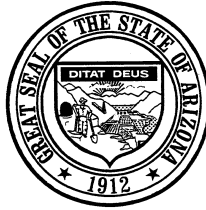


# Arizona Department of Financial Institutions



## SUBSTANTIVE POLICY STATEMENT

**Section: Banks**

**Subject: Calculating Legal Lending Limits**

**August 01, 2012**

**Policy Statement # BA-5**

Capital definitions have undergone significant changes. One area receiving pronounced attention is the treatment of intangible assets in total capital calculations. Specifically, what intangibles have bankable value and thus should not be deducted from capital?

As the treatment of intangibles in capital calculations remains a primary concern, the Department's policy is that unqualified intangibles must be deducted from total capital when computing a bank's legal lending limit.

For the purposes of this policy, unqualified intangibles are defined as any asset, such as goodwill, which the Superintendent determines should be deducted from capital. The Superintendent will observe the specific guidelines on the treatment of intangible assets adopted by the Federal Reserve Bank as they pertain to state member banks and by the Federal Deposit Insurance Corporation as they pertain to state nonmember banks.

Questions regarding this policy statement should be directed to our Financial Institutions Division at (602) 771-2800.