

Note 12 - Minimum Regulatory Capital Requirements

The Corporation (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2006 and 2005, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2006, the most recent notification from the Bank's primary regulator categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2006 and 2005 are also presented in the table. The holding company's capital ratios are similar to those of the Bank as of December 31, 2006 and 2005.



	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(000's omitted)						
As of December 31, 2006:						
Total capital						
to risk-weighted assets	\$ 54,209	14.0%	\$ 31,062	8.0%	\$ 38,827	10.0%
Tier 1 capital						
to risk-weighted assets	\$ 50,010	12.9%	\$ 15,531	4.0%	\$ 23,296	6.0%
Tier 1 capital						
to average assets	\$ 50,010	9.75%	\$ 20,517	4.0%	\$ 25,646	5.0%
As of December 31, 2005:						
Total capital						
to risk-weighted assets	\$ 52,260	13.2%	\$ 31,705	8.0%	\$ 39,632	10.0%
Tier 1 capital						
to risk-weighted assets	\$ 48,248	12.2%	\$ 15,852	4.0%	\$ 23,779	6.0%
Tier 1 capital						
to average assets	\$ 48,248	9.2%	\$ 21,078	4.0%	\$ 26,347	5.0%

