



October 17, 2012

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Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Basel III Capital Proposals

Dear Ms. Johnson:

I would like to express my concerns about the Basel III proposals recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. I am a member of the senior management team at CoBiz Financial, a \$2.5 billion financial services company whose banks – Colorado Business Bank and Arizona Business Bank – serve the needs of businesses and business owners in metropolitan Denver, Boulder and the Vail Valley in Colorado and the greater Phoenix metropolitan area in Arizona.

I am in support of ensuring that banks in our country maintain strong capital levels. Like most prudent community banks, we continued to build our capital levels as well as our reserve for potential loan losses throughout the economic downturn. However, I do have concerns with the impact of the approved proposal on banks like ours.

We are a community bank and, as such, have always played an important role in driving economic growth in our markets. During the first six months of this year, we made loans totaling \$410.9 million primarily to businesses that employ thousands of individuals and that truly serve as the economic engine in our communities. We bank companies in all different types of industries – from service firms to manufacturers, physician groups to contractors – but primarily the small to mid-sized employers that dominate our markets.

We are committed to the stewardship of our communities; in fact, we contributed more than \$1.34 million to not-for-profits through direct corporate donations, our corporate fundraiser and our 545 employees. Our employees served on more than 100 not-for-profit boards and contributed tens of thousands of volunteer hours to more than 300 not-for-profit agencies.

However, our ability to meet the needs of the communities we serve will be adversely impacted by Basel III. This one-size-fits-all approach to capital planning will disproportionately impact community banks like ours and directly impact our ability to make loans and help businesses grow. Under the revised guidelines, our total regulatory capital ratio would decrease by nearly 50 basis points, decreasing our future lending capacity by approximately \$170 million. In addition, the proposed standardized approach to market risk will have a depressive effect on our ability – and certainly our appetite – to make certain types of residential mortgage loans, commercial real estate and construction loans.

The American banking industry is enjoying historically high capital levels at a time in which it has become increasingly competitive. At CoBiz, our total risk-based capital ratio stands at 17.28%, well above even the increased requirements imposed through the new rules. The higher capital standards combined with the discontinuation of Trust Preferred Securities (TRuPS) – of which we currently have \$70 million in our capital position – will place tremendous pressure on our lending ability and, consequently, our earnings.

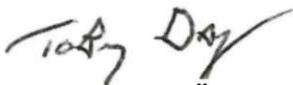
This comes at a time when our earnings are already stressed by a low interest rate environment as well as increasing regulatory requirements. In the past three years, our regulatory compliance-related staffing levels doubled while our total number of employees actually decreased. The complexity of Basel III will certainly mean further staff increases that do not make us any more productive, profitable or better able to serve our customers.

Diminished earnings will adversely impact the availability and pricing of capital for our industry, which will ultimately drive increased borrowing costs for our customers. All of these factors will likely trigger a new wave of bank consolidations or contractions in a community banking sector unable to compete against the volume-driven national banks.

Community banks have a simple business model: we make loans and we gather deposits within our markets. Ours is not the complexity of large, international derivatives transactions. Basel III was created to address a situation we did not create and the complexity of enforcement would unfairly impact CoBiz Financial and our peers.

I respectfully suggest that capital requirements under Basel III be tailored to reflect the realities of the community banking industry. Doing so will allow us to continue serving the needs of our customers while preserving our role as economic engines in our markets. Thank you for this opportunity.

Sincerely,

A handwritten signature in black ink, appearing to read "Toby Day". The signature is stylized and written in a cursive-like font.

Toby Day  
President, Arizona Business Bank