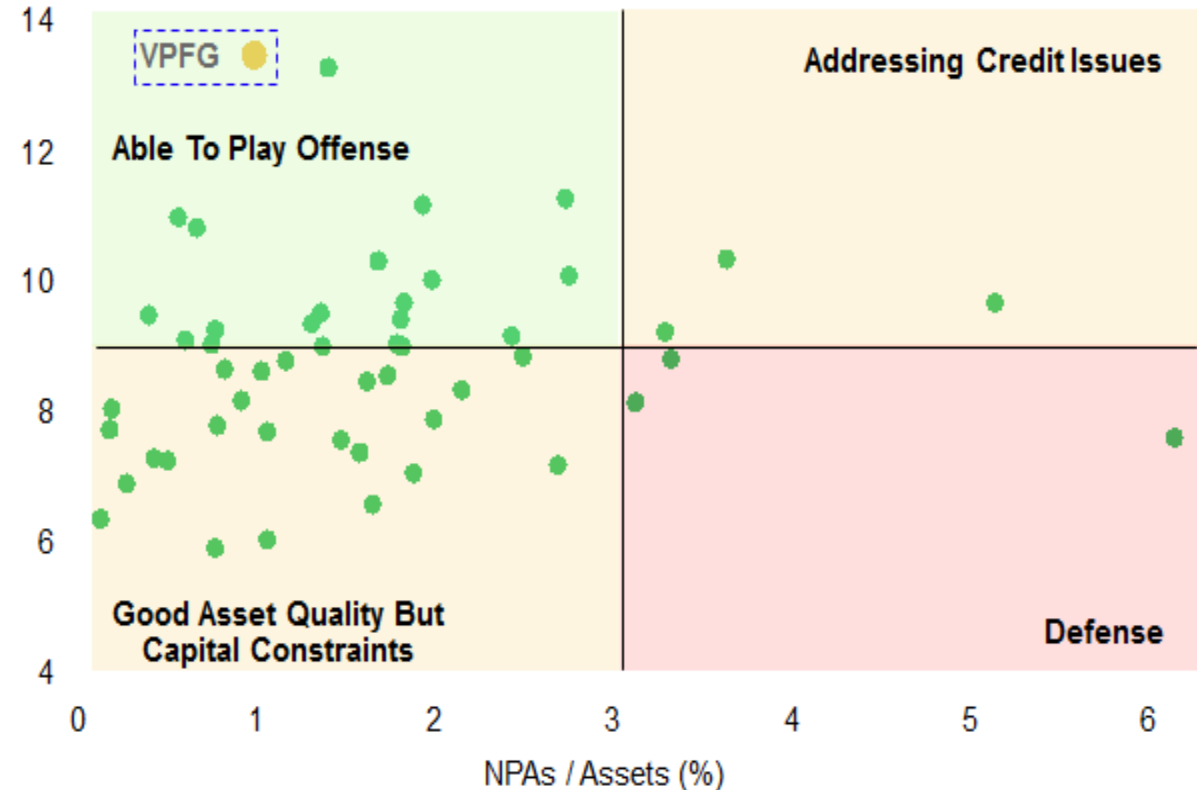
- ★ Capitalize on a position of balance sheet strength
- ★ Improve and diversify earning asset mix
  - Migrate from low yielding securities to higher yielding loans
  - Transition to a balanced loan book, leveraging C&I expertise
- ★ Grow organically, leveraging a strong local economy
- ★ Achieve greater community banking market share through high-touch service and strategic redeployment of key products
- ★ Deploy capital opportunistically
  - Continued organic loan growth and selective branching
  - Consistent growth of dividends and opportunistic share repurchase
  - Disciplined M&A

# Capitalize on a Position of Balance Sheet Strength

- A number of banks are dealing with credit issues or capital constraints
- Few banks are in a position to play offense
- Even fewer have experience and infrastructure to successfully integrate multiple acquisitions

## Tangible Common Equity Ratio

(%)



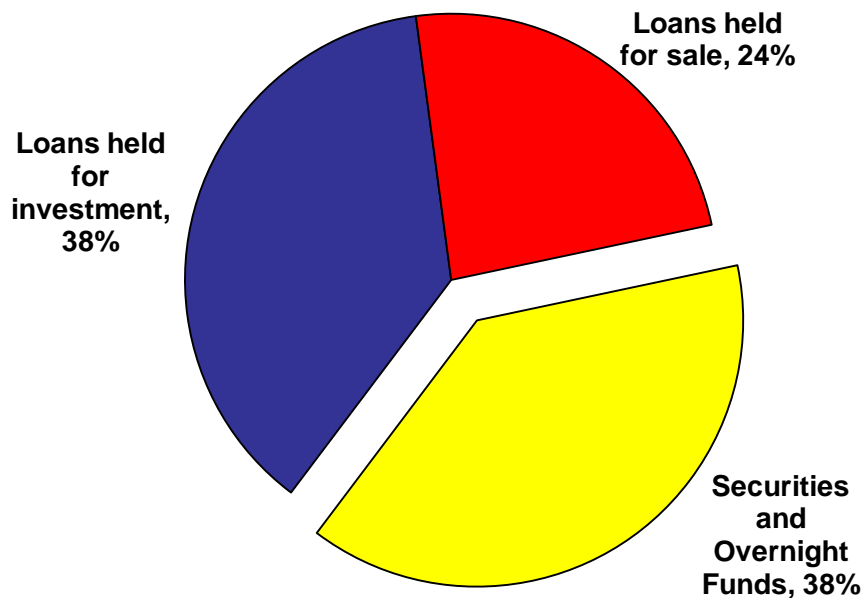
Source: SNL Financial

Source: SNL Financial – Morgan Stanley – Peers are KRX index of 50 regional banks as of most recent reported quarter.

# Improved Earning Asset Mix

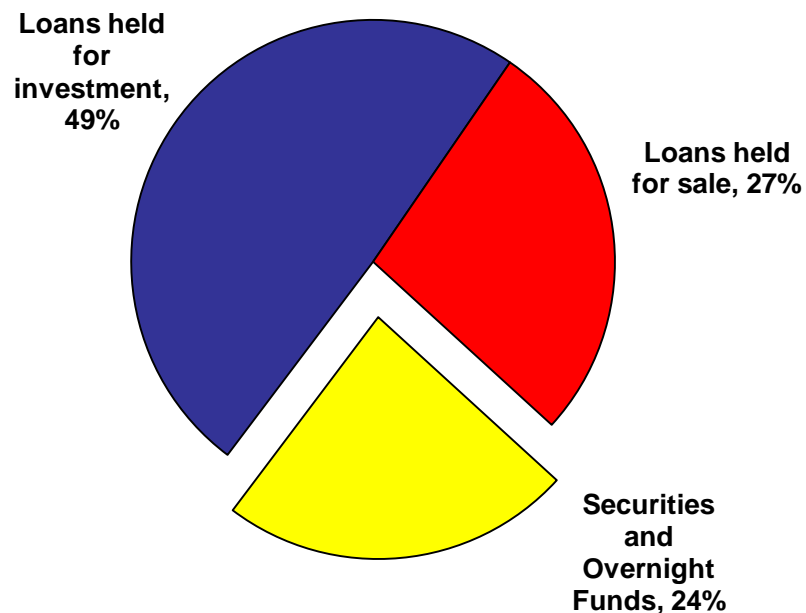
## Average Earning Assets and Related Yields

December 31,  
2011



Quarterly yield on earning assets: 4.06%

December 31,  
2012



Quarterly yield on earning assets: 4.37%

Source: Company Documents

# Commercial Bank Transformation

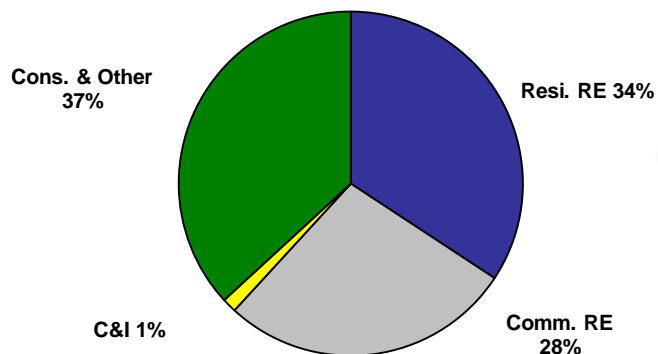
- ★ The Highlands acquisition accelerated ViewPoint's transition to a commercial banking model
  - Commercial banking CEO
  - Team of commercial lenders
- ★ Shift loan portfolio away from real estate centric lending
- ★ Emphasis on C&I lending with a goal to transition to balanced loan book
- ★ Continued emphasis on low-cost, core deposits



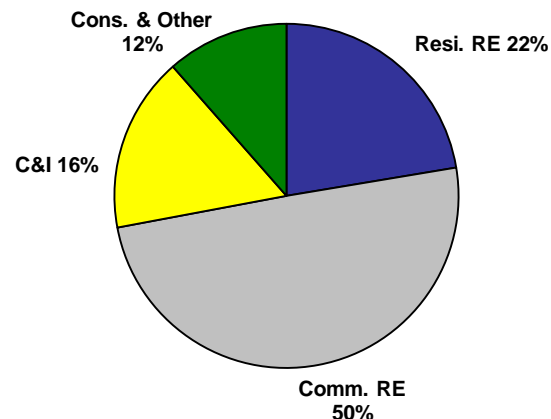
# Commercial Bank Transformation

## Loans Held for Investment Composition

December 31, 2007

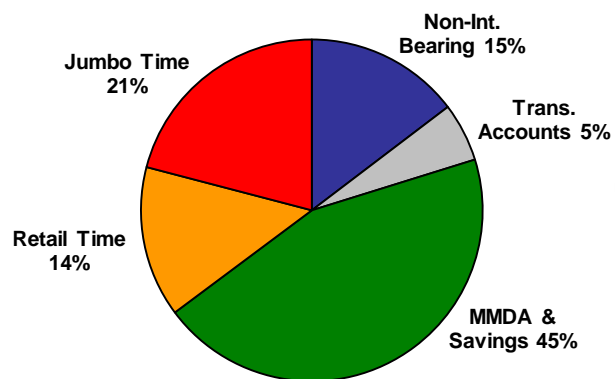


December 31, 2012

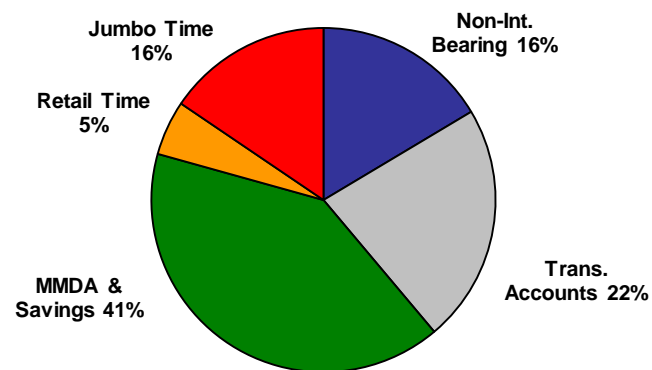


## Deposit Composition

December 31, 2007



December 31, 2012



Source: SNL Financial, VPF 2012 10-K

# Financial Highlights

## Strong Earnings

- Net income totaled \$35.2 million, up 34% over prior year
- Annual core EPS totaled \$1.04, up 51% vs. prior year
- Q4 core EPS of \$0.27 versus \$0.26 same Q last year

## Continued Loan Growth

- Total loans increased \$689.1 million annually, or 33.4%
- Organic growth of \$466.2 million, or 23%, fueled by strong C&I and CRE growth (\$112.0 million and \$181.8 million, respectively)
- LHI linked quarter growth of \$39.1 million, or 2.4%
- LHS linked quarter growth of \$46.3 million, or 4.6%

## Increase in Net Interest Margin

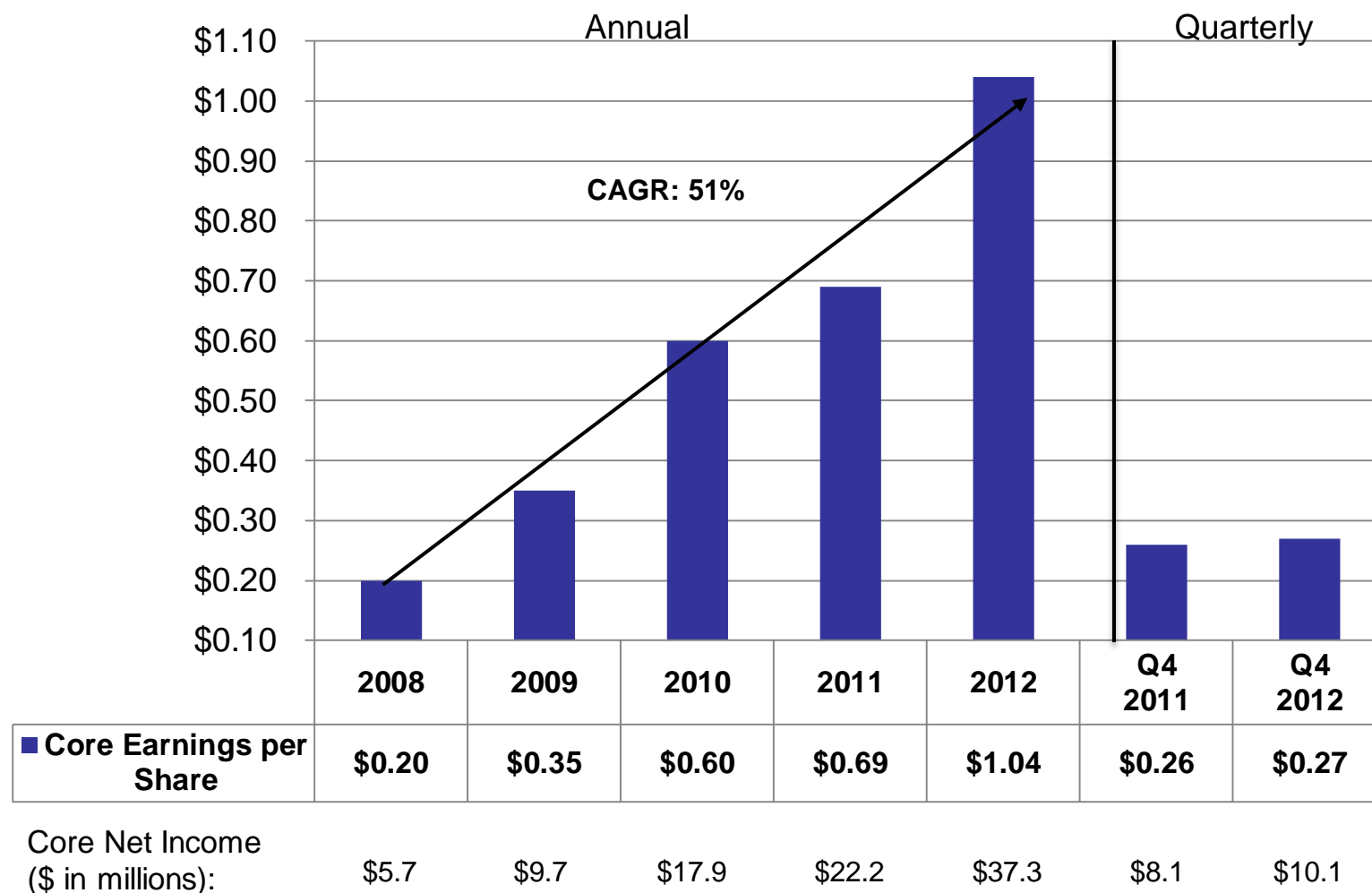
- YTD NIM of 3.61%, up 70 bps over 2.91% for same time last year
- QTD NIM of 3.77%, up 7 bps vs. Q3 2012 and up 64 bps vs. Q4 2011
- Driven by reduced deposit cost and improvement in earning asset mix

## Strong Capitalization & Stable Credit Quality

- Annual dividend of \$0.30 per share, prepaid Q1 2013 dividend of \$0.10
- Tangible common equity of \$490 million, or 13.48% of tangible assets
- Asset quality – NPLs/Loans of 1.61%

See Appendix for reconciliation of core (non-GAAP) to GAAP net income.  
Source: VPFG 2012 10-K, Company Documents

# Core Earnings Per Share Growth



See Appendix for reconciliation of core (non-GAAP) to GAAP net income

Source: VPFG 2012 10-K, Company Documents

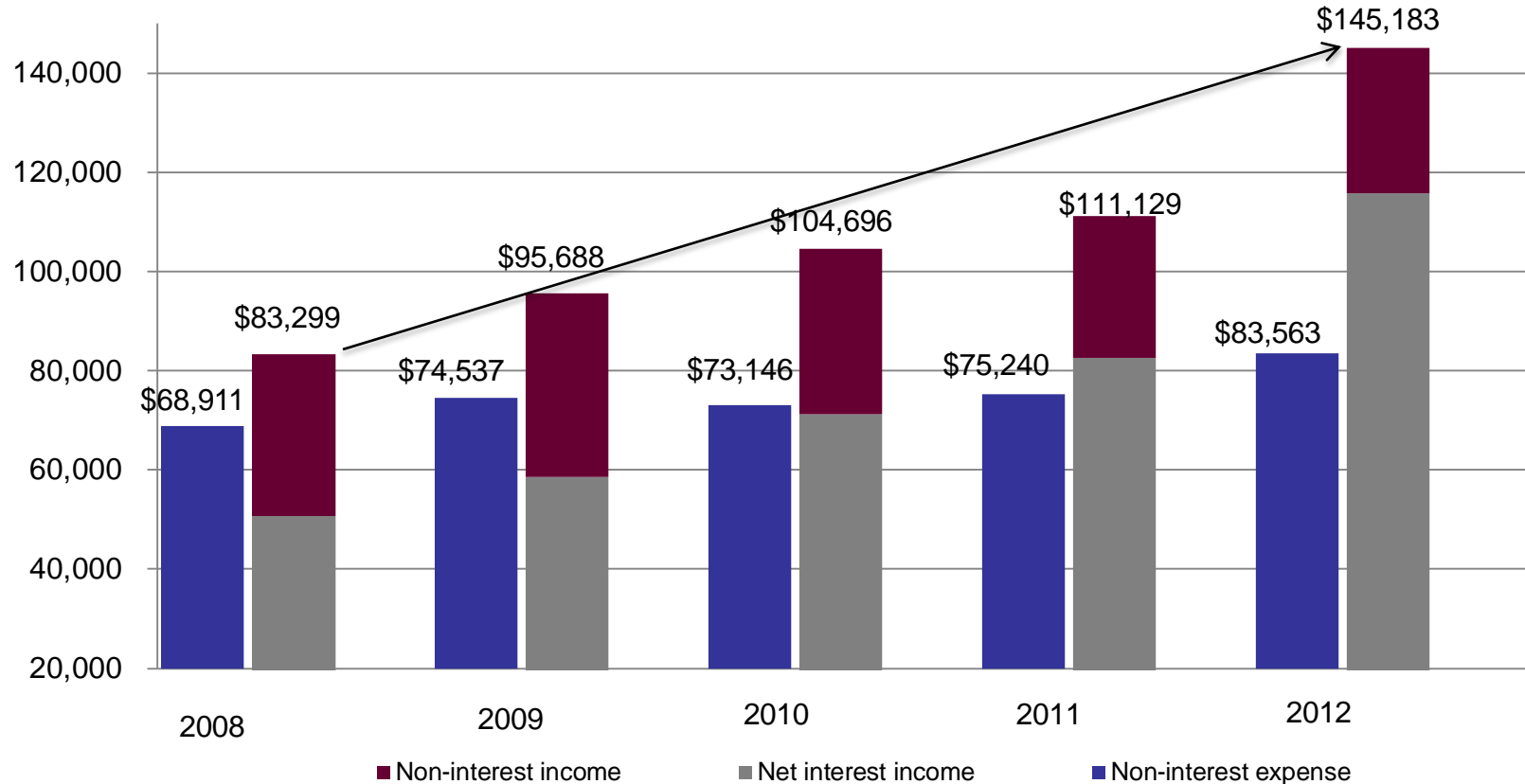
Share and per share information for periods prior to July 6, 2010, have been revised to reflect the 1.4:1 conversion ratio on publicly traded shares

# Revenue and Expense Growth

Operating revenue CAGR 14.9%

Non-interest expense CAGR 4.9%

(\$ in thousands)



\*Excludes impairment charges, acquisition costs and gains on sale of securities

Source: VPFG 2012 10-K, Company Documents

# Q4 Financial Review

Operating expense increase in Q4 due to continuation of growth strategy

## ☆ Growth

- Added high level revenue producers in lending and treasury management

## ☆ Retain

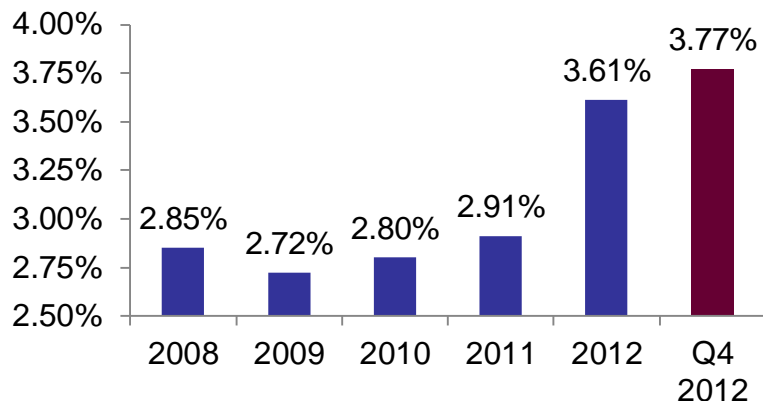
- Increased performance-based compensation
- Awarded restricted stock and options

## ☆ Improve and build franchise

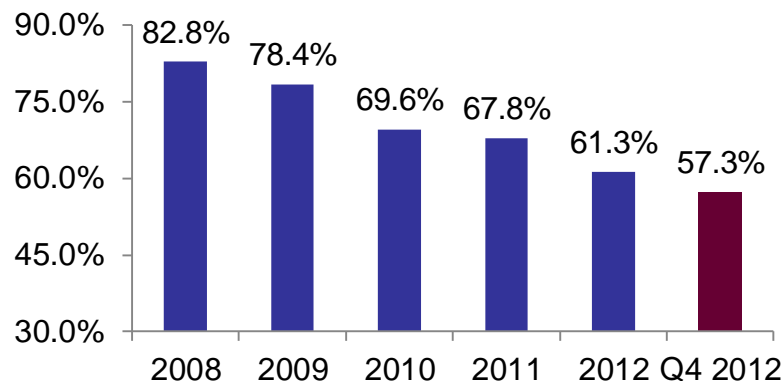
- Marketing branding awareness
- Technology

# Profitability

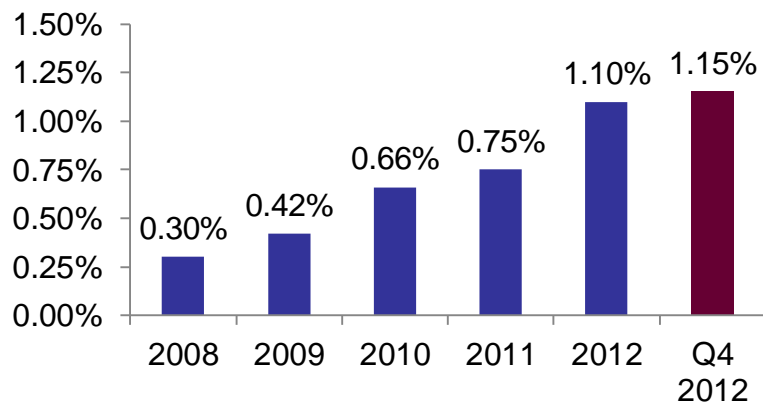
## Net Interest Margin



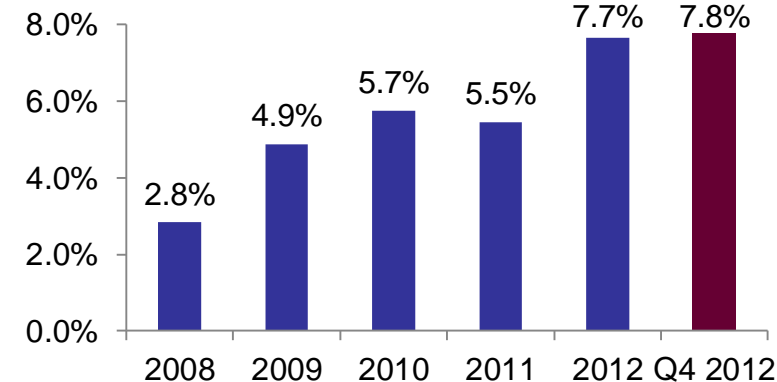
## Efficiency Ratio <sup>1</sup>



## Core ROAA<sup>2</sup>



## Core ROAE<sup>2</sup>



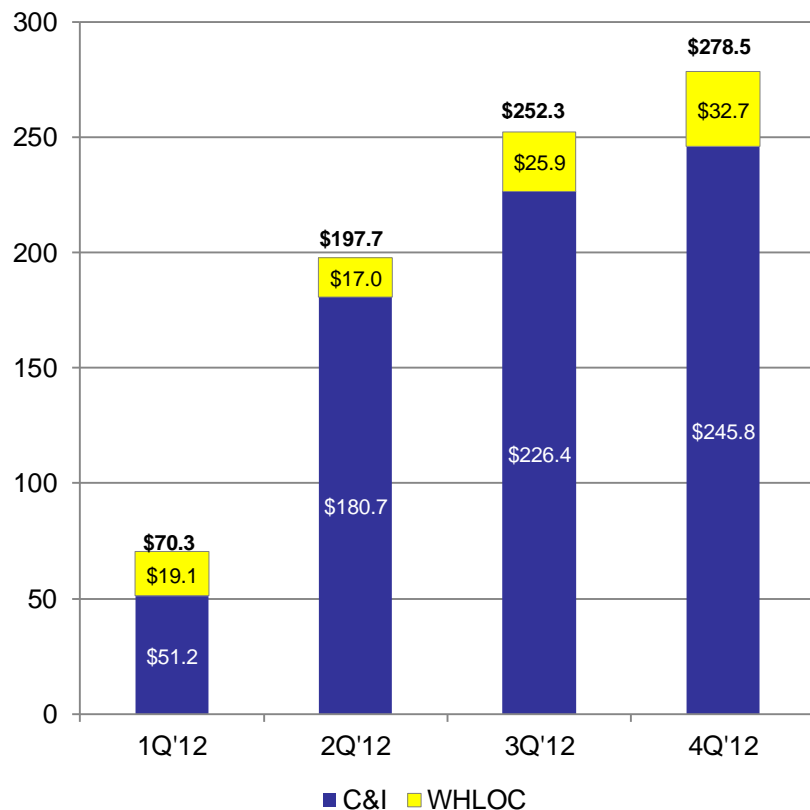
Source: VPFG 2012 10-K, Company Documents

<sup>1</sup> Calculated by dividing total non-interest expense by net interest income plus non-interest income, excluding gain (loss) on foreclosed assets, impairment of goodwill, gains from securities transactions and other non-recurring items.

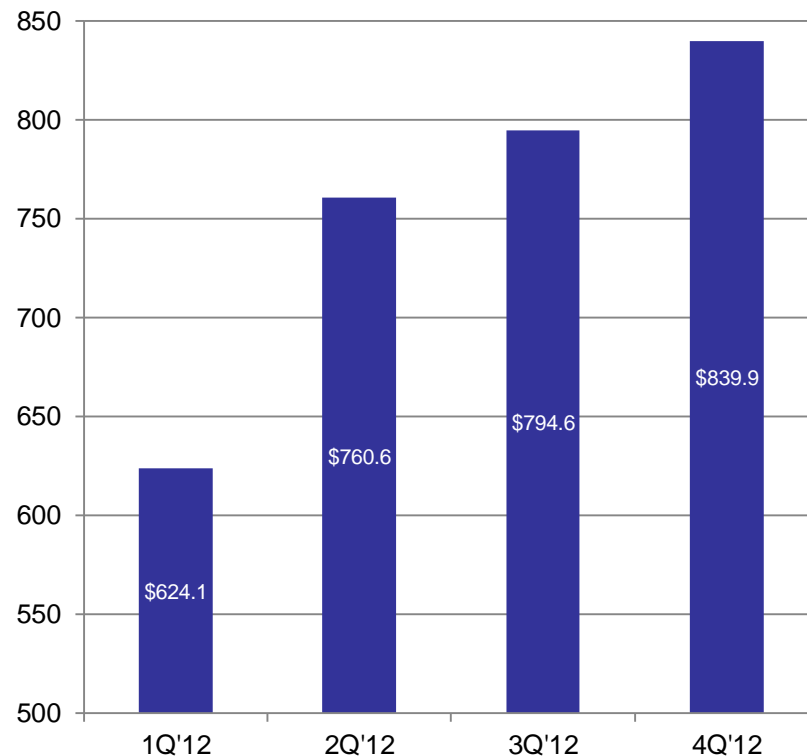
<sup>2</sup> See Appendix for reconciliation of core (non-GAAP) to GAAP net income

# Strong Loan Growth

**C&I Lending Growth (1)**  
(\$ in millions)



**CRE Lending Growth (2)**  
(\$ in millions)



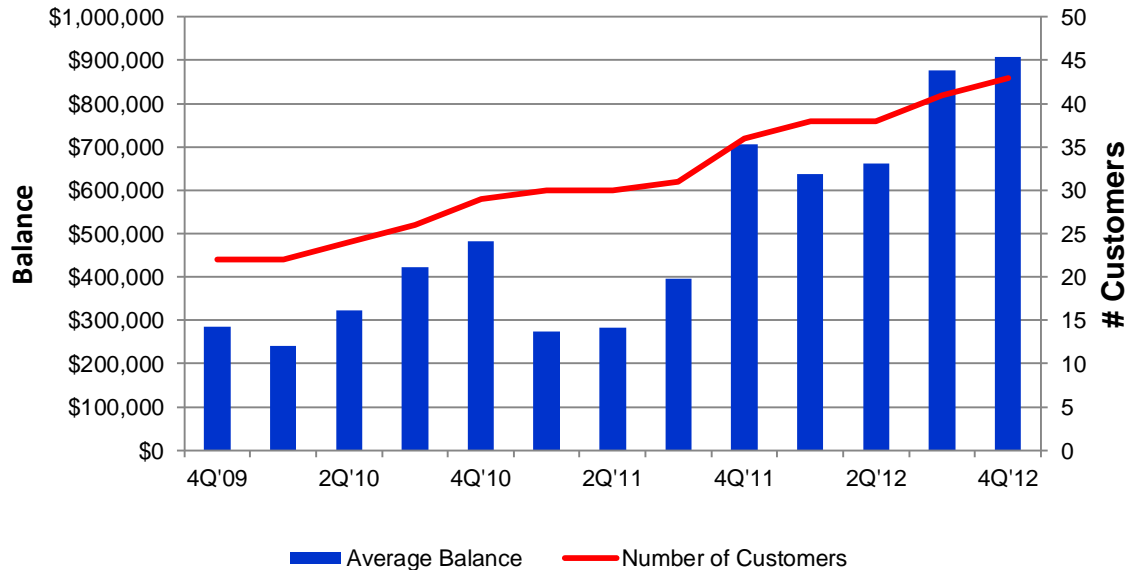
★ C&I and CRE increased a combined 7% linked quarter

(1) The 2Q'12 balance includes \$117 million in purchased C&I loans related to the Highlands acquisition  
 (2) The 2Q'12 balance includes \$83 million in purchased CRE loans related to the Highlands acquisition

Source: VPF 2012 10-K; Company Documents

# National Mortgage Warehouse Purchase Program

Warehouse Purchase Program - Average Portfolio Balances in Thousands and Number of Customers



- ☆ Average balance increased \$33 million for Q4 2012 vs. Q3 2012
- ☆ Gross average yield of 4.05% for Q4 2012
- ☆ Increased number of customers to 43 at Dec 2012, up from 41 at Sept 2012 and 36 at Dec 2011
- ☆ 53% purchase vs. 47% refinance volume
- ☆ Approved maximum facility amounts ranging from \$10.0 million to \$45.0 million with an average utilization rate of 65%

Source: VPF 2012 10-K; Company Documents



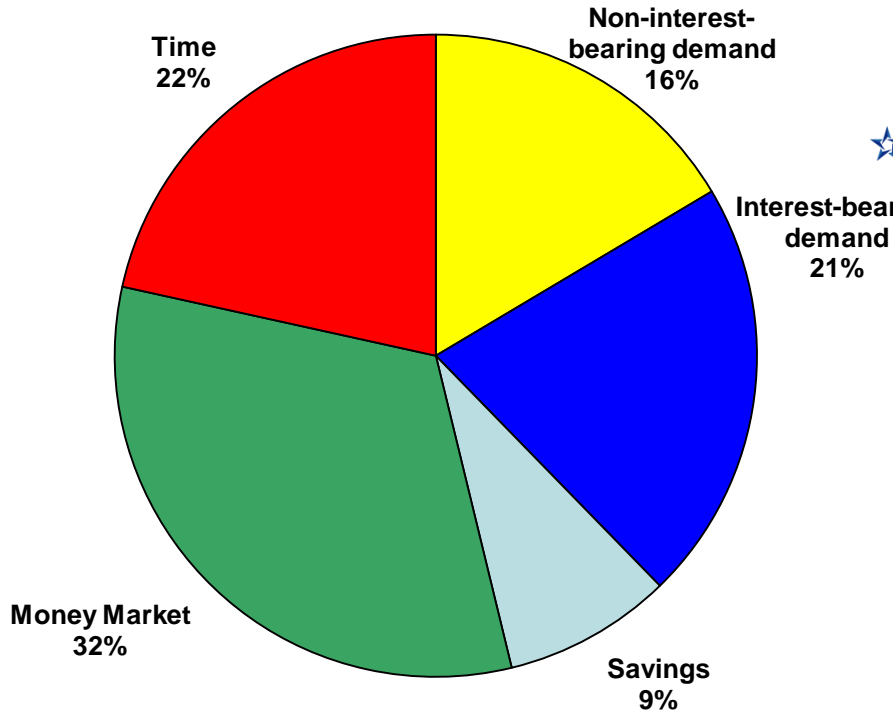
# Financial Comparisons

	Quarterly Average Balances						Q4/Q3% CHANGE	YOY % CHANGE
	Q4 2012	Yield	Q3 2012	Yield	Q4 2011	Yield		
Loans held for sale	\$ 908,603	4.05%	\$ 886,743	4.11%	\$ 736,745	4.22%	2%	23%
Loans held for investment	<u>1,648,203</u>	5.84	<u>1,563,400</u>	6.05	<u>1,161,011</u>	5.97	5	42
<b>Total net loans</b>	<b><u>2,556,806</u></b>	<b>5.20</b>	<b><u>2,450,143</u></b>	<b>5.34</b>	<b><u>1,897,756</u></b>	<b>5.29</b>	<b>4</b>	<b>35</b>
<b>Securities</b>	<b>734,598</b>	<b>1.74</b>	<b>914,818</b>	<b>1.85</b>	<b>1,147,794</b>	<b>2.16</b>	<b>-20</b>	<b>-36</b>
<b>Non-interest-bearing demand</b>	<b>358,707</b>	<b>-</b>	<b>338,074</b>	<b>-</b>	<b>204,458</b>	<b>-</b>	<b>6</b>	<b>75</b>
Interest-bearing demand	463,465	0.43	474,342	0.61	485,897	1.39	-2	-5
Savings and money market	888,410	0.27	894,916	0.27	758,191	0.30	-1	17
Time	<u>469,772</u>	1.03	<u>476,666</u>	1.11	<u>559,169</u>	1.56	-1	-16
Total deposits	<u>2,180,354</u>	0.43	<u>2,183,998</u>	0.49	<u>2,007,715</u>	0.88	0	9
Borrowings	770,627	1.37	863,949	1.27	750,202	1.47	-11	3

Source: Company Documents

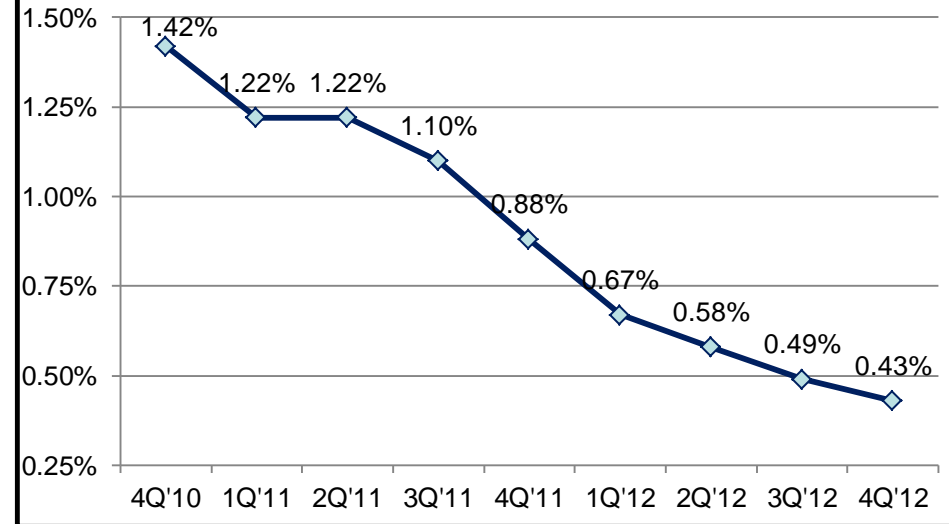
# Significant Improvement in Deposit Cost

## Quarterly Avg. Deposits



- ☆ Continued improvement in deposit cost
- ☆ Average non-interest-bearing deposits increased to \$359M from \$338M linked quarter
- ☆ 78%, or \$353M, of time deposits to mature within 12 months with WAR of 1.15%

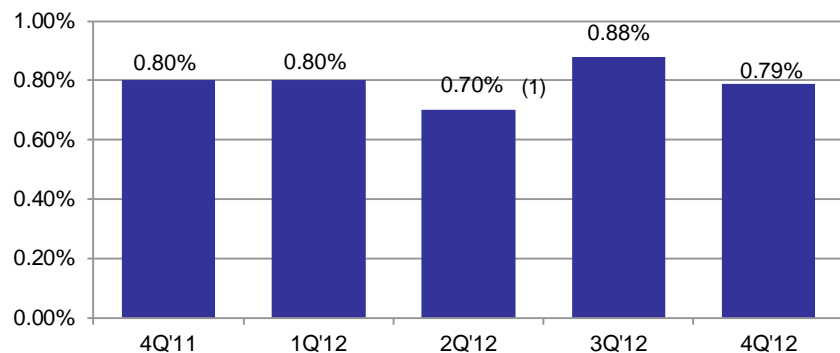
## Quarterly Cost of Deposits



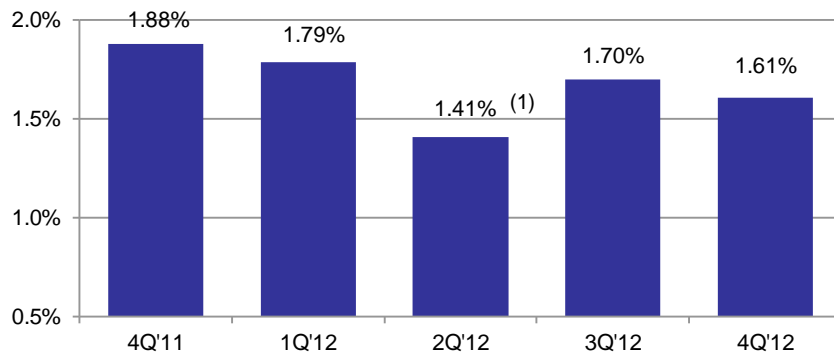
Source: VPFG 2012 10-K and Company Documents at December 31, 2012

# Credit Quality

## Total NPA/Assets



## Total NPLs as a % of Total Loans (2)



Source: Company Documents

(1) Beginning 2Q'12, total loans includes loans acquired from Highlands

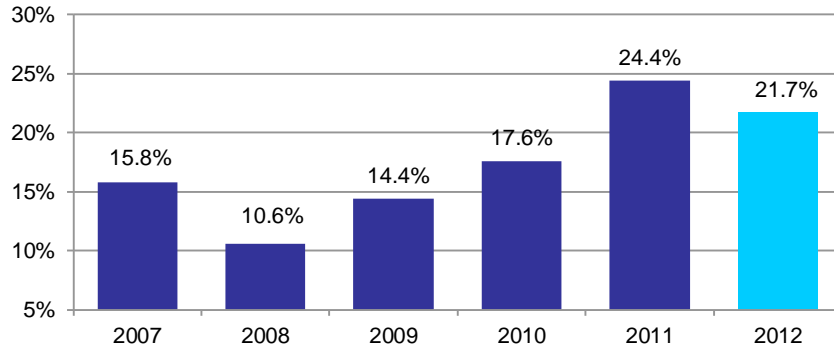
(2) Total loans does not include loans held for sale

## Non-accrual loans

	Q4 2012	Q3 2012
Commercial real estate	\$ 13,609	\$ 16,572
Commercial and industrial	5,401	4,597
One- to four- family real estate	6,854	5,142
Home equity/home improvement	1,077	1,519
Other consumer	262	251
<b>Total non-accrual loans</b>	<b>27,203</b>	<b>28,081</b>
Foreclosed assets	1,901	3,850
<b>Total non-performing assets</b>	<b>\$ 29,104</b>	<b>31,931</b>

# Robust Capital

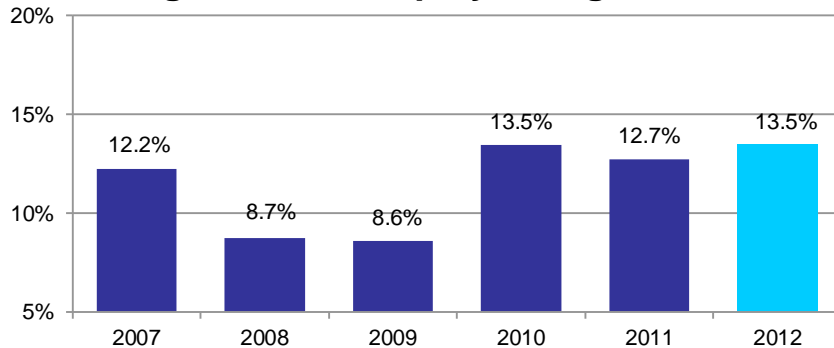
## Tier 1 Capital



☆ ViewPoint remains among the strongest capitalized institutions in the industry

- 21.7% Tier 1 Capital at Q4 2012
- 13.5% Tangible Common Equity to Tangible Assets

## Tang. Common Equity / Tang. Assets



☆ Deploying capital

- Organic Growth
- Dividends
- Share Repurchase Authorized
- Disciplined M&A

Source: Company Documents at December 31, 2012

# Price to TBV

ViewPoint Financial Group, Inc. - Price/Tangible Book (%)



Source: SNL Financial as of 2/07/2013

# Change in Index Value (%)

## ViewPoint Financial Group, Inc. - Price Change (%)



Source: SNL Financial as of 2/07/2013

# Investment Highlights

- ☆ Positive earnings growth trends
- ☆ One of the largest independent community banking franchises in the highly attractive Texas market
- ☆ Strong balance sheet, and well positioned to execute long term strategy
- ☆ Well-capitalized and able to deploy capital
- ☆ Price to TBV favorable compared to Texas peers

# Questions?



# Appendix

- ☆ The subsequent tables present non-GAAP reconciliations of the following calculations:
  - TCE (Tangible Common Equity) to TCA (Tangible Common Assets) ratio
  - TCE per share
  - Price to TBV
  - Core (non-GAAP) net income and earnings per share

## TCE to TA, TCE per Share and Price to TBV at December 31, 2012

	(Dollar amounts in thousands)	
Total GAAP equity		\$520,871
Less: goodwill		(29,650)
Less: identifiable intangible assets, net		(1,653)
Total tangible equity		<hr/> \$489,568
Total GAAP assets		\$3,663,058
Less: goodwill		(29,650)
Less: identifiable intangible assets, net		(1,653)
Total tangible assets		<hr/> \$3,631,755
GAAP Equity to Total Assets		14.22%
TCE to TA		13.48%
Shares outstanding at December 31, 2012		39,612,911
TCE per Share		\$12.36

## Reconciliation of Core (non-GAAP) to GAAP Net Income and EPS

(Dollar amounts in thousands except share and per share data)

	Year To Date		Three Months Ended							
	December 31,		December 31,		September 30,		June 30,		March 31,	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
GAAP net income	\$ 35,241	\$ 26,328	\$ 10,361	\$ 9,774	\$ 11,316	\$ 5,143	\$ 6,492	\$ 4,857	\$ 7,072	\$ 6,554
Highlands acquisition costs	2,683	306	-	306	158	-	2,432	-	93	-
Costs relating to sale of VPM	84	-	-	-	(4)	-	88	-	-	-
One time payroll and severance costs	777	-	-	-	238	-	525	-	14	-
One time (gain) loss on assets	(1,353)	(497)	(252)	(97)	(70)	(17)	(1,040)	(472)	9	89
Goodwill impairment	532	176	-	-	-	-	532	176	-	-
Gain on sale of AFS securities	(659)	(4,074)	-	(1,854)	(584)	-	(75)	-	-	(2,220)
<b>Core (non-GAAP) income</b>	<b>\$ 37,305</b>	<b>\$ 22,239</b>	<b>\$ 10,109</b>	<b>\$ 8,129</b>	<b>\$ 11,054</b>	<b>\$ 5,126</b>	<b>\$ 8,954</b>	<b>\$ 4,561</b>	<b>\$ 7,188</b>	<b>\$ 4,423</b>
Core (non-GAAP) basic and diluted EPS	\$ 1.04	\$ 0.69	\$ 0.27	\$ 0.26	\$ 0.30	\$ 0.16	\$ 0.24	\$ 0.14	\$ 0.23	\$ 0.14
Average shares for basic EPS	35,879,704	32,219,841	37,460,539	31,617,219	37,362,535	32,468,640	37,116,322	32,445,527	31,545,748	32,353,331

## Reconciliation of Core (non-GAAP) to GAAP Net Income and EPS

(Dollar amounts in thousands except share and per share data)

	Year Ended				
	2012	2011	2010	2009	2008
GAAP net income (loss)	\$ 35,241	\$ 26,328	\$ 17,799	\$ 2,670	\$ (3,315)
Highlands acquisition costs	2,683	306	-	-	-
Costs relating to sale of VPM	84	-	-	-	-
One time payroll and severance costs	777	-	-	-	-
One time (gain) loss on assets	(1,353)	(497)	135	526	(120)
Goodwill impairment	532	176	-	-	-
Gain on sale of AFS securities, net of tax	(659)	(4,074)	-	(1,569)	-
Impairment of collateralized debt obligations (all credit)	-	-	-	8,082	9,114
<b>Core (non-GAAP) income</b>	<b>\$ 37,305</b>	<b>\$ 22,239</b>	<b>\$ 17,934</b>	<b>\$ 9,709</b>	<b>\$ 5,679</b>
Core (non-GAAP) basic and diluted EPS	\$ 1.04	\$ 0.69	\$ 0.60	\$ 0.35	\$ 0.20
Average shares for basic EPS	35,879,704	32,219,841	30,128,985	27,881,941	27,768,645