

FEDERAL RESERVE SYSTEM

ViewPoint Financial Group, Inc.  
Plano, Texas,

LegacyTexas Bank  
Plano, Texas,

Order Approving the Merger of Bank Holding Companies, the Merger of Banks, and the  
Establishment of Branches

ViewPoint Financial Group, Inc. (“ViewPoint”), has requested the Board’s approval under section 3 of the Bank Holding Company Act (“BHC Act”)<sup>1</sup> to merge with LegacyTexas Group, Inc. (“LegacyTexas”), and thereby acquire its subsidiary state member bank, LegacyTexas Bank, all of Plano, Texas. In addition, LegacyTexas Bank has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”)<sup>2</sup> to merge with ViewPoint’s subsidiary bank, ViewPoint Bank, N.A. (“ViewPoint Bank”), Plano, Texas, with LegacyTexas Bank as the surviving entity.<sup>3</sup> LegacyTexas Bank also has applied under section 9 of the Federal Reserve Act (“FRA”) to establish and operate branches at the locations of the main office and the branches of ViewPoint Bank.<sup>4</sup>

Notice of the proposals, affording interested persons an opportunity to submit comments, has been published in the Federal Register (79 Federal Register 44773 (August 1, 2014)) and in local newspapers in accordance with relevant statutes and

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> 12 U.S.C. § 1828(c).

<sup>3</sup> Although LegacyTexas Bank filed under the Bank Merger Act and FRA because its name and charter will survive the merger, ViewPoint Bank is the acquirer for substantive purposes of this proposal and would implement its management, policies, procedures, and controls at the combined organization.

<sup>4</sup> 12 U.S.C. § 321. These locations are listed in the appendix.

the Board's Rules of Procedure.<sup>5</sup> As required by the Bank Merger Act, a report on the competitive effects of the bank merger was requested from the United States Attorney General, and a copy of the request was provided to the appropriate banking agency. The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the FRA.

ViewPoint, with consolidated assets of approximately \$4.0 billion, is the 210th largest insured depository organization in the United States.<sup>6</sup> ViewPoint controls ViewPoint Bank, which operates only in Texas. ViewPoint Bank is the 24th largest depository institution in Texas, controlling deposits of approximately \$2.5 billion, which represent less than 1 percent of the total deposits of insured depository institutions in the state.<sup>7</sup>

LegacyTexas, with total consolidated assets of \$1.8 billion, is the 391st largest insured depository organization in the United States. LegacyTexas controls LegacyTexas Bank, which operates only in Texas. LegacyTexas Bank is the 37th largest insured depository institution in Texas, controlling deposits of approximately \$1.5 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, ViewPoint would become the 162nd largest insured depository organization in the United States, with total consolidated assets of approximately \$5.8 billion. ViewPoint would have total consolidated deposits of approximately \$4.1 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In Texas, ViewPoint

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<sup>5</sup> 12 CFR 262.3(b).

<sup>6</sup> Asset and nationwide deposit-ranking data are as of June 30, 2014, unless otherwise noted.

<sup>7</sup> State deposit data are as of June 30, 2014, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

would become the 16th largest depository organization, controlling deposits of approximately \$4.1 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

### Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market. Both statutes also prohibit the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>8</sup>

ViewPoint and LegacyTexas have subsidiary depository institutions that compete directly in the Dallas and Fort Worth banking markets, both in Texas.<sup>9</sup> The Board has considered the competitive effects of the proposal in these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking markets; the relative shares of total deposits in insured depository institutions in the markets (“market deposits”) controlled by ViewPoint and LegacyTexas;<sup>10</sup> the concentration levels of market deposits and the

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<sup>8</sup> 12 U.S.C. §§ 1842(c)(1) and 1828(c)(5).

<sup>9</sup> The Dallas banking market is defined as Dallas and Rockwall counties; the southeastern quadrant of Denton County, including Denton and Lewisville; the southwestern quadrant of Collin County, including McKinney and Plano; the communities of Forney and Terrell in Kaufman County; and Midlothian, Waxahachie, and Ferris in Ellis County, all in Texas (the “Dallas banking market”). The Fort Worth banking market is defined as Tarrant, Johnson, and Wise counties; Parker County (minus Mineral Wells); and the southwestern quadrant of Denton County, including Roanoke, all in Texas (the “Fort Worth banking market”).

<sup>10</sup> Deposit and market share data are as of June 30, 2013, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become,

increase in those levels, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>11</sup> and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines for the markets. On consummation of the proposal, the Dallas banking market would remain highly concentrated and the Fort Worth banking market would remain unconcentrated, as measured by the HHI. The HHI change in each market would be minimal, and numerous competitors would remain in both markets.<sup>12</sup>

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significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

<sup>11</sup> Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. See Press Release, Department of Justice (August 19, 2010), [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>12</sup> ViewPoint operates the ninth largest depository institution in the Dallas banking market, with approximately \$2.1 billion in deposits, which represent 1.4 percent of market deposits. LegacyTexas operates the 15th largest depository institution in the same market, controlling deposits of approximately \$1.2 billion, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, ViewPoint would operate the seventh largest depository institution in the market, controlling weighted deposits of approximately \$3.3 billion, which represent 2.2 percent of market deposits. The HHI would increase by three points to 1811, and 126 competitors would remain in the market.

The DOJ has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking markets in which ViewPoint and LegacyTexas compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

#### Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions.

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ViewPoint operates the 51st largest depository institution in the Fort Worth banking market with approximately \$57 million in deposits, which represent less than 1 percent of market deposits. LegacyTexas operates the 20th largest depository institution in the same market, controlling deposits of approximately \$242 million, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, ViewPoint would operate the 17th largest depository institution in the market, controlling weighted deposits of approximately \$300 million, which represent less than 1 percent of market deposits. The HHI would increase by less than 1 point to 994, and 74 competitors would remain in the market.

In assessing financial factors, the Board consistently has considered capital adequacy to be especially important. Further, the Board has considered the future prospects of the organizations involved in the proposal in light of the financial and managerial resources and the proposed business plan.

The Board has considered the financial factors of the proposal. ViewPoint Bank and LegacyTexas Bank are both well capitalized and the combined institution would remain so on consummation of the proposed acquisition. The proposed transaction is a bank holding company merger that is structured as a cash and share exchange and a subsequent bank merger of the subsidiary depository institutions.<sup>13</sup> The asset quality, earnings, and liquidity of both ViewPoint Bank and LegacyTexas Bank are consistent with approval, and ViewPoint appears to have adequate resources to absorb the costs of the proposal and to complete integration of the institutions' operations. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of ViewPoint, LegacyTexas, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the organizations and the organizations' records of compliance with applicable banking and anti-money-laundering laws.

ViewPoint, LegacyTexas, and their subsidiary depository institutions are each considered to be well managed. ViewPoint's existing risk-management program

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<sup>13</sup> As part of the proposed transaction, each share of LegacyTexas common stock would be converted into a right to receive cash and ViewPoint common stock, based on an exchange ratio.

and its directorate and senior management are considered to be satisfactory. The directors and senior executive officers of ViewPoint have substantial knowledge and experience in the banking and financial services sectors.<sup>14</sup>

The Board has also considered ViewPoint's plans for implementing the proposal. ViewPoint is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. ViewPoint would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, ViewPoint's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and ViewPoint plans to integrate LegacyTexas Bank's existing management and personnel in a manner that augments ViewPoint's management.

ViewPoint's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation provide a reasonable basis to conclude that managerial factors are consistent with approval.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of ViewPoint and LegacyTexas in combatting money-laundering activities, are consistent with approval.

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act and under the Bank Merger Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant

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<sup>14</sup> Both the chairman and chief executive officer of ViewPoint would continue in their roles following consummation of the proposed transaction. In addition, two current members of the board of directors of LegacyTexas would become directors of ViewPoint, with one being elected as Vice Chairman of the board.

depository institutions under the Community Reinvestment Act (“CRA”).<sup>15</sup> The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation.<sup>16</sup> In addition, the CRA requires the appropriate federal financial supervisory agency to take into account a relevant depository institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.<sup>17</sup>

The Board has considered all the facts of record, including reports of examination of the CRA performance of ViewPoint Bank and LegacyTexas Bank, other information provided by ViewPoint and LegacyTexas, confidential supervisory information, and the public comment received on the proposal. The commenter objected to the proposal and alleged that LegacyTexas Bank had engaged in discriminatory lending practices in the Dallas, Texas area.

A. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates an institution’s performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of that institution.<sup>18</sup> The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution’s record of meeting the credit needs of its entire community, including LMI neighborhoods.<sup>19</sup> An institution’s most recent CRA performance evaluation is a

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<sup>15</sup> 12 U.S.C. §§ 1842(c)(2) and 1828(c)(5); 12 U.S.C. § 2901 et seq.

<sup>16</sup> 12 U.S.C. § 2901(b).

<sup>17</sup> 12 U.S.C. § 2903.

<sup>18</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (March 11, 2010).

<sup>19</sup> 12 U.S.C. § 2906.

particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

*CRA Performance of ViewPoint Bank*

ViewPoint Bank was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the Office of the Comptroller of the Currency ("OCC") as of January 14, 2013 ("ViewPoint Bank Evaluation").<sup>20</sup> ViewPoint Bank received an "outstanding" rating on the Investment Test and a "high satisfactory" rating on both the Lending Test and the Service Test.<sup>21</sup>

In evaluating the Lending Test, examiners observed in the Dallas AA that the bank's overall lending and home mortgage lending activity was adequate, and its small business lending was good.<sup>22</sup> Examiners noted that ViewPoint Bank's distribution of loans to borrowers of different income levels and businesses of different sizes was good. In particular, the bank's borrower distribution of home purchase loans was found to be excellent, while the distribution of home mortgage improvement loans and home mortgage refinance loans was adequate. Overall, the geographic distribution of loans was found to be adequate.

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<sup>20</sup> The ViewPoint Bank Evaluation was conducted using Large Institution CRA Examination Procedures. The evaluation period for the Lending Test was from April 1, 2008, through September 30, 2012, except for community development loans. The evaluation period for community development loans and for the Investment Test and the Service Test was from May 12, 2008, through January 14, 2013.

<sup>21</sup> The ViewPoint Bank Evaluation included a full-scope review of the Dallas, Texas, Assessment Area ("Dallas AA") and a limited scope review of the Fort Worth, Texas, Assessment Area and the Jack County, Texas, Assessment Area. Examiners placed greater weight on the bank's performance in the Dallas AA because this area represented the bank's most significant market in terms of deposit concentrations, branch distributions, and CRA-reportable loans.

<sup>22</sup> Examiners placed more emphasis on the bank's home mortgage loans than the distribution of small business loans because of the larger number of home mortgage loans over the review period. Within the home mortgage loan category, greater weight was placed on home purchase and home refinance loans.

Examiners found that ViewPoint Bank’s community development lending in the Dallas AA was significant and that the bank originated an excellent level of community development loans during the evaluation period. Examiners noted that the bank is a participant in a number of governmental and privately sponsored programs that are designed to assist LMI individuals and to small businesses.

In evaluating the Investment Test, examiners found that ViewPoint Bank’s level of community development investments and grants in the Dallas AA was excellent and that the bank exhibited good responsiveness to the community development needs in the Dallas AA. Examiners noted that these investments helped fund several projects, including a multi-family housing complex and a senior-living retirement community.

For the Service Test, examiners found that ViewPoint Bank’s performance in the Dallas AA was good. Examiners noted that ViewPoint Bank’s retail services and delivery systems were reasonably accessible to essentially all portions of the Dallas AA and that the bank’s record of opening and closing branches had not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals. Examiners found ViewPoint Bank to be a leader in providing community development services that were highly responsive to community needs.

Examiners reported that they did not find any evidence during the course of the ViewPoint Bank Evaluation that ViewPoint Bank engaged in discriminatory or other illegal credit practices.

#### *CRA Performance of LegacyTexas Bank*

LegacyTexas Bank was assigned an overall “satisfactory” rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Dallas (“Reserve Bank”) as of January 6, 2014 (“LegacyTexas Bank Evaluation”). Examiners noted that LegacyTexas Bank’s lending levels reflected reasonable responsiveness to assessment area credit needs and that the bank was a leader in making community development loans

and providing community development services.<sup>23</sup> LegacyTexas Bank received a “high satisfactory” rating for the Lending Test, the Investment Test, and the Service Test.<sup>24</sup>

For the Lending Test, examiners noted that LegacyTexas Bank’s level of home mortgage, small business, and consumer lending activity reflected good responsiveness to assessment area credit needs considering the bank’s resources, business strategy, community needs, and opportunities during the evaluation period.<sup>25</sup> Examiners found that the bank’s geographic distribution of loans reflected good penetration throughout the assessment area, and the borrower distribution reflected good penetration among borrowers of different income levels and businesses of different revenue sizes. Examiners further noted that LegacyTexas Bank participated in a relatively high level of community development loans.

In evaluating the Investment Test, examiners observed that the bank made a significant level of qualified community development investments and donations. Examiners found that LegacyTexas Bank exhibited excellent responsiveness to credit and community development needs by supporting organizations that provide financing to small businesses and affordable housing for LMI individuals.

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<sup>23</sup> The LegacyTexas Bank Evaluation was conducted using Large Institution CRA Examination Procedures. The evaluation period for the Lending Test was from January 1, 2011, through December 31, 2012. The evaluation period for community development loans and the Investment Test and Service Test was from January 1, 2010 to December 31, 2013.

<sup>24</sup> The LegacyTexas Bank Evaluation included a full-scope review of the bank’s performance within its assessment area located in Collin, Dallas, and Denton Counties in Texas (“Collin-Denton-Dallas AA”) and within its assessment area located in Parker and Tarrant Counties in Texas. Examiners placed greater weight on the bank’s performance in the Collin-Denton-Dallas AA because this area represented the bank’s most significant market in terms of deposit concentrations, branch distributions, and CRA-reportable loans.

<sup>25</sup> Examiners placed equal weight on home mortgage and small business loans due to comparable lending volume.

In evaluating the Service Test, examiners found that the bank's delivery systems were accessible to the bank's geographies and individuals of different income levels. LegacyTexas Bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. Examiners observed that LegacyTexas Bank was a leader in providing community development services, especially within the Collin-Dallas-Denton AA.

Examiners did not find any evidence during the course of the LegacyTexas Evaluation that LegacyTexas Bank engaged in discriminatory or other illegal credit practices.

#### B. Fair Lending and Other Consumer Protection Laws

The Board has considered the records of ViewPoint Bank and LegacyTexas Bank in complying with fair lending and other consumer protection laws. As part of this evaluation, the Board reviewed the ViewPoint Bank Evaluation, the LegacyTexas Bank Evaluation, and a comprehensive fair lending and redlining review of LegacyTexas Bank completed by examiners with the Reserve Bank. The Board also assessed ViewPoint Bank's and LegacyTexas Bank's fair lending policies and procedures, and considered confidential supervisory information, other information, the comment on the applications, and ViewPoint Bank's response to the comment.

##### *Fair Lending Analysis*

A commenter alleged that LegacyTexas Bank disfavors African American neighborhoods in the Dallas assessment area with respect to access to its banking products and services and that the bank has engaged in redlining. The Reserve Bank recently conducted a comprehensive fair lending and redlining review of LegacyTexas in Dallas and Tarrant counties, Texas, and the Board has relied on the examination findings in this case. Examiners analyzed LegacyTexas Bank's CRA assessment area, lending record, geographic distribution of branches, and marketing and outreach efforts, and did not find illegal credit discrimination.

The Reserve Bank found that the LegacyTexas Bank's assessment area designations met the requirements of the CRA. Examiners also found that LegacyTexas Bank had service area boundaries around each branch that were narrower than the CRA assessment area. This led examiners to review these boundaries to determine if LegacyTexas Bank was relying on them to avoid lending and marketing in minority areas within the bank's CRA assessment area. On review, examiners found no evidence that LegacyTexas Bank was relying on these service area designations in a discriminatory fashion. In addition, LegacyTexas Bank has taken steps to eliminate its use of these service area boundaries.

The Reserve Bank also reviewed the geographic distribution of LegacyTexas Bank's branches, the bank's marketing activities, and other community outreach efforts. LegacyTexas Bank operates five full-service branches in Tarrant County, with one located in a majority-minority tract and four located in integrated tracts. LegacyTexas Bank operates four full service branches in Dallas County with three located in integrated tracts and one located in a non-minority tract. Examiners found no differences between the lending policy at LegacyTexas Bank branch offices located in areas with concentrations of minority residents and other areas.<sup>26</sup> The Reserve Bank also found that LegacyTexas Bank's marketing activities and community outreach efforts included partnering with local nonprofit organizations to provide outreach to LMI communities and providing financial education to individuals and small businesses.

Examiners also reviewed LegacyTexas Bank's lending policies and procedures, including the fair lending policy. LegacyTexas Bank has instituted policies and procedures that cover all relevant fair lending laws to help ensure compliance with

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<sup>26</sup> ViewPoint has represented that CRA products were not available at every LegacyTexas Branch location. Upon consummation of the proposed merger, ViewPoint has represented that CRA products will be available at every branch of the combined institution.

fair lending and other consumer protection laws and regulations. This includes a formal fair lending compliance program and an annual training program for employees.

LegacyTexas Bank also performs both internal and external reviews for accuracy of HMDA, CRA reporting and fair lending risk, including annual testing of fair lending compliance by independent consultants.

#### *ViewPoint's Fair Lending Program*

ViewPoint Bank's risk-management systems and its policies and procedures for ensuring compliance with fair lending laws would be implemented at the combined organization immediately upon consummation of the proposed transactions.

ViewPoint indicated that ViewPoint Bank has detailed, comprehensive CRA, fair lending, and consumer compliance programs as part of its overall risk-management program, which applies across all aspects of the bank's operations, including marketing, loan origination, processing, underwriting, servicing, and collection activities. All extensions of credit, including loans to minority and LMI individuals, are subject to a separate second-review process by senior lending staff in the case of a potential denial. In addition, a fair lending officer monitors all HMDA loans and conducts a quarterly review to ensure full compliance with all policies, procedures, and fair lending law requirements. ViewPoint Bank also has a CRA Advisory Committee, which exercises direct oversight over the CRA compliance program and reviews quarterly assessments of performance.

Additionally, ViewPoint Bank's lending compliance function is subject to both internal audit policies established by the board of directors and an independent external audit by a third party, which conducts quarterly reviews of fair lending analyses of HMDA data, consumer compliance, and related internal audit activities. ViewPoint Bank also conducts a comprehensive risk assessment and provides compliance training for applicable employees annually.

The OCC, which is the primary supervisor for ViewPoint Bank, has indicated that it did not find evidence of discriminatory or other illegal credit practices in its review of ViewPoint Bank's fair lending policies and procedures.

C. Additional Information on Convenience and Needs to be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits. The commenter alleged that the proposal would not provide a clear or significant public benefit.

ViewPoint indicated that it does not intend to discontinue or significantly change any services or products offered by either institution as a result of the proposed transaction, other than consolidate like product types. ViewPoint also indicated that the convenience and needs of the community would be enhanced by the increased size and strength of the combined institution, which would increase the bank's lending limit. ViewPoint notes that the combined organization would be able to provide customers with benefits through more efficient and cost-effective provision of banking services and would be able to dedicate additional resources to meeting the banking needs of its customers.

ViewPoint represents that the proposal would offer customers convenience through a broader range of financial products. For example, ViewPoint indicates that as a result of the merger, customers of LegacyTexas Bank would have access to home equity lines of credit and each of its branches would be able to take and submit home improvement loan applications. Additionally, ViewPoint has represented that customers of ViewPoint Bank would be able to access home purchase mortgages and refinancing products and that all CRA loan products would be available at all branch locations of the combined organization.

ViewPoint represents that the merger would benefit current customers of LegacyTexas Bank through access to a larger branch network. The branch network available to ViewPoint and LegacyTexas customers would increase to 51 branches,

including several LMI branches. ViewPoint also has indicated that customers of LegacyTexas Bank would also gain access to ViewPoint’s network of bank-owned ATMs and to extended call center hours.

D. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by ViewPoint and LegacyTexas, confidential supervisory information, and the public comment on the proposal. Based on the above, the Board believes that the convenience and needs factor, including the CRA records of the insured depository institutions involved in this transaction, is consistent with approval of the applications.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amended section 3 of the BHC Act to require the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system.”<sup>27</sup> The Dodd-Frank Act also amended the Bank Merger Act to require the Board to consider “the risk to the stability of the United States banking or financial system.”<sup>28</sup> To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with

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<sup>27</sup> Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, 1601, codified at 12 U.S.C. § 1842(c)(7).

<sup>28</sup> Section 604(f) of the Dodd-Frank Act, Pub. L. No. 111-203, 124 Stat. 1376, 1602, codified at 12 U.S.C. § 1828(c)(5).

the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.<sup>29</sup> These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.<sup>30</sup>

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation, ViewPoint would have approximately \$5.8 billion in consolidated assets and, by any of a number of alternative measures of firm size, would not be among the 100 largest U.S. financial institutions. The Board generally presumes that a merger that involves an acquisition of less than \$2 billion in assets, or results in a firm with less than \$25 billion in consolidated assets, will not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. The companies engage and would continue to engage in traditional commercial banking activities. The resulting organization would experience small increases in the metrics that the Board considers to measure an institution's complexity and interconnectedness, with the resulting firm generally ranking outside of the top 100 U.S. financial institutions in terms of those metrics. For example, ViewPoint's intrafinancial assets and liabilities would constitute a negligible share of the system-wide total, both before and after the transaction. The resulting organization

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<sup>29</sup> Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

<sup>30</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

would not engage in complex activities or provide critical services in such volume that disruption in such services would have a great impact on the macroeconomic condition of the United States by disrupting trade or resulting in increased resolution difficulties.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

#### Other Considerations

LegacyTexas Bank also has applied under section 9 of the FRA to establish and operate branches at the locations of the main office and branches of ViewPoint Bank. The Board has assessed the factors it is required to consider when reviewing an application under section 9 of the FRA and finds those factors to be consistent with approval.<sup>31</sup>

#### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, the FRA, and other applicable statutes. The Board's approval is specifically conditioned on compliance by ViewPoint with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the applications. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law. The proposal may not be consummated before the fifteenth calendar day after the effective

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<sup>31</sup> 12 U.S.C. § 322; 12 CFR 208.6(b).

date of this Order, or later than three months thereafter, unless such period is extended for good cause by the Board or Reserve Bank, acting under delegated authority.

By order of the Board of Governors,<sup>32</sup> effective December 9, 2014.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>32</sup> Voting for this action: Chair Yellen and Vice Chairman Fischer, Governors Tarullo, Powell, and Brainard.

## Appendix

### Branches in Texas to be Established by LegacyTexas Bank

#### Addison

1. 4560 Beltline Road

#### West Allen

2. 225 Custer Road

#### Allen

3. 321 East McDermott

#### Carrollton

4. 1801 Keller Springs

#### North Carrollton

5. 4037 Old Denton Road

#### Coppell

6. 687 North Denton Tap Road

#### Preston Royal

7. 10720 Preston Road

#### Oak Cliff

8. 2498 West Illinois

#### Preston-Forrest

9. 5941 Forest Lane

#### Preston Motor

10. 6801 Preston Road

#### Preston Center

11. 8411 Preston Road

#### Lake Highlands

12. 9625 Audelia Road

#### N.E. Tarrant County

13. 3040 State Highway 121

West Frisco

14. 2975 Main Street

Frisco

15. 3833 Preston Road

Garland

16. 2218 North Jupiter Road

Grand Prairie

17. 215 North Carrier Parkway

Jacksboro

18. 201 South Main Street

McKinney

19. 2500 West Virginia Parkway

Resulting Institutions' Main Office

20. 1309 West 15<sup>th</sup> Street, Suite 400

East Plano

21. 2501 East Plano Parkway

West Plano

22. 5400 Independence Parkway

Tollroad

23. 5900 West Park Boulevard

West Richardson

24. 1280 West Campbell Road

Richardson Motor

25. 1775 North Plano Road

Runaway Bay

26. 1055 Highway 380 West

Wylie

27. 3490 FM 544

Flower Mound

28. 1201 Flower Mound

Grapevine

29. 301 South Park Boulevard

Plano Central

30. 1201 West 15<sup>th</sup> Street

Richardson

31. 720 East Arapaho

McKinney Motor

32. 231 North Chestnut