

CPP ANNUAL USE OF CAPITAL SURVEY - 2013



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Chambers Bancshares, Inc./Chambers Bank

Person to be contacted regarding this report:	Michael W. Donnell	RSSD: (For Bank Holding Companies)	1141487
UST Sequence Number:	1037	Holding Company Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	19,817,000	FDIC Certificate Number: (For Depository Institutions)	5615
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	May 29, 2009	City:	Danville
Date Repaid ¹ :	N/A	State:	Arkansas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	During 2013, Chambers Bancshares, In. and it subsidiaries had combined provisions in the amount of \$3.9 million. In the past years, the company has been able to fund the increases in its Allowance for Loan and Lease Loss. In 2013, the company had net credit losses in the amount of \$9.1 million.
<input checked="" type="checkbox"/>	Reduce borrowings	By retaining funds at the holding company, the program has allowed the company to service debt and reduce its borrowings in the past.
<input checked="" type="checkbox"/>	Increase charge-offs	Chambers Bancshares was able to absorb \$9.1 million in net credit losses during 2013. The ability for the bank to retain its capital position with limited distributions to the parent and continue to make provisions to its Reserve for Loan and Lease Losses has been beneficial during the program.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	Through DPC, two unrelated financial institutions were consolidated at the bank level. This transaction occurred in November 2012. Without the capital retention at Chambers Bancshares, Inc., this would have been problematic.
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Throughout the program, by retaining funds at the holding company, it has allowed the bank to retain its capital position. Although distributions were made at the bank level during 2012, the distributions received allowed the holding company to reduce debt under the TLGP Debt Guaranty Program.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The injection of the CPP funds at Chambers Bancshares, Inc. has precluded the holding company from drawing additional funds from the bank in order to maintain liquidity at the parent company. This enabled the bank to maintain adequate capital and liquidity ratios. However, due to a recent acquisition during the fourth quarter of 2012, capital levels at the bank did decline below adequate levels. Chambers Bank sold one of the institutions acquired DPC in the second quarter of 2013 and capital levels increased.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The infusion has enabled the holding company to continue to service its debts and reduce its borrowings without reliance on distributions from the bank. This has allowed the bank to absorb necessary credit losses and make additional provisions to the reserve.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The CPP injection to Chambers Bancshares, Inc. has enabled the holding company to not rely on the bank for liquidity.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.