**Section 335.10 Purpose**

Section 2 of the Illinois Banking Act defines "unimpaired capital and unimpaired surplus" as including a bank's "Tier 1 Capital and Tier 2 Capital plus such other shareholder equity as may be included by regulation of the Commissioner." "Unimpaired capital and unimpaired surplus" is used as the basis for determining a state bank's legal lending and investment limits. The purpose of the Rule is to add the balance of a state bank's allowance for loan and lease losses, otherwise excluded from Tier 1 Capital and Tier 2 Capital, as additional shareholder equity included in "unimpaired capital and unimpaired surplus." This addition is consistent with the objective of P.A. 88-546 to permit state banks to use the same elements that national banks use in calculating lending and investment limits, and it will provide needed clarity and consistency regarding the calculation and application of lending and investment limits by state banks.