



PUBLIC DISCLOSURE

June 1, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Inwood National Bank
Charter Number: 15292

7621 Inwood Road
Dallas, TX 75209-4045

Office of the Comptroller of the Currency
Dallas Field Office
225 East John Carpenter Freeway, Suite 900
Irving, TX 75062-2326

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

Overall CRA Rating.....	3
Description of Institution.....	4
Scope of the Evaluation.....	6
Discriminatory or Other Illegal Credit Practices Review.....	7
State Rating.....	8
State of Texas.....	8
Appendix A: Scope of Examination.....	A-1
Appendix B: Summary of State Ratings.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Outstanding**.

The following table indicates the performance level of Inwood National Bank (INB or Bank) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Inwood National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- The Lending Test rating is based on the excellent level of community development (CD) lending, the good lending activity and excellent geographic distribution of lending, and a substantial majority of the Bank’s loans in the assessment area.
- The Investment Test rating is based on the excellent level of investments and responsiveness to community development needs.
- The Service Test rating is based on the accessibility of branch offices and INB having a relatively high level of CD services.

Lending in Assessment Area

A substantial majority of the bank’s loans are in its AA.

The bank originated and purchased approximately 81.8 percent of its total loans inside the Bank’s AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. The Bank’s primary products are home mortgages and small loans to businesses. Farm loans are not a primary product but were included in the table below for informational purposes.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,224	79.9	308	20.1	1,532	419,474	80.4	102,552	19.6	522,025
Small Business	848	85.6	143	14.4	991	209,361	87.1	30,942	12.9	240,303
Small Farm	41	67.2	20	32.8	61	4,759	88.3	629	11.7	5,388
Total	2,113	81.8	471	18.2	2,584	633,594	82.5	134,123	17.5	767,716

Description of Institution

Inwood National Bank, an intrastate Texas bank, is a wholly owned subsidiary of Inwood Delaware Corporation, which is wholly owned by Inwood Bancshares, Inc., a one-bank holding company. Inwood was organized on April 9, 1964 and is one of the largest independent, locally owned community banks in the area.

INB serves a diverse market that includes an array of demographics. The bank operates in one AA that is largely in the Dallas-Plano-Irving TX Metropolitan Division (MD) which includes the counties of Collin, Dallas, Denton, Ellis, Hunt, Kaufman and Rockwall counties. INB has limited its AA to the following geographic areas: all of Dallas County, all of Rockwall County, the southern half of Collin County, the eastern half of Denton County, and two census tracts in eastern Hunt County that comprise a small area around the bank's Commerce branch. INB also includes all of Tarrant County in its AA. Tarrant County is included in the Fort Worth-Arlington-Grapevine, TX MD. Both the Dallas and the Fort Worth MDs comprise the Dallas-Fort Worth-Arlington, TX MSA (Dallas MSA). Combining both or part of the two MDs within their MSA meets the CRA regulation's technical requirements for an AA.

Inwood currently has 14 banking offices in its AA. Along with the main office located approximately five miles north of downtown Dallas off Inwood Road and Lovers Lane, there are three other branches in the City of Dallas including the Galleria, Oak Lawn, and Pleasant Grove areas. Branches are also located in the communities of Commerce, Denton, Desoto, Duncanville, Garland, Richardson, Rowlett, Wylie, and Rockwall. In addition, there is a branch office located in downtown Fort Worth. This represents no change from the previous evaluation. The Bank has not experienced any acquisitions or mergers during the review period.

One of INB's banking offices is in a low-income census tract, six are in moderate-income tracts, two are in middle-income geographies, and five are located in upper-income census tracts. Full-service ATMs are situated on the main office and branch premises and offer 24-hour access. INB offers a wide variety of loan products and related financial services available at each of its branches. Branch hours and services do not vary in a way that inconveniences portions of the AA, particularly LMI individuals or geographies.

INB is a full-service financial institution that generates deposits and originates a full range of credit products including consumer, commercial, small business, and real estate loans. As of December 31, 2019, INB had \$3.0 billion in total assets, \$1.9 billion in total loans, and tier 1 capital of \$298.9 million. The bank's loan-to-deposit ratio was 70.91 percent and net loans represented 61.84 percent of total assets. The loan portfolio composition of outstanding loans was 20.15 percent residential, 73.09 percent commercial real estate (CRE), 6.38 percent commercial and industrial (C&I), and 0.38 percent consumer.

Deposit products include demand deposit accounts (both consumer and commercial), savings accounts, certificates of deposit and individual retirement accounts (IRAs). In addition, INB offers a number of electronic banking services such as bill pay, Internet banking, overdraft programs, peer-to-peer, mobile wallet, and remote deposit capture. INB also offers a new E-Checking account for no charge to their customers who elect to receive their statements electronically. This was created to replace their Basic Checking and Free Checking accounts. If an existing customer with either of these accounts has no way to receive an electronic statement, they are given a Regular Checking Account and the monthly service fee is waived. They have approximately 4,900 E-Checking accounts as of this evaluation period. Loan products include one-to-four family residential mortgage loans, home equity loans and lines of credit, CRE loans, construction and land loans, multifamily residential loans, C&I loans, and consumer loans. While INB originates residential mortgage loans and other consumer loans, management is strategically focused on originating CRE and C&I loans, as these are deemed attractive lending products because the commercial borrowers typically maintain core deposit accounts.

INB provides a variety of services to many LMI individuals, and to community development organizations that serve LMI individuals or communities located within its AA. Services include credit counseling and financial services education on affordable housing, and first-time homebuyer programs for LMI individuals. Training, financial services education, and guidance are provided during the LMI applicant's mortgage financing documentation processes. INB also works with a non-profit CD organization to offer a payday alternative loan program in which the LMI borrower is offered less burdensome repayment terms. In addition, several INB employees are involved with local non-profit organizations focused on serving LMI individuals and communities.

INB faces significant competition in originating loans and attracting deposits in its AA. This competition stems from other banks, credit unions, and mortgage banking companies with regional and national footprints. Many of the financial services providers operating in INB's AAs are significantly larger, such as, JPMorgan Chase Bank, Wells Fargo Bank, Bank of America, and BBVA. These banks have greater financial resources as compared to INB. In addition, recent innovations in loan and deposit products brought about by financial technology companies have added to the level of competition for originating both loans and deposits. These factors were considered when determining the CRA performance.

INB has no affiliate or operating subsidiary activities considered when evaluating the CRA performance. There are no legal or financial factors impeding the ability to help meet the credit needs of its AA. The rating at its previous CRA PE dated April 3, 2017 was "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses the Bank's performance under the Lending, Investment, and Service Tests. In evaluating the Bank's lending performance, we reviewed residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), small loans to businesses as reported under the CRA, and CD loans. We also evaluated CRA qualified investments including donations and grants as well as retail and CD services. The Bank reported some farm loans, but there was not enough activity to provide for meaningful analysis. Therefore, tables for this product are not included in Appendix D. However, we included them in the analysis of loans inside the AA and on the lending activity table.

The evaluation period for the Lending Test is January 1, 2017 through December 31, 2019. The review period for CD Loans, the Investment Test, and the Service Test is April 4, 2017 through December 31, 2019. Our conclusions related to CD loans, qualified investments including donations, and CD services were based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, responsiveness to community credit needs and the degree to which these instruments are not routinely provided by private investors.

For geographic and borrower distribution analyses, loans originated in 2017 through 2019 are compared to the 2015 American Community Survey (ACS) Census data for mortgages and the 2019 Dun & Bradstreet (D&B) Data for loans to small businesses.

Selection of Areas for Full-Scope Review

In each state where the Bank has an office, one or more AA(s) within that state were selected for a full-scope review. For purposes of this evaluation, Bank delineated assessment areas located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating section for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

INB has one AA in the State of Texas. This AA has been defined as the Dallas MSA, which is made up of two MDs. This AA has been selected for a full-scope review. There were no limited-scope AAs in Texas.

Ratings

The bank's overall rating is based on the performance in the State of Texas. The state rating is based on performance in all bank AAs. Refer to the "Scope" section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

For the geographic and borrower distribution of loans under the Lending Test, consideration was given to the number of loans and dollar volume of loans originated in each category. One-to-four family mortgage lending received the most weight and then the loans to small businesses were considered.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Texas

CRA rating for the State of Texas¹: Outstanding

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: High Satisfactory

The major factors that support this rating include:

- Lending levels reflect good responsiveness to meeting the credit needs of the Bank's AA.
- An excellent geographic distribution of loans, given the performance context and considering the substantial majority of lending inside the Bank's AA.
- A good distribution of loans by the income level of the borrower, given the performance context.
- An excellent level of CD loans that are responsive to community need given the Bank's capacity and opportunities in its AA. The level of CD loans had a significantly positive impact on the overall Lending Test.
- Extensive use of innovative and flexible loan products to assist LMI borrowers.
- An excellent level of qualified investments, including grants and donations.
- Retail delivery systems, such as the Bank's branches, are accessible to essentially all portions of the AA, including low- and moderate-income (LMI) geographies.
- The Bank provides a relatively high level of CD Services that were responsive to identified community needs.

Description of Institution's Operations in Texas

The Bank operates in one AA in the State of Texas as described in the "Description of the Institution" and the "Scope of Evaluation" sections of this PE. The Bank's primary business focus is one-to-four family residential lending and business loans. The Bank's competitors include other local community banks and credit unions in its markets, large banks that have a nationwide footprint, and nonbank financial entities that compete for residential and business loans, for example, mortgage companies.

Community credit needs in the full-scope AA were determined by reviewing recent housing and demographic information, CRA PEs from other banks operating in the Bank's AA, and discussions with one community contact with an organization that provides services to the AA.

¹ This rating reflects performance within the multistate metropolitan statistical area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan statistical area.

The community contact for the Dallas MSA was a 501(c)(3) organization that focuses on homeownership and economic development by building partnerships that provide homeownership opportunities, job training, economic development, community education and advocacy. The most critical need identified from this contact was associated with affordable housing, renovation of existing homes and businesses, and development of vacant properties/lots as immediate credit needs of the area.

The following tables depict the demographic information for the full-scope AA in Texas.

Dallas MSA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Dallas MSA AA 2017-2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,122	14.4	27.2	26.0	31.7	0.6
Population by Geography	5,687,608	12.3	27.0	27.7	32.9	0.1
Housing Units by Geography	2,184,442	12.7	25.5	28.2	33.4	0.2
Owner-Occupied Units by Geography	1,158,761	5.9	21.0	29.4	43.6	0.1
Occupied Rental Units by Geography	856,286	20.1	30.9	27.4	21.3	0.4
Vacant Units by Geography	169,395	22.2	29.1	24.0	24.4	0.3
Businesses by Geography	572,008	7.6	19.7	25.9	46.1	0.7
Farms by Geography	9,280	6.1	18.8	27.8	46.8	0.5
Family Distribution by Income Level	1,371,181	24.4	16.6	18.0	41.0	0.0
Household Distribution by Income Level	2,015,047	24.5	16.8	17.8	40.9	0.0
Median Family Income MD - 19124 Dallas-Plano-Irving, TX		\$71,149	Median Housing Value			\$177,140
Median Family Income MD - 23104 Fort Worth-Arlington-Grapevine, TX		\$69,339	Median Gross Rent			\$975
			Families Below Poverty Level			12.0%
<i>Source: 2015 ACS and 2019 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Texas

The evaluation period for our review of HMDA/CRA loan data, CRA qualified investments, and CD services is January 1, 2017 through December 31, 2019. The evaluation period for CD loans is April 3, 2017 through December 31, 2019. Our conclusions related to CD loans, qualified investments including donations, and CD services were based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, responsiveness to community credit needs and the degree to which these instruments are not routinely provided by private investors.

As discussed earlier, the Dallas MSA was selected for a full-scope. This is the Bank's only AA. There are no limited-scope areas to review. Refer to the table in Appendix A for a list of all AAs under review.

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact of the coronavirus pandemic across the United States are not addressed in this evaluation. Bank qualifying activities will be considered in the Bank's next evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

The bank's performance under the Lending Test in Texas is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Dallas MSA is excellent. The level of community development lending had a significantly positive impact on lending performance when considering the impact of responsiveness and initiatives.

Lending Activity

Lending levels reflect good responsiveness to AA credit needs.

Number of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	%State Loans	%State Deposits
Dallas MSA	1,224	848	41	60	2,173	100	100

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Dollar Volume of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	%State* Loans	%State Deposits
Dallas MSA	419,474	209,361	4,759	155,054	788,648	100	100

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

INB's lending activity in the Dallas MSA is good considering the competition for all types of loans in the bank's AA and the bank's business strategy. The bank's good performance in originating home mortgage loans and small loans to businesses supports this conclusion. Please, refer to the "Distribution of Loans by Income Level of the Geography" and "Distribution of Loans by Income Level for the Borrower" sections of this report for more information.

Based upon FDIC Deposit Market Share data as of 2019, INB achieved a 0.83 percent market share of deposits, ranking 18th amongst 199 financial institutions in the AA, and ranking INB in the top 9.04 percent of total depository banks. Based upon 2018 Peer Mortgage Data, INB achieved an 0.18 percent market share of mortgage loans, ranking 111th amongst 855 reporting lenders and is equivalent to being in the top 12.98 percent of lenders. The top five mortgage lenders had 26.67 percent of the total market share. Given the competition from the other reporting lenders in the AA, and the bank's market share and lender rankings for each product, overall home mortgage lending activity is good.

In 2018, INB achieved a 0.19 percent market share of small loans to businesses, ranking 39th among 240 reporting lenders, or the top 16.25 percent of lenders. The small business lending activity is good given the Bank's market share and ranking when compared to its deposit market share and small business lending competition within the AA. The top five lenders for small business lending consisted of the nation's largest lenders, which collectively had 64.05 percent of the market share.

Distribution of Loans by Income Level of the Geography

The bank exhibits an excellent geographic distribution of loans in its AA.

Home Mortgage Loans

The geographic distribution of mortgage loans in the AA is excellent. Refer to Table O in the state of Texas section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

In 2017-2019, the Bank's mortgage lending in low-income geographies exceeded the owner-occupied housing units and the aggregate lending in low-income geographies. For moderate-income geographies, the Bank's lending was somewhat lower than the owner-occupied housing units and was near to the aggregate lending.

Small Loans to Businesses

The geographic distribution of business loans in the AA is excellent. Refer to Table Q in the state of Texas section of Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

In 2017-2019, the Bank's small business lending in low and moderate-income geographies exceeded both the percentage of businesses located in low-income geographies and the percentage of aggregate lending to small businesses in low-income geographies.

Lending Gap Analysis

No unexplained, conspicuous gaps in lending were identified. We evaluated lending distribution in the full-scope AA to determine if any unexplained conspicuous gaps existed.

Distribution of Loans by Income Level of the Borrower

The distribution of loans to individuals of different income levels and businesses of different sizes is good given the product lines offered by the Bank.

Home Mortgage Loans

The distribution of loans to LMI individuals in the AA is good. Refer to Table P in the state of Texas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

In 2017-2019, the Bank's mortgage lending to low-income borrowers was lower than the percent of families identified as low-income but exceeded the aggregate lending to low-income borrowers. For moderate-income borrowers, the Bank's mortgage lending was near to the percentage of families identified as moderate-income and exceeded the percentage of the aggregate lending to moderate-income borrowers.

Small Loans to Businesses

The distribution of loans to small businesses in the AA is adequate. Refer to Table R in the state of Texas section of Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

In 2017-2019, the Bank's loans to businesses with revenues less than or equal to \$1 million was lower than the percentage of businesses identified as having revenues less than or equal to \$1 million and was near to the aggregate percentage of lending to these businesses.

Community Development Lending

The institution is a leader in making Community Development (CD) loans.

The Lending Activity Tables, shown previously, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multi-family loans that also qualify as CD loans.

Dallas MSA

The level of CD lending in the Dallas MSA has a significantly positive impact on the overall Lending Test conclusions. During the evaluation period, INB originated 64 CD loans totaling \$155.6 million, or 52.06 percent of tier 1 capital, allocated to the AA. These loans represented excellent responsiveness to identified needs in the area, particularly affordable housing and commercial revitalization.

The CD loans are categorized by the four CD criteria, as follows. Proceeds of these loans all positively impact LMI individuals, families, and/or geographies in the AA. Following are examples by category with some of the borrowers noted:

- 31 loans totaling \$3.3 million financed affordable housing for LMI individuals and families. These affordable housing loans provide funds to construct and renovate single-family residences that will provide affordable housing to LMI families. The bank has relationships with Community Development Housing Organizations (CDHO) in the City of Dallas, and with various developers who engage in facilitating and providing affordable housing, much of which is located in low-or moderate-income census tracts designated for development and neighborhood revitalization.
- Seven loans totaling \$885,122 provided community services. These community service loans financed lines of credit or other loans to established non-profit organizations, one of which provides youth and family services including after-school programs, summer and holiday camps, sports leagues, and mentorship curriculum, while another makes auto loans to LMI individuals which provides an alternative to predatory lending, in addition to providing vehicle selection assistance and financial mentoring.
- Three loans totaling \$7.2 million facilitated economic development. These economic development loans provided working capital for an engineering company in a moderate-income tract which will help support job creation, retention, and improvement, and provided funds for the construction of a grocery store in a moderate-income tract in what has been described as a “food desert.”
- 23 loans totaling \$144.2 million financed revitalization/stabilization. Proceeds for many of these revitalization loans were used for purchasing, renovating, and/or improving commercial and multifamily properties in low- or moderate-income tracts. In addition, the bank provided funds for the construction of a new medical office facility in Fort Worth which will help to revitalize and stabilize a moderate-income tract.

Product Innovation and Flexibility

The institution makes extensive use of innovative and/or flexible lending practices in order to serve AA credit needs.

INB offers a standard mix of loan products including home mortgage, consumer loans, and products targeting small businesses across the Dallas CSA. INB also offers flexible home loan programs targeted to LMI borrowers that enhance lending performance, including FHA and VA lending.

INB offers additional flexible loan products such as the INB First Time Homebuyer Mortgage. Coupled with down payment and closing cost assistance grants, these mortgage products enable LMI applicants to achieve home ownership by offering financing with no origination fee, no points, no private mortgage insurance requirement, and a 30 year, low fixed-rate term. INB originated 19 of these mortgages totaling \$2 million and provided over \$500 thousand in down payment assistance during the evaluation period.

INB has made strides to assist established affordable housing non-profits which focus on first-time homeownership in the southernmost sector of its AA. However, it has been INB's experience that those municipalities have minimum programs focused on first time homebuyers that provide mortgage assistance to fill the affordability gap given the rising cost of housing. Also, the CHDOs located in INB's primary market have been hampered during this examination period due to that municipality undergoing lengthy HUD audit clarifications.

INB continues to partner with St. Vincent de Paul (SVdP) in providing an innovative payday alternative loan program. Under this program, INB provides low-interest, fully amortizing monthly payment loans at three percent interest for up to 12 months, with no closing costs. There is no minimum loan amount and borrowers may sign loan documents at any of INB's branch locations. The loans are secured by a deposit account belonging to SVdP. SVdP is a co-signer on all of the loans and works with INB to resolve payment issues, should they arise. The SVdP Mini Loan Program provides borrowers a low-interest alternative to payday loans with no fees. The SVdP Emergency Loan Program provides borrowers emergency funds for events such as urgent home repairs, medical bills, family funerals, etc. The Emergency Loan Program follows the same structure as the Mini Loans (12 months, three percent interest, no fees). INB originated 132 Mini Loans with an average loan amount of \$1,175, and 23 Emergency loans with an average loan amount of \$1,360 during the evaluation period. Approximately 50 of the 155 total loans originated were under \$1,000. Financial counseling often accompanies these loans to assist the borrower in becoming ready for traditional bank loans in the future.

As a member institution of the Federal Home Loan Bank of Dallas, INB has originated mortgages or assisted in securing down payment assistance through the following programs:

Homebuyer Equity Leverage Partnership (HELP)

Through member institutions, HELP assists low-income-qualified, first-time homebuyers with down payment assistance and closing costs. FHLB Dallas disburses HELP funds to members on a first-come, first-served basis, one homebuyer at a time. During this exam period, INB originated mortgages to four first-time homebuyers who applied and received HELP funds. The mortgages totaled \$415,810 and the borrowers received a total of \$34,000 in down payment assistance. INB has been limited in the frequency of utilizing this program as some jurisdictions' assistance programs don't allow dual grants.

Housing Assistance for Veterans (HAVEN)

HAVEN funds assist with necessary modifications to homes of U.S. veterans and active-duty, reserve or national guard service members who became disabled as a result of their military service since September 11, 2001. Alternatively, the funds can be awarded to Gold Star Families that were impacted during this time frame for home repairs or rehabilitation. The funds are disbursed on a first-come, first-served, homeowner-by-homeowner basis. Inwood partnered with Habitat for Humanity of Greater Garland to secure a \$10 thousand HAVEN grant for an LMI disabled veteran in December 2019.

INVESTMENT TEST

The bank's performance under the Investment Test in Texas is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Dallas MSA is excellent. The institution has an excellent level of qualified CD investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors. INB exhibits excellent responsiveness to credit and community economic development needs, and occasionally uses innovative and/or complex investments to support CD initiatives.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Full-Scope									0	0
DALLAS MSA	13	6,804	96	22,614	109	91.6	29,418	86	1	599
Regional without P/M/F	4	1,754	4	2,551	8	6.7	4,305	12.6	1	119
Broader Statewide without P/M/F	0	0	2	480	2	1.7	480	1.4	0	0
Totals	17	8,558	102	25,645	119	100	34,203	100	2	718

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Performance in the AA is excellent considering the volume of deposits in the AA and the impact of the investments. During the evaluation period, INB made 109 qualified investments and donations in the Dallas MSA totaling \$29.4 million. The investments include the following:

- Of the total investments, \$15.3 million were mortgage-backed securities (MBS). Nine prior period and ten current period GNMA, FNMA and FHLMC MBS help support the affordable housing needs of low- and moderate-income residents in the Dallas CSA. A majority of the loans in the MBS pools are loans to LMI families who make less than 80 percent of the median family income.
- An additional \$2.9 million includes two prior period bonds and five current period bonds to various independent school districts (ISD) located in the Dallas CSA. The bond proceeds were primarily used to construct several new schools, add instructional space to existing schools, renovate, and acquire equipment and buses. The majority of students in each ISD are economically disadvantaged as measured by the free and reduced lunch program.

- During the evaluation period, the Bank made 80 donations totaling \$216,300. There were 39 affordable housing donations totaling \$105,300 to organizations that provide homeownership opportunities, home buyer services and that revitalize distressed neighborhoods to increase the amount of affordable housing available to LMI families and individuals. There were 36 community service donations totaling \$101,500. The bank's donations primarily supported non-profit organizations that provide food, clothing and shelter for those in need, job training, education and life skills, assistance referrals and health care services for LMI individuals. Also, there were five donations totaling \$9,500 to various organizations that provide economic development opportunities. One nonprofit is providing capital and assistance to commercial real estate projects that benefit LMI families and distressed neighborhoods.

Broader Statewide or Regional Areas

INB had ten investments totaling \$4.8 million that benefited Broader Statewide and Regional Areas.

In the Broader Statewide Areas, the Bank continues to hold three prior period bonds and two current period bonds totaling \$2.9 million to various ISDs located in distressed or underserved middle-income areas. The bond proceeds were primarily used to construct, renovate or convert middle school and high school facilities where the majority of students are economically disadvantaged as measured by the free and reduced lunch program.

INB funded \$631 thousand of a \$750 thousand commitment in a current period equity investment with the Independent Bankers Capital Fund III (ICBP). IBCP raises capital that is lent to small businesses that typically do not have access to bank financing. One prior period investment of \$80,101 in ICBF II remains outstanding and also benefits economic development.

In the Broader Regional area, the Bank invested \$480 thousand during the review period in certificates of deposit from two minority-owned financial institutions, in line with OCC's initiative. These institutions are outside the regional area, are designated CDFIs, and serve low- and moderate-income communities. The top priority of these CDFIs is the revitalization of the local communities they serve by ensuring small businesses and nonprofit organizations have access to needed capital and that individuals have access to affordable banking services and loans.

SERVICE TEST

The bank's performance under the Service Test in Texas is rated High Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's performance in the Dallas MSA is good.

Retail Banking Services

Service delivery systems are accessible to essentially all geographies and individuals of different income levels in the institution's AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits % of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Branches				Population			
				Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Scope											
Dallas MSA	100	14	100	7.14	42.86	14.29	35.71	14.44	27.18	26.02	31.73

Due to rounding, total may not equal 100.0

The Bank's delivery systems are accessible to essentially all portions of the Dallas MSA. INB has 14 full-service branches in the MSA. The Bank has one branch in a low-income geography and six branches in moderate-income geographies. The percentage of the Bank's branch offices located in low-income geographies is lower than the percentage of the population within the low-income geographies. The percentage of the Bank's branch offices in moderate-income geographies exceeds the percentage of the population within the moderate-income geographies. All branch locations have deposit-taking ATMs onsite. Management complements its traditional service delivery methods with certain alternative delivery processes, including online banking and telephone banking. The Bank also offers bank-wide online and mobile banking services to both its consumer and commercial customers. INB also offers a new E-Checking account for no charge to their customers who elect to receive their statements electronically. This was created to replace their Basic Checking and Free Checking accounts. If an existing customer with either of these accounts has no way to receive an electronic statement, they are given a Regular Checking Account and the monthly service fee is waived. They have approximately 4,900 E-Checking accounts as of this evaluation period.

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Branch Openings/Closings			
			Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Dallas MSA	0	0	0	0	0	0

INB did not open or close branches during the evaluation period. This has not adversely affected the accessibility of its delivery systems.

Services, including where appropriate, business hours, do not vary in a way that inconveniences its AA, particularly low- and moderate-income geographies and/or individuals.

Community Development Services

The institution provides a relatively high level of CD services.

INB provides a good level of CD services that are responsive to the needs of the communities in the AA. In the Dallas MSA, 16 Bank officers and employees provided their expertise to 32 different CD Organizations for a total of 1,616 hours. Thirteen of the sixteen Bank officers and employees volunteered in leadership positions. They accomplished this by serving as Board members, Loan Committee members, Finance Committee members, and Advisory Council members. These activities help provide affordable housing, revitalization and stabilization of designated areas, and community services to LMI individuals and families. Examples of organizations for which the Bank frequently provides CD services include:

Texas Mezzanine Fund

A Board member of the Bank provides technical and financial expertise by sitting on the Loan Committee of this organization. This is a community development organization certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI) and Community Development Entity (CDE). In addition, INB is one of the 15 shareholders of the Texas Mezzanine Fund.

Rockwall Grace Center

A Bank employee provides technical and financial expertise by sitting on the Board of Directors of this organization. Rockwall Grace Center is a community-based 501 (c) 3 not-for-profit organization founded in 2013 to address the lack of health care for individuals in the Rockwall community who cannot afford to pay for medical care. Grace Clinic Rockwall County provides quality primary and allied healthcare and education services to the community, regardless of ability to pay.

Soup Mobile, Inc

A Bank employee provided financial expertise by participating in fundraising activities for this organization. This is a 501 (c) 3 non-profit charity that "Feeds the Homeless & Hungry" in Dallas, TX. The Bank employee was the sole fundraiser for a new \$600 thousand facility which will provide space for feeding the homeless, a food pantry, and a place of worship.

The Real Estate Council (TREC) Community Fund

A Bank employee provides technical and financial expertise by sitting on the Loan Committee for this organization. TREC Community Fund is a 501 (c) 3 non-profit that provides access to capital and technical assistance to nonprofit and for-profit organizations in Dallas and Collin County for commercial real estate projects benefiting low- and moderate-income families and their communities.

Salvation Army of North Texas

Two Bank employees provide technical and financial assistance by sitting on the Advisory Council of this organization (Fort Worth and Pleasant Grove). Their mission is to care for the poor, feed the hungry, and shelter the homeless. One of the same employees also attends Trustee Meetings for this organization.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2017 through December 31, 2019	
Bank Products Reviewed:	Home mortgage loans (home purchase, home improvement, and refinance), small loans to businesses, loans to small farms, community development loans, investments, and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Texas		
Dallas MSA	Full-scope	Assessment area includes all of Dallas, Rockwall, and Tarrant Counties, the southern portion of Collin County, the eastern part of Denton County, and two census tracts in Hunt County.

Appendix B: Summary of State Rating

RATINGS Inwood National Bank				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Inwood National Bank	Outstanding	Outstanding	High Satisfactory	Outstanding
MMSA or State:				
Texas	Outstanding	Outstanding	High Satisfactory	Outstanding

(*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always

equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an

employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

MMSA (state): Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased loans are treated the same as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2017-19

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Dallas MSA	1,224	419,474	100.0	176,203	5.9	6.6	3.8	21.0	14.1	15.1	29.4	26.9	31.9	43.6	52.3	49.1	0.1	0.1	0.1
Total	1,224	419,474	100.0	176,203	5.9	6.6	3.8	21.0	14.1	15.1	29.4	26.9	31.9	43.6	52.3	49.1	0.1	0.1	0.1

Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table P : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-19

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Dallas MSA	1,224	419,474	100.0	176,203	24.4	6.9	4.4	16.6	15.9	13.9	18.0	17.1	19.8	41.0	52.7	44.1	0.0	7.5	17.8
Total	1,224	419,474	100.0	176,203	24.4	6.9	4.4	16.6	15.9	13.9	18.0	17.1	19.8	41.0	52.7	44.1	0.0	7.5	17.8

Source: 2015 ACS Census ; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2017-19	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Dallas MSA	848	209,361	100.0	143,825	7.6	13.4	7.9	19.7	26.1	20.1	25.9	22.2	25.2	46.1	37.4	46.0	0.7	0.9	0.9	
Total	848	209,361	100.0	143,825	7.6	13.4	7.9	19.7	26.1	20.1	25.9	22.2	25.2	46.1	37.4	46.0	0.7	0.9	0.9	

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2017-19	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Dallas MSA	848	209,361	100.0	143,825	87.1	35.1	41.8	4.5	56.1	8.4	8.7		
Total	848	209,361	100.0	143,825	87.1	35.1	41.8	4.5	56.1	8.4	8.7		

Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%