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2023 Community Bank Case Study Competition

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<u>2023 Community Bank Case Study Competition</u>

Chambers Bank:
A Unified Front Through Economic Uncertainty

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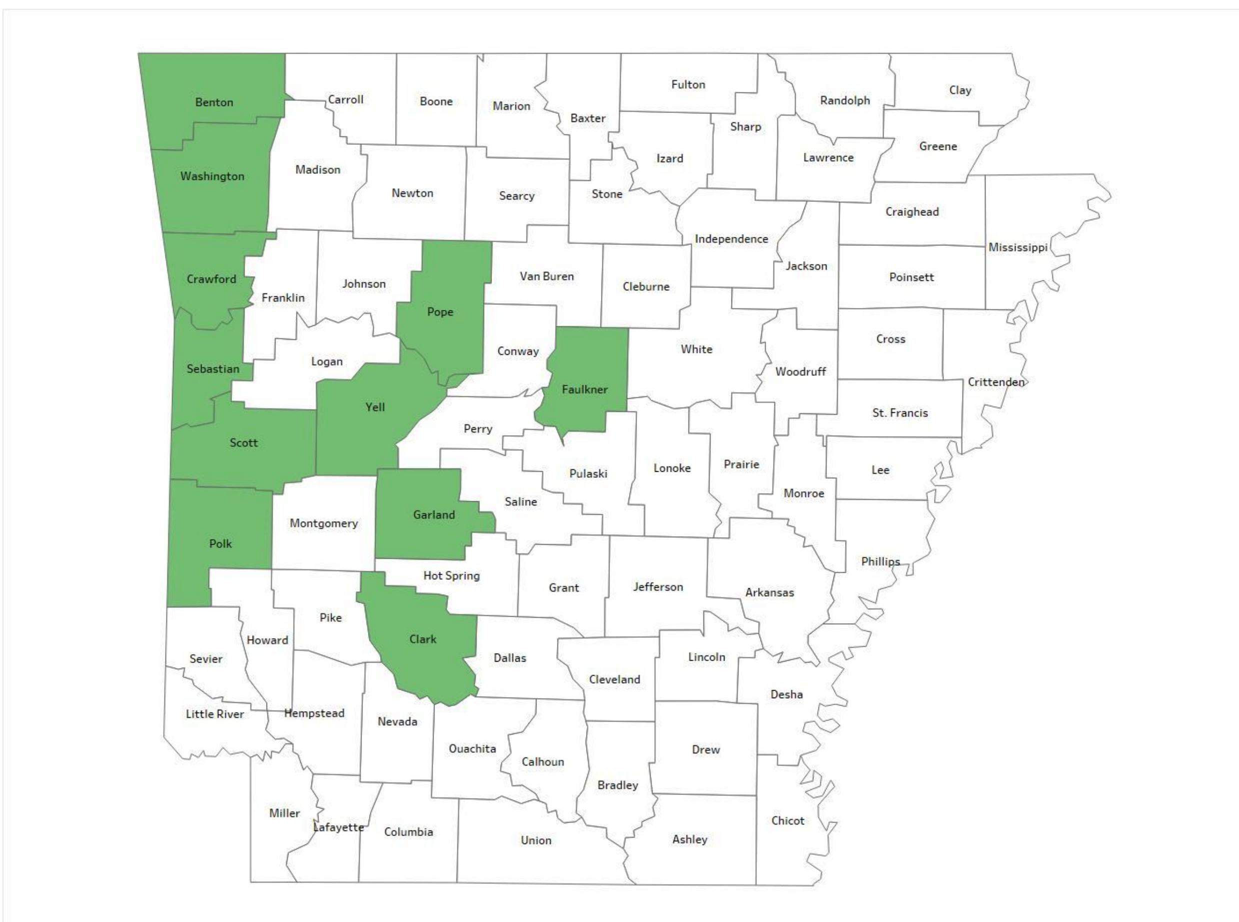
Arkansas Counties Where Chambers Bank Has Branches



Source: FDIC Summary of Deposits, June 2022. Map created with Tableau software.

Executive Summary

Chambers Bank was founded in 1930 as Danville State Bank by the current CEO and Chairman John Ed Chamber III's grandfather, Judge John Chambers. The newly established Bank replaced Yell County Bank as the area's only financial institution after it failed during the Great Depression. The bank continued its operations solely in Danville until 1980 when it chartered the Scott County Bank in Waldron, Arkansas. Chambers Bancshares, Inc. was established in 1986 as the bank holding company (BHC). In 2000, Danville State Bank changed its name to Chambers Bank. The bank has continued to expand through natural growth and acquisition and now operates 24 branches throughout the western half of Arkansas. In November 2019, Chambers Bank acquired River Town Bank in Dardanelle, Arkansas, as part of a strategy to expand the size of the bank and grow the number of transaction accounts. The bank has grown to have $1.27 billion in assets and a net income of $15.6 million as of 2022 (https://www.chambers.bank/about-us/our-story/).

Chambers Bank has experienced consistent growth in its portfolio and earnings. The bank focuses primarily on real estate lending, making up 89.24% of its portfolio. The bank has experienced high asset growth over the last five years, which is on par with the growth of other similar-sized banks. The bank's recent acquisition of River Town Bank expanded its balance sheet but hurt short-term profitability; however, the bank has continued its growth strategy. Chambers Bank has increased its capital levels since its 2019 bank acquisition to increase protection against financial loss and to place the bank in a good position for possible future acquisitions. From 2018 through 2022, Chambers Bank's financial strategy has been consistent.

Chambers Bank's mission statement is "to improve the financial well-being and quality of life of our customers and the communities we serve." Chambers Bank focuses on maintaining healthy community relationships and recruiting employees with an understanding of the local community. Chambers looks to attract and retain top talent within the local community. The bank retains talent by offering competitive benefits and internal career advancement opportunities. Staffing has been critical as the bank experienced higher-than-average turnover through the pandemic. The increased focus on recruiting and retainment will help Chambers Bank continue to hit its growth targets in the coming years.

Chambers Bank has invested in the bank's training and technology to attract and retain top talent and to ensure that employees are operating at a high level so the bank can compete in the competitive banking market. In addition to upgrading its core system, Chambers Bank is working to establish a more formal onboarding and training program. Along with the new training, Chambers Bank has invested in new technology to better equip their employees to offer a better experience with the bank.

Chambers Bank is approaching the 100-year mark as a staple community bank serving local Arkansas communities. The bank has established a framework that has poised them to grow and adapt to the changing banking environment. Chambers Bank's commitment to growth is evident in its financial position, establishment of recruiting and training programs, and reinvestment in new technology.

Part I. Financial Analysis

Earnings Performance

From 2018 to 2022, earnings at Chambers Bank increased from $11.1 million to $15.6 million. The increase, however, was not consistent as net income fell relative to the previous year both in 2019 and in 2022. Net income surged during the pandemic years in 2020 and 2021 because loan fees from the Paycheck Protection Program boosted noninterest income. In addition, the falling interest rates caused mortgage origination fees to skyrocket while interest expense declined. Figure 1 shows that net income in 2022 was $486,000 lower than in 2021 because net noninterest income decreased by $5.5 million due to lower fee income and more overhead expense to support the bank's growth. In addition, the increase in interest rates during 2022 led to securities losses of $648,000 compared to a $108,000 loss the previous year. Although net interest income in 2022 was $4.8 million higher than in 2021, it was not enough to offset those losses.

Return on Assets (ROA) at Chambers Bank in 2022 is 1.26%, at the 59th percentile relative to its peers and well above the industry benchmark of 1.0%. Net interest income is at the 85th percentile, but the noninterest expense is also high relative to peers at the 79th percentile. The lighter line in Figure 2 shows that except for 2019, Chambers Bank's ROA has ranked at the 50th percentile or above compared to its peers during the last five years.

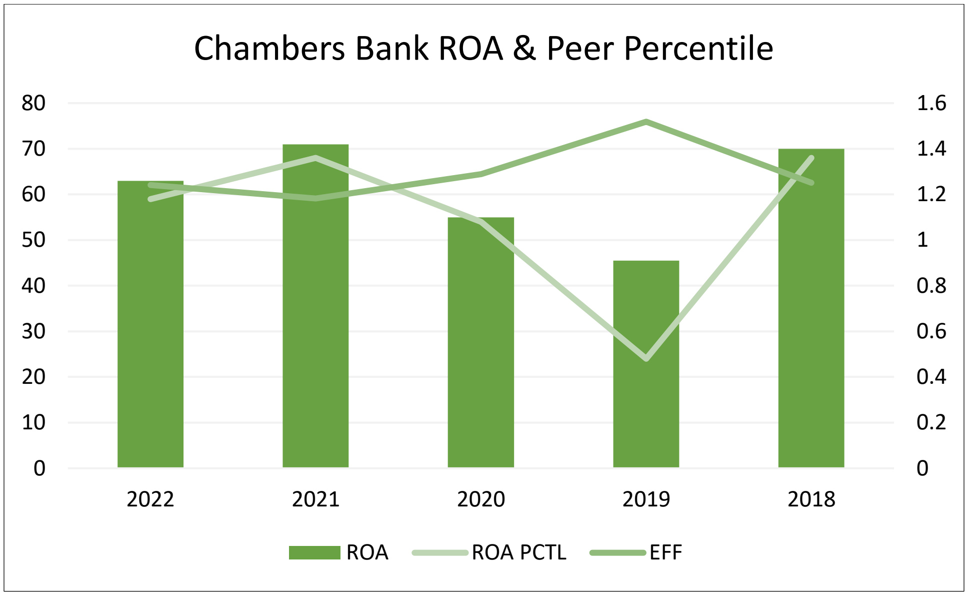
Figure 1. (Uniform Bank Performance Report (UBPR) as of 12/31/22)

Chambers Bank Income Statement

($000)	**PCT 2022**	**2022**	**2021**	**2020**	**2019**	**2018**
Total Interest Income	86	54,579	49,021	47,546	42,269	38,484
(-) Interest Expense	71	(6,334)	(5,550)	(9,697)	(10,743)	(7,136)
Net Interest Income	85	**48,245**	**43,471**	**37,849**	**31,526**	**31,348**
(-) Noninterest Expense	79	(34,994)	(31,975)	(29,349)	(26,166)	(20,961)
(+) Noninterest Income	56	8,131	10,624	7,700	2,934	2,178
Net Noninterest Expense		**(26,863)**	**(21,351)**	**(21,649)**	**(23,232)**	**(18,783)**
(-) Provision Expense		-	(545)	(2,500)	(150)	(1,046)
(+/-) Securities Gains (Losses)	8	(648)	(108)	66	9	(163)
(-) Taxes		(5,099)	(5,346)	(2,300)	(169)	(225)
Net Income	59	**15,635**	**16,121**	**11,466**	**7,984**	**11,131**

The bank's relatively poor ROA in 2019 resulted from the merger with River Town Bank. After the purchase, Chambers Bank strove to help maintain River Town's capital, so it paid much of River Town Bank's expenses for most of the year until Chambers merged its charter with the bank. Net noninterest expense rose in 2019 by $5.205 million because personnel expense increased by more than $3 million from 2018, and other operational expenses (including intangibles) increased by $1.493 million. Consistent with the increases in overhead costs, the efficiency ratio -- how efficient the bank is at controlling overhead expenses to earn net operating revenue -- was 75.93%, which was at the 85th percentile relative to its peers. As seen in the darker line in Figure 2, this was the highest efficiency ratio in the last five years by a large degree. In 2020, the efficiency ratio fell to 64.43% and was just above 60% in 2022.

Figure 2. (UBPR as of 12/31/22)



<u>Loan Portfolio Composition</u>

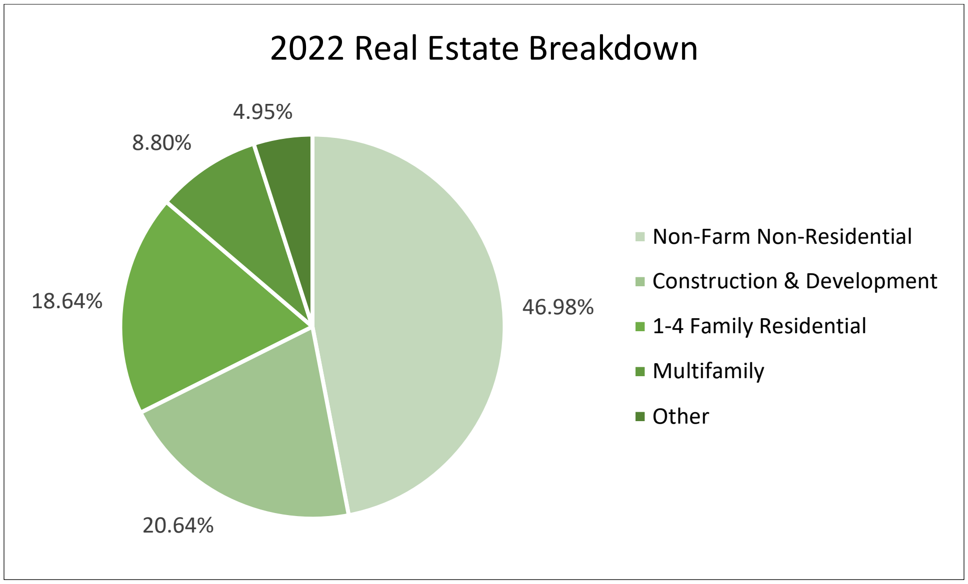
At year-end 2022, Chambers Bank's loan portfolio was $1.01 billion. Net loans and leases have grown consistently since 2018 when the portfolio was $704.4 million. The portfolio has increased at an average annual rate of 9.28% each year since 2018. As Figure 3 shows, real estate loans make up the majority of the portfolio, with an 89.24% share in 2022. Commercial loans have a 9.51% share, with individual and agriculture loans making up the remaining ~1%. The loan composition at Chambers Bank has changed little over the past five years. Since 2018, the real estate loan share has increased by 77 basis points, while commercial loans have decreased by 86 basis points. Chambers Bank recently started to tighten its credit standards due to the increase in delinquencies on consumer loans. This policy change has made Chambers more cautious about which loans they accept.

Figure 3. (UBPR as of 12/31/22)

2022 Loan Composition	($000)	(%)
Real Estate	912,704	89.24%
Commercial	97,287	9.51%
Individual	8,381	0.82%
Agriculture	3,952	0.39%
Other	382	0.04%
Total	**1,022,706**	**100.00%**

For each of the last five years, Chambers Bank has been at the 80th percentile or above relative to its peer group in its share of real estate loans. In 2021, real estate loans, for example, ranked in the 91st percentile. Throughout the pandemic, real estate investment expanded and was highly profitable, which allowed Chambers to continue growing that sector in its loan portfolio. Figure 4 breaks down Chambers Bank's 2022 real estate loan composition into sub-categories: non-farm non-residential, construction & development, 1-4 family residential, and multifamily loans. Non-farm non-residential loans make up 47% of all real estate loans, while construction and development and 1-4 family residential jointly comprise 35%. Between 2018 and 2022, Chambers Bank's non-farm non-residential loan shares increased 2.84 percentage points, while construction and development loans increased 1.39 percentage points, and 1-4 family residential loans decreased by 2.66 percentage points.

Figure 4. (UBPR as of 12/31/22)



Asset Growth

In terms of total asset growth between 2018 and 2022, Chambers Bank ranked in the 57th percentile compared to its peers. Chambers Bank experienced asset growth in each of its main assets over the past five years, regardless of macroeconomic conditions. In total, from the years 2018 to 2022, Chambers Bank's assets grew by $450 million, or a compound annual growth rate (CAGR) of 9%. The most significant growth in dollar terms came from Net Loans and Leases, which increased by $306 million, or a CAGR of 7%. Federal Funds Sold increased by $57.5 million, but it had the highest CAGR of 38%. Securities increased by $20 million and CAGR was 20%. Additionally, cash increased at a rate of 13% CAGR through this period due to increased customer deposits from stimulus checks and loans from the government.

Figure 5. (UBPR as of 12/31/22)

Comparison of Assets in 2018 and 2022			
($000)	**2022**	**2018**	**CAGR**
Cash	30,148	16,633	13%
Federal Funds Sold	72,075	14,575	38%
Securities	90,044	36,014	20%
Net Loans and Leases	1,010,816	704,421	7%
Premises and Fixed Assets	26,257	18,073	8%
Other Assets	42,857	32,587	6%
Total Assets	**1,272,197**	**822,303**	**9%**

Capital Levels

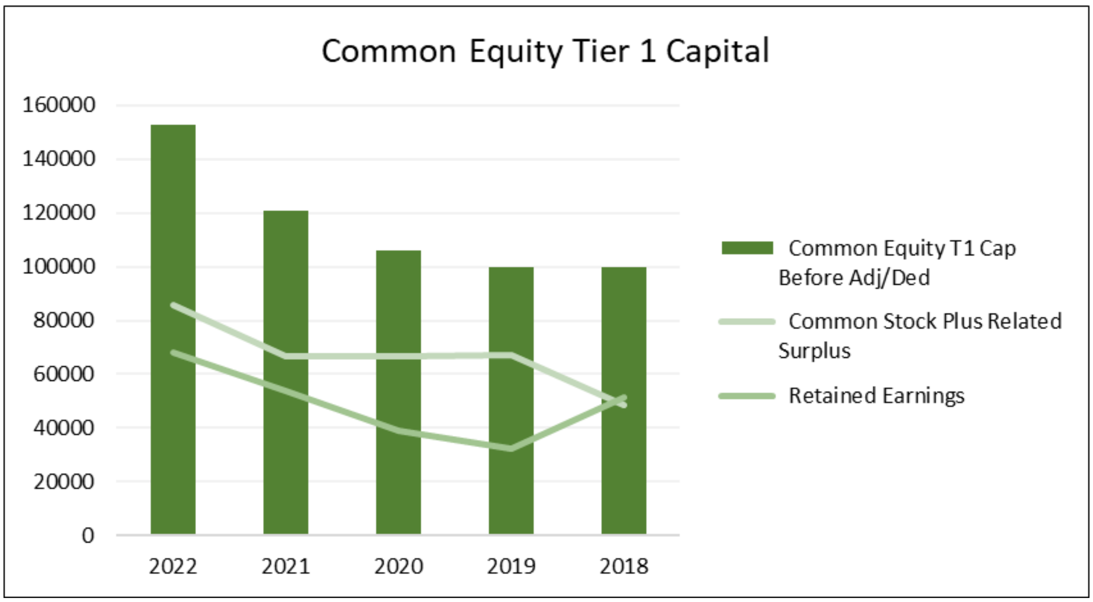
At year-end 2022, Chambers Bank has capital ratios similar to its peers. Figure 6 shows that the Leverage Ratio is 11.8%, the Tier 1 Capital Ratio is 12.9%, and the Total Capital Ratio is 14.0%. Chambers Bank's Leverage Ratio increased sharply from 9.6% in 2021, an increase from the 55th percentile to the 85th percentile. Risk-based capital ratios are also much higher in 2022 than the three previous years when the ratios were at least 2 percentage points lower, and the bank's peer rankings were no greater than the 10th percentile. In 2022, both risk-based ratios ranked in the 51st percentile relative to peers.

Figure 6. (UBPR as of 12/31/22)

Capital Ratios					
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 Capital Ratio	12.9191	10.8442	10.4344	10.442	12.3436
Total Capital Ratio	13.9649	11.9103	11.5714	11.3596	13.4657
Leverage Ratio	11.7515	9.566	9.2872	9.3212	11.7506

The jump in the bank's ratios in 2022 occurred because Common Equity Tier 1 capital increased to $146.9 million from $113.2 million in 2021, as shown in Figure 7. The equity increase came from a $19 million rise in common stock and surplus and a $14.2 million increase in retained earnings. Chambers Bank wanted to supplement its capital position for possible expansion or purchase opportunity, for potential organic growth, and furthermore as insurance against an economic event. The cost of capital was very attractive at the time, which the bank chose to take advantage of, and the debt was finalized before the significant increases in the federal funds rate.

Figure 7. (UBPR as of 12/31/22) Common Equity Components in $000s



<u>Liquidity</u>

Based on traditional liquidity ratios, Chambers Bank has a higher liquidity risk than most of its peers. On the liability side of the balance sheet, as shown in Figure 8, the Loan-to-Core Deposit ratio is 112.5 percent in 2022, up from 105 percent in FY 2021. The bank's ratio has consistently been at least 20 percentage points higher than its peers over the past five years. The bank's Core Deposits to Assets ratio of 70.61 percent worsened slightly in 2022, down from 72.93 percent in 2021. The ratio was in the 18th percentile relative to peers in FY 2022, up from the 12th percentile in 2021. The bank also uses Brokered Deposits more than its peers. Brokered Deposits to Core Deposits was 6.15 percent in 2022, compared to peers at 2.65 percent. Finally, Net Noncore Funding to Assets (the difference between noncore funding and short-term investments divided by long-term assets) was 6.61 percent in 2022, putting the ratio at the 50th percentile relative to peers. In contrast, the bank operated above the 71st percentile between 2018 and 2020.

On the asset side, Chambers Bank held fewer securities as a percent of assets in 2022 than in 2021. As shown in Figure 8, the ratio of 6.38 percent was up from 3.75 percent in 2021, but it was still below the peer average of 19.65 percent. Unpledged Securities to Total Assets was 38.87 percent in 2022, which put the bank in the 61st percentile relative to its peer group. However, Federal Funds Sold to Total Assets was 7.37 percent in 2022, much higher than the peer ratio of 0.18 percent, putting Chambers in the 99th percentile. Chambers relies more on federal funds sold and resales than on interest-bearing bank balances, which its peers tend to prefer. The bank holds 9.17 percent of assets in cash and federal funds sold, 2.83 percentage points higher than peers.

Chambers Bank operates in a highly competitive market for deposits, so it has less access to core deposits than its peers. The bank's liquidity strategy, therefore, is to supplement its asset-side liquidity with diversified borrowing sources. Federal Home Loan Bank advances, for example, are readily available when needed because the bank can easily pledge qualified loans. Securities can be pledged as well at the discount window or in REPO transactions. CFO Mikhize believes that a bank with diversified funding and access to liquidity is the definition of a liquid bank.

Figure 8. (UBPR as of 12/31/22)

Chambers Bank Key Liquidity Ratios

(%)	PG5 2022	2022	2021	2020	2019	2018
Assets						
Securities / Total Assets	19.65	6.38	3.75	3.74	4.19	4.56
Unpledged Securities / Total Assets	35.15	38.87	36.78	36.9	32.73	36.85
Federal Funds Sold / Total Assets	0.18	7.37	8.36	8.3	5.68	3.83
Cash / Total Assets	6.61	1.8	2.73	2.17	0.6	0.43
Liabilities						
Net LN&LS / Core Deposits	87.51	112.53	105.91	109.39	112.16	120.51
Core Deposits / Average Assets	78.94	70.61	72.93	71.75	72.57	71.08
Brokered Deposits / Core Deposits	2.65	6.15	5.24	3.45	0.56	2.56
Net Noncore Funding / Assets	6.59	6.61	3.78	7.23	10.19	13.58

Part II. Staffing

Hiring and Retention

Chambers Bank holds firm to its values of community, honesty, relationships, respect, and trust when hiring and retaining employees. Chambers implements these values by taking advantage of its long-established relationships with local communities built over the past century. Furthermore, outreach through local events, newspaper advertisements, and charitable work is utilized to continue developing rapport within its community to assist in marketing and filling open positions. Chambers Banks' website, Facebook, Indeed.com, and LinkedIn are also used to attract workers.

Chambers Bank offers employees competitive pay and benefits, a flexible work-life balance, and actively promotes career advancement within the organization. These qualities not only attract potential candidates but also aid in retaining employees. While pay and benefits provide an incentive to build a career within the bank, Chambers' focus on cultivating a workplace with a family mentality leads to employee loyalty and dedication.

The bank attracts and retains its best employees by offering competitive pay and benefits such as medical, vision, and a 401k retirement plan. Through comprehensive analysis, Chambers Bank found ways to compete with its competition for new hires. By comparing the benefits offered at other banks, Chambers Bank identified the wants and needs of its current and potential future employees. Due to the Great Resignation, many jobs within the market became available to team members at Chambers. To retain its employees, Chambers Bank made its benefits and pay more competitive. The bank enhanced its medical, vision, and dental plans, and it made the 401K plan immediately eligible to new employees rather than having to wait one year.

The bank capitalizes heavily on its local community for recruiting and staffing. Word of mouth is utilized to make its presence known to the workforce in Danville, Arkansas and the other towns that the bank serves. Chambers Bank also operates an internship program for local college and high school students. The institutions most hires come from include Arkansas Tech in Russellville, the University of Central Arkansas in Conway, Danville High School, and Dardanelle High School in Arkansas. Chambers Bank's internship program has also been able to provide significant financial aid to 6 to 8 student interns which was used to help pay for their college expenses. The bank also offers scholarships to graduating high school seniors attending Amity, Kirby, Danville, Dardanelle, Western Yell County, and Two Rivers High Schools to attend Arkansas Tech. These high schools are all within the bank's market area.

Bank employees build community connections by teaching at local schools, serving on various nonprofit boards, and fundraising for nonprofits and schools to support the community. Employees teach financial literacy classes and Chambers Bank gives direct donations to fund yearbooks and school uniforms. Moreover, Chambers Bank interacts directly with local nonprofits and charities through its branch footprint. Several team members reside on the boards of local communities and nonprofits, and the bank and its employees take immense pride in their community involvement. Last year, $87,000 was donated by the bank to community causes throughout Arkansas. Dedication to its local communities has resulted in a strong relationship with customers for 90+ years, and the bank continues to connect with future generations. Chambers Bank has a commitment to understanding its communities and bettering them.

Additionally, Chambers Bank emphasizes community not only outside the firm but internally as well. A family mentality and healthy work-life balance allow employees the flexibility to attend their children's little league games or other personal events as necessary. Chambers Bank understands that its employees have other interests and obligations outside of work and wants to encourage employees to create a healthy work-life balance by understanding and accommodating these interests. The bank also wants to create connections among employees, so Chambers organizes different company events and socials, such as the annual employee golf tournament, to provide quality time for team members.

Mentorship and Succession Planning

The bank's mentorship program, Reaching Increased Standards of Excellence (RISE), pairs employees with higher-level team members to further professional development, experience, and relationships between employees. The RISE program is just one way Chambers Bank facilitates career advancement from within the organization; allowing employees to transition vertically and laterally. The idea for this program came from Ashley Wiser, the COO at Chambers Bank, as she wanted to help newer employees integrate into the team and culture while providing them with unique insight into the industry and the experience of other team members. Each letter of the name RISE represents the intended impact and the overall goal of the program: to develop team members and allow them to rise through the ranks of leadership in their careers.

In 2021 and 2022, Chambers established a new and improved succession plan focused on developing leaders internally. This plan has been crucial to the bank's current success. When senior executive officers left the bank naturally or otherwise, Chambers Bank was able to rely on its plan to promote leaders such as Greg Rotter to Corporate Chief Lending Officer, Renee Walters to Chief Retail Banking Officer, and Ashley Wiser to Chief Operating Officer. All these employees have risen through the ranks at Chambers Bank due to their commitment to the bank and involvement in succession planning. Additionally, Chambers Bank promoted from within to fill the Chief Business Development Officer (Beverly Elam) and Chief Strategy Officer (Curtis Spatz) positions.

Chambers Bank shifted its succession planning following the 2008-2009 recession to educate its workers and improve its organizational structure. Its organizational structure was initially flat where employees would report directly to Mr. Chambers, the CEO and majority shareholder. The bank implemented a more vertical structure where decisions funnel through management to allow for more input from multiple people. This change has helped to develop leaders with a solid foundational knowledge of every area within the bank and improve communication among staff.

Employee Diversity

Chambers Bank has a diverse workforce with a healthy mix of experience and representation. Chambers Bank has 251 employees across all branches and positions. Staff generational makeup consists of Gen Z (14.6%), Millennials (36.0%), Gen X (32.8%), and

Boomers (16.2%). This mix provides the bank with many perspectives about its customers' needs and the challenges facing each demographic served.

Employee Turnover

During the pandemic, staffing was difficult not only for the market but for Chambers Bank as well. The bank did not hire employees through the pandemic as most branches served customers only through the drive-throughs. In total, employee turnover was 19.37% in 2021 and 23.26% in 2022 across all branches and positions. Employees left the organization for various reasons, but the main cause of departures during the pandemic stemmed from the retirement of employees, which accounted for 88.9% of turnover.

Figure 9. (Chambers Bank as of 04/06/23)

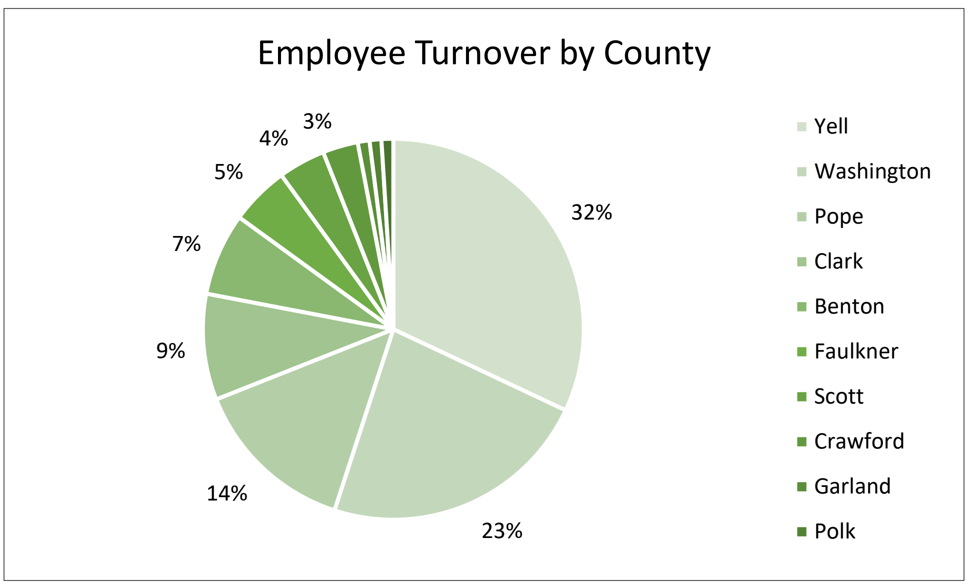


Figure 9 illustrates the turnover rate by county. The majority of turnover came from Yell County and Washington County, at 32% and 23%, respectively. These counties also have the largest numbers of employees.

Figure 10. (Chambers Bank as of 04/06/23)

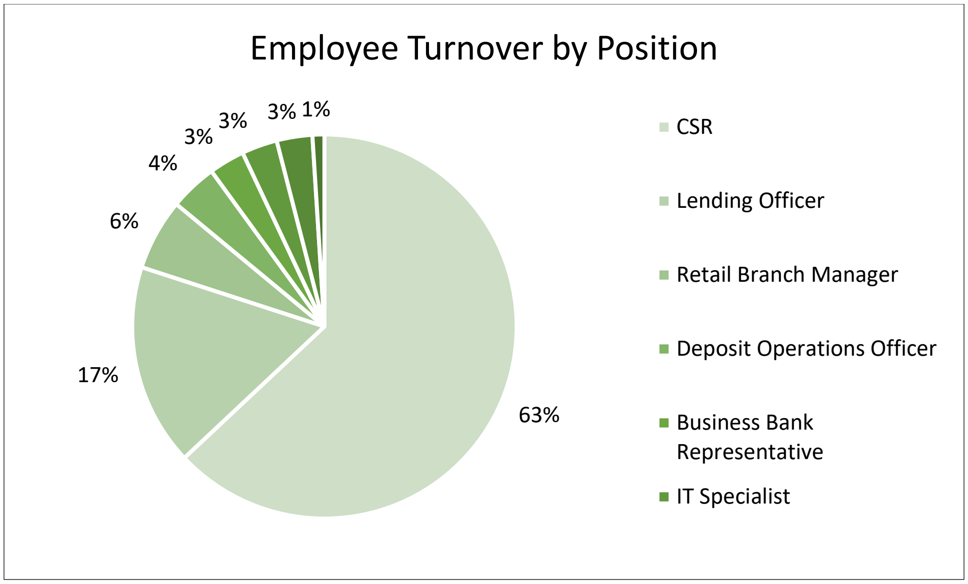


Figure 10 shows the turnover rate by employee position. Most (63%) of the departures were Customer Service Representatives, and 17% were Lending Officers. As the bank analyzed turnover, it was discerned that the pandemic prompted employees to take an earlier retirement. This realization led Chambers Bank to offer better vision, medical, dental, and earlier access to 401k benefits.

Two senior executive officers, John O Moore, Regional President & Chief Credit Officer, and Erica Preston, the Chief Operating Officer, left Chambers Bank over the past decade. After these departures, the bank decided to focus on its internal structure instead of external hiring. To achieve this, the bank utilizes succession planning with recommendations given by exiting management to replace key leaders. To replace its Chief Credit Officer, the bank used recommendations from its succession planning and former staff to hire Matt Hicks as Chief Credit Officer and Chief Risk Officer. Promoting internally counters the disruption from changes in leadership. As discussed above, the bank used this strategy successfully to develop its business leaders Curtis Spatz, Beverly Elam, Greg Rotter, Lori Walker, Renee Walters, and Ashley Wiser.

The transition to post-pandemic times led to the challenge of reimplementing the bank's hiring process. With a new perspective on the benefits of technology stemming from its adaptation to newer technology throughout the pandemic, the bank doubled down on its commitment to further advance technology. Chambers Bank has expanded its workforce and monitored its cybersecurity in-house since 2018. Also, the bank employs a Virtual Private Network (VPN) to ensure employees can work at home with a secure connection. This new feature for employees and management gives them the ability, for example, to make use of early morning hours to view bank operations from home.

Overall, Chambers Bank's unique approach to drawing and retaining talent contributes to its success. By fostering a positive culture and connection with the community, they hope to continue their success by attracting and retaining top talent for decades and giving them the necessary development and technology to succeed.

Part III. Training and Technology

Training Programs

Chambers Bank has invested heavily in employee training and technology in recent years. Employee training at the bank was initially informal. However, the bank has developed more formal training, so employees learn new skills and enhance existing ones. Indeed, the bank added regional training centers in Atkins, Van Buren, and Springdale to provide a place to train new employees without having to travel very far. Formal training programs include onboarding, diversity equity and inclusion (DEI) training, internships, and mentoring.

Onboarding training for new employees typically lasts 2-5 days. It covers the bank's mission, vision, values, culture, history, and job function training. Additionally, training for updated legal and compliance topics is provided in one-off sessions as needed.

The diversity, equity, and inclusion program, started in 2020, is in the process of being reenergized in 2023. DEI training includes an informational class through the bank's training system, and managers are encouraged to use various methods, such as games, that emphasize the importance of DEI. Presentations are made to each department to increase awareness, and various days during each month are commemorated to celebrate diversity. Each month has a theme that is featured with the product of the month. The month ends with a potluck at each branch to increase engagement while learning about different cultures. Chambers Bank is continually talking to team members to enhance the program, to better fit the culture of the bank and be seen by participants as positive and impactful.

Career development begins at the student level with Chambers' "Work and Learn" internship program. Working with Arkansas Tech, the bank hires students to work full-time and supplements their tuition for classes, anticipating that they will take a full-time job upon graduation. This program has been successful with three students thus far, all of whom stayed with the bank after graduation. Chambers Bank hopes to actively pursue more students across different universities in the future. The "Work and Learn" internship program is not only beneficial to working students, but it also provides valuable advantages to the bank. By hiring part-time students early on and investing in their education, Chambers Bank can cultivate a highly skilled and loyal workforce. Overall, the "Work and Learn" program serves as a long-term investment in potential employees and the future of the bank.

Finally, as discussed above, the bank enhanced its employee training through the Reaching Increased Standards of Excellence (RISE) mentorship program, and it implemented an internal succession plan.

Investments in Technology and Adaptability During the Pandemic

Before the pandemic, Chambers Bank had been implementing VPN solutions so that its managers could more easily work from home on weekends. This investment in technology paid big dividends when the pandemic hit because it allowed for a smooth transition as many bank employees were forced to work remotely. Since the spring of 2022, with the easing of the pandemic, Chambers Bank has continued to accommodate hybrid work because the employees prefer the convenience of working from home. Not all workers can work remotely, either part-time or full-time, because of the nature of their position that requires regular face-to-face interaction.

Despite the unprecedented challenges brought about by the pandemic, Chambers Bank has successfully adapted to the changing times by seamlessly transitioning to work-from-home for its employees and customers. To ensure the best possible hybrid work experience for its employees, the bank invested a substantial amount of resources to provide its employees with state-of-the-art equipment, including laptops, collaboration rooms, and hotel desks. Hotel desks are workstations set up to allow remote employees to login into the bank network using their own laptops or logging onto a desktop connected to the network. IT has worked to centralize bank data for security purposes and thus employees can access their data on any PC connected to the network directly or from anywhere as long as a VPN is used. These investments have facilitated streamlined communication to allow for quick resolutions of any issues that may arise. The bank's managers have played a crucial role in leading their teams through this transition, championing the way forward and ensuring that the bank continues to thrive in these changing and difficult times.

Chambers Bank has been examined and audited since the pandemic began. Although the pandemic made on-site audits and examinations more infrequent, management still prefers to have examiners onsite to understand better the company's operations, community, and culture. Furthermore, it benefits those examining the company to observe employees' interactions with customers and the amiability shown in each exchange. Examiners receive a firsthand glimpse into the strength of Chambers Bank's internal controls and the camaraderie between employees. The transparency and open communication with examiners have contributed to the bank's reputation as a trustworthy and reliable financial institution.

Beginning in 2015, Chambers Bank started to make great strides in developing its technology. After careful analysis, the bank realized that it needed to overhaul critical components of its system, including its core software system. Chambers spent considerable time and resources on research and development to find the best fit, meeting with potential core vendors. Ultimately, management decided upon a multi-million-dollar in-house system called FIS Horizon as its core system. The new core system has helped improve communication and build trust between management and employees since its implementation. This technology has also kept their products and services up to date, allowing them to grow and remain competitive against other community banks.

The implementation of FIS has been a remarkable success in implementation and cost-saving measures. It has also led to improved customer satisfaction, as the new system allows for faster and more accurate processing of transactions. FIS led the bank to automate several back-office processes, resulting in faster transaction processing times and a reduction in manual errors. Additionally, it has helped to streamline internal processes and reduce errors, allowing employees to focus more on providing excellent customer service.

Chambers Bank's commitment to innovation has not only improved its customers' experience but has also increased its operational efficiency. The new FIS system has allowed Chambers Bank to embrace a new variety of products not offered before. Some new services from this system include personal budgeting tools such as "Saving Cents" and a new mobile deposit system, which was a top priority for its customers. The mobile deposit service is critical for Chambers Bank's customers who live in rural areas of the state due to the lack of availability of a nearby branch. This innovation alone has proven how important the technological development of products and services is for Chambers Bank and its customers. As more banks across the country are starting to lean towards fully automated systems, it is essential for Chambers to continue to innovate their systems and products to keep up with the ever-changing industry while keeping their core values intact.

To complement the new FIS system, Chambers Bank implemented chat support on its website as of December 2022. This feature allows customers to get banking information 24 hours a day, seven days a week for limited functions. This new resource has improved customer satisfaction and even allowed CSRs to be more productive as they no longer need to spend as much time answering common questions that are repeatedly asked by customers. Along with increased employee productivity, the chatbot allows for more customer engagement. New and potential bank customers can especially benefit from this resource as information regarding the bank's products and services can be communicated seamlessly while making them feel appreciated. The bank is in the concluding stages of implementing the final version of its chatbot. This update will allow for even more tasks to be automated for customers such as checking balances, reviewing recent transactions, and making transfers.

Convenience and ease of use are pertinent to Chambers Bank's customers, and these innovations have allowed them to grow and keep their customers satisfied. The new Chambers chatbot is an excellent example of how technology drives profitability for Chambers. Development and implementation of new technology will be crucial to maintain Chambers' success in the future. By integrating these systems, Chambers has been able to streamline its operations and provide a more seamless customer experience, which has led to the bank's growth, increased customer loyalty, and enhanced profitability.

Conclusion

Chambers Bank has been a vital part of the communities they serve within Arkansas. The bank was founded to serve the town of Danville, Arkansas, after the town's only bank went under during the late 1920s. Chambers Bank's growth to $1.27 billion in assets and 24 branches in Arkansas reflects the commitment to the community and good banking that Chambers aims to provide.

Chambers Bank is in a symbiotic relationship with the rural and more urban communities they serve. The bank is primarily a real estate lending bank, and they have benefited from the high growth in Northwest Arkansas, where Walmart, JB Hunt, and Tyson are headquartered. High area economic growth paired with Chambers Bank's strong community connections has led to consistent loan portfolio growth. The bank's management has been able to pair loan growth with solid returns and higher earnings.

Community connection is an integral part of Chambers Bank's success. The bank aims to recruit and retain employees with a strong community connection to their area. Internship programs are offered to students at local colleges alongside scholarship opportunities. Chambers has introduced the RISE mentorship program that gives employees broader exposure to banking operations. Employees will be more equipped to provide better service to its communities. The increased attention to employee training and retention will foster emerging leaders within the bank.

The findings of this case study show that Chambers Bank's success has been built through strong community connections, well-trained employees that understand the communities they serve, and a technological infrastructure that increases productivity while expanding services.

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