

Customers Bancorp, Inc.
Form 10-Q
August 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x **Quarterly report pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2014

.. **Transition report pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

001-35542

(Commission File number)

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of	27-2290659 (IRS Employer
incorporation or organization)	Identification No.)
1015 Penn Avenue	
Suite 103	
Wyomissing PA 19610	
(Address of principal executive offices)	
(610) 933-2000	
(Registrant's telephone number, including area code)	
N/A	
(Former name, former address and former fiscal year, if changed since last report)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

On August 1, 2014, 25,607,630 shares of Voting Common Stock and 1,121,730 shares of Class B Non-Voting Common Stock were issued and outstanding.

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CUSTOMERS BANCORP, INC. AND SUBSIDIARIES

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Table of Contents**CUSTOMERS BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET - UNAUDITED**

(amounts in thousands, except share and per share data)

	June 30, 2014	December 31, 2013
ASSETS		
Cash and due from banks	\$ 48,521	\$ 60,709
Interest-earning deposits	217,013	172,359
Cash and cash equivalents	265,534	233,068
Investment securities available for sale, at fair value	425,061	497,573
Loans held for sale, at fair value	1,061,395	747,593
Loans receivable not covered under Loss Sharing Agreements with the FDIC	3,589,630	2,398,353
Loans receivable covered under Loss Sharing Agreements with the FDIC	54,474	66,725
Allowance for loan losses	(28,186)	(23,998)
Total loans receivable, net of allowance for loan losses	3,615,918	2,441,080
FHLB, Federal Reserve Bank, and other restricted stock	75,558	43,514
Accrued interest receivable	11,613	8,362
FDIC loss sharing receivable	8,919	10,046
Bank premises and equipment, net	11,075	11,625
Bank-owned life insurance	106,668	104,433
Other real estate owned (includes \$6,177 and \$6,953, respectively, covered under Loss Sharing Agreements with the FDIC)	12,885	12,265
Goodwill and other intangibles	3,670	3,676
Other assets	37,432	39,938
Total assets	\$ 5,635,728	\$ 4,153,173
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	\$ 555,936	\$ 478,103
Interest bearing	3,134,958	2,481,819
Total deposits	3,690,894	2,959,922
Federal funds purchased	0	13,000
FHLB advances	1,301,500	706,500
Other borrowings	88,250	63,250
Subordinated debt	112,000	2,000
Accrued interest payable and other liabilities	29,344	21,878
Total liabilities	5,221,988	3,766,550

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Shareholders' equity:

Preferred stock, no par value or as set by the board; 100,000,000 shares authorized, none issued	0	0
Common stock, par value \$1.00 per share; 200,000,000 shares authorized; 27,261,620 and 24,756,411 shares issued as of June 30, 2014 and December 31, 2013; 26,729,360 and 24,224,151 shares outstanding as of June 30, 2014 and December 31, 2013	27,262	24,756
Additional paid in capital	353,371	307,231
Retained earnings	43,581	71,008
Accumulated other comprehensive loss, net	(2,220)	(8,118)
Treasury stock, at cost (532,260 shares as of June 30, 2014 and December 31, 2013)	(8,254)	(8,254)
Total shareholders' equity	413,740	386,623
Total liabilities and shareholders' equity	\$ 5,635,728	\$ 4,153,173

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUSTOMERS BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME UNAUDITED**

(amounts in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest income:				
Loans receivable	\$ 35,220	\$ 19,196	\$ 63,576	\$ 35,295
Loans held for sale	6,715	11,157	11,798	22,041
Investment securities	2,543	1,082	5,583	1,911
Other	614	238	1,011	447
Total interest income	45,092	31,673	81,968	59,694
Interest expense:				
Deposits	5,727	5,136	11,142	10,272
Other borrowings	1,184	74	2,340	79
FHLB advances	1,141	330	1,637	568
Subordinated debt	110	17	126	33
Total interest expense	8,162	5,557	15,245	10,952
Net interest income	36,930	26,116	66,723	48,742
Provision for loan losses	2,886	2,116	7,253	1,998
Net interest income after provision for loan losses	34,044	24,000	59,470	46,744
Non-interest income:				
Mortgage warehouse transactional fees	2,215	3,868	3,974	7,536
Mortgage loan and banking income	1,554	0	1,963	0
Bank-owned life insurance	836	567	1,670	1,043
Gain on sale of SBA loans	572	358	571	408
Gain on sale of investment securities	359	0	3,191	0
Deposit fees	212	159	426	289
Other	1,163	598	2,425	1,070
Total non-interest income	6,911	5,550	14,220	10,346
Non-interest expense:				
Salaries and employee benefits	11,591	8,508	20,942	15,905
FDIC assessments, taxes, and regulatory fees	3,078	1,058	5,209	2,405
Occupancy	2,595	2,110	5,231	4,020
Professional services	1,881	1,252	4,163	1,958

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Technology, communications and bank operations	1,621	1,061	3,181	1,902
Other real estate owned	890	525	1,242	561
Loan workout	477	72	918	746
Advertising and promotion	428	408	843	523
Loss contingency	0	0	0	2,000
Other	2,644	1,901	4,642	3,355
Total non-interest expense	25,205	16,895	46,371	33,375
Income before income tax expense	15,750	12,655	27,319	23,715
Income tax expense	5,517	4,429	8,945	8,300
Net income	\$ 10,233	\$ 8,226	\$ 18,374	\$ 15,415
Basic earnings per share (1)	\$ 0.38	\$ 0.35	\$ 0.69	\$ 0.71
Diluted earnings per share (1)	0.37	0.34	0.66	0.69

(1) Earnings per share amounts have been adjusted to give effect to the 10% stock dividend declared on May 15, 2014 and issued on June 30, 2014.

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUSTOMERS BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME UNAUDITED**

(amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 10,233	\$ 8,226	\$ 18,374	\$ 15,415
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on securities arising during the period (1)	4,101	(5,976)	13,222	(7,069)
Income tax effect (1)	(1,435)	2,092	(4,628)	2,475
Less: reclassification adjustment for gains on securities included in net income	(359)	0	(3,191)	0
Income tax effect	125	0	1,117	0
Net unrealized gains (losses)	2,432	(3,884)	6,520	(4,594)
Unrealized losses on cash flow hedges:				
Unrealized losses on cash flow hedges arising during the period	(1,621)	0	(957)	0
Income tax effect	567	0	335	0
Net unrealized losses	(1,054)	0	(622)	0
Other comprehensive income (loss), net of tax	1,378	(3,884)	5,898	(4,594)
Comprehensive income	\$ 11,611	\$ 4,342	\$ 24,272	\$ 10,821

(1) Includes immaterial gains or losses on foreign currency items for the three and six months ended June 30, 2014. See accompanying notes to the unaudited consolidated financial statements.

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(amounts in thousands, except share data)

	For the six months ended June 30, 2014						
	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock	Total
Balance, January 1, 2014	24,224,151	\$ 24,756	\$ 307,231	\$ 71,008	\$ (8,118)	\$ (8,254)	\$ 386,623
Net income				18,374			18,374
Other comprehensive income					5,898		5,898
Stock dividend	2,429,375	2,429	43,364	(45,801)			(8)
Share-based compensation expense			2,034				2,034
Issuance of common stock under share-based compensation arrangements	75,834	77	742				819
Balance, June 30, 2014	26,729,360	\$ 27,262	\$ 353,371	\$ 43,581	\$ (2,220)	\$ (8,254)	\$ 413,740

	For the six months ended June 30, 2013						
	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock	Total
Balance, January 1, 2013	18,459,502	\$ 18,507	\$ 212,090	\$ 38,314	\$ 1,064	\$ (500)	\$ 269,475
Net income				15,415			15,415
Other comprehensive loss					(4,594)		(4,594)
Share-based-compensation expense			1,535				1,535
Public offering of common stock, net of costs of \$5,811	6,179,104	6,179	91,511				97,690
Issuance of common stock under share-based-compensation arrangements	23,413	24	228				252
Balance, June 30, 2013	24,662,019	\$ 24,710	\$ 305,364	\$ 53,729	\$ (3,530)	\$ (500)	\$ 379,773

See accompanying notes to the unaudited consolidated financial statements.

Table of Contents**CUSTOMERS BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED**

(amounts in thousands)

	Six Months Ended June 30,	
	2014	2013
Cash Flows from Operating Activities		
Net income	\$ 18,374	\$ 15,415
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for loan losses, net of change to FDIC receivable	7,253	1,998
Loss contingency	0	2,000
Provision for depreciation and amortization	1,807	1,279
Share-based compensation	2,034	1,535
Deferred taxes	2,216	1
Net amortization of investment securities premiums and discounts	370	228
Gain on sale of investment securities	(3,191)	0
Gain on sale of loans	(2,424)	(408)
Origination of loans held for sale	(6,893,530)	(12,445,164)
Proceeds from the sale of loans held for sale	6,581,581	12,467,413
Increase in FDIC loss sharing receivable	(1,972)	(1,093)
Amortization (accretion) of fair value discounts	(203)	(273)
Net loss on sales of other real estate owned	555	180
Valuation and other adjustments to other real estate owned	442	13
Earnings on investment in bank-owned life insurance	(1,670)	(1,043)
Increase in accrued interest receivable and other assets	(5,048)	(3,492)
Increase (decrease) in accrued interest payable and other liabilities	7,303	(1,913)
Net Cash (Used In) Provided by Operating Activities	(286,103)	36,676
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of investment securities available for sale	22,055	9,252
Proceeds from sales of investment securities available for sale	213,249	0
Purchases of investment securities available for sale	(149,940)	(69,770)
Net increase in loans	(897,928)	(377,601)
Purchase of loan portfolios	(294,615)	(155,306)
Proceeds from sales of SBA loans	5,967	3,900
Purchases of bank-owned life insurance	(465)	(10,465)
Net purchases of FHLB, Federal Reserve Bank, and other restricted stock	(32,044)	(3,025)
Reimbursements from the FDIC on loss sharing agreements	1,477	3,128
Purchases of bank premises and equipment	(644)	(1,344)
Proceeds from sales of other real estate owned	5,281	2,599

Net Cash Used In Investing Activities	(1,127,607)	(598,632)
Cash Flows from Financing Activities		
Net increase in deposits	730,954	334,935
Net increase in short-term borrowed funds	382,000	99,000
Proceeds from long-term FHLB borrowings	200,000	50,000
Net proceeds from issuance of long-term debt	133,222	0
Net proceeds from stock offering	0	97,690
Net Cash Provided by Financing Activities	1,446,176	581,625
Net Increase in Cash and Cash Equivalents	32,466	19,669
Cash and Cash Equivalents Beginning	233,068	186,016
Cash and Cash Equivalents Ending	\$ 265,534	\$ 205,685
Supplementary Cash Flows Information		
Interest paid	\$ 15,084	\$ 10,955
Income taxes paid	11,038	5,574
Non-cash items:		
Transfer of loans to other real estate owned	\$ 6,898	\$ 5,424
Issuance of common stock under share-based compensation arrangements	819	252
<i>See accompanying notes to the unaudited consolidated financial statements.</i>		

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CUSTOMERS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE BUSINESS

Customers Bancorp, Inc. (the Bancorp, Customers Bancorp, or the Company) is a bank holding company engaged in banking activities through its wholly owned subsidiary, Customers Bank (the Bank). Customers Bancorp also has made certain equity investments through its wholly owned subsidiaries CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd.

Customers Bancorp, Inc. and its wholly owned subsidiary, Customers Bank, serve residents and businesses in Southeastern Pennsylvania (Bucks, Berks, Chester, Philadelphia and Delaware Counties), Rye, New York (Westchester County); Hamilton, New Jersey (Mercer County); Boston, Massachusetts; and Providence, Rhode Island. The Bank has 14 branches and provides commercial and consumer banking products, primarily loans and deposits. The Bank also provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies. Customers Bank is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Reserve Bank and is periodically examined by those regulatory authorities.

NOTE 2 ACQUISITION ACTIVITY

Acquisition Activity

New England Lending Acquisitions

On January 15, 2014, Customers Bank purchased \$277.9 million of residential adjustable-rate jumbo mortgage loans (indexed to one-year LIBOR) from Michigan-based Flagstar Bank. The purchase price was 100.75% of loans outstanding.

On March 28, 2013, Customers Bank completed the purchase of certain commercial loans from Flagstar Bank. Under the terms of the agreement, Customers Bank acquired \$182.3 million in commercial loan and related commitments, of which \$155.1 million was drawn at the date of acquisition. Also, as part of the agreement, Customers Bank assumed the leases for two of Flagstar's commercial lending offices in New England. The purchase price was 98.7% of loans outstanding.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of Presentation

The interim unaudited consolidated financial statements of Customers Bancorp, Inc. and subsidiaries have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the SEC). These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Customers Bancorp and subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted from these interim unaudited consolidated financial statements as permitted by SEC rules and regulations. The December 31, 2013 consolidated balance sheet presented in this report has been derived from Customers Bancorp's audited 2013 consolidated financial statements. Management believes that the disclosures are adequate to present fairly the

consolidated financial statements as of the dates and for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the 2013 consolidated financial statements of Customers Bancorp and subsidiaries included in Customers Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 12, 2014. That Form 10-K describes Customers Bancorp's significant accounting policies, which include its policies on Principles of Consolidation; Cash and Cash Equivalents; Restrictions on Cash and Amounts due from Banks; Investment Securities; Loan Accounting Framework; Allowance for Loan Losses; Goodwill; Investments in FHLB, Federal Reserve Bank, and other restricted stock; Other Real Estate Owned; FDIC Loss Sharing Receivable; Bank Owned Life Insurance; Bank Premises and Equipment; Treasury Stock; Income Taxes; Share-Based Compensation; Comprehensive Income; Earnings per Share; Segment Information; and Accounting Changes. Certain prior period amounts have been reclassified to conform to current period presentation. Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year. Presented below are Customers Bancorp's significant accounting policies that were updated during the six months ended June 30, 2014 to address new or evolving activities and recently issued accounting standards and updates that were issued or effective during 2014.

Derivative Instruments and Hedging Activities

The Financial Accounting Standards Board (FASB) ASC 815, *Derivatives and Hedging* (ASC 815), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Bancorp's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

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As required by ASC 815, Customers Bancorp records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether Customers has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Bancorp may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Prior to first quarter 2014, none of Customer Bancorp's financial derivatives were designated in qualifying hedge relationships in accordance with the applicable accounting guidance. As such, all changes in fair value of the financial derivatives were recognized directly in earnings. In March 2014, Customers Bancorp entered into a \$150.0 million notional balance forward starting pay fixed interest rate swap to hedge the variable cash flows associated with the forecasted issuance of debt. The Bancorp documented and designated this swap as a cash flow hedge. The effective portion of changes in the fair value of financial derivatives designated and qualifying as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the financial derivatives is recognized directly in earnings. Amounts reported in accumulated other comprehensive income related to financial derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

Customers Bancorp purchased credit derivatives with a notional balance of \$13.4 million to hedge the performance risk of one of its counterparties during first quarter 2014. These derivatives were not designated in hedge relationships for accounting purposes and are being recorded at their fair value, with fair value changes recorded directly in earnings.

In accordance with the FASB's fair value measurement guidance, Customers Bancorp made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Recently Issued Accounting Standards

In June 2014, the FASB issued Accounting Standard Update (ASU) 2014-12, *Compensation - Stock Compensation*. The guidance in this ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite period, the remaining unrecognized cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

As indicated in the definition of vest, the stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. The guidance in this ASU is effective for annual and interim periods beginning after December 15, 2015. The Bancorp does not expect this ASU to have a significant impact on its financial condition or results of operation.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing*. The amendments in this update require that repurchase-to-maturity transactions be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. In addition, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. The amendments require an entity to disclose information about transfers accounted for as sales in transactions that are economically similar to repurchase agreements, in which the transferor retains substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. In addition the amendments require disclosure of the types of collateral pledged in repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions and the tenor of those transactions. The guidance in this ASU is effective for annual and interim periods beginning after December 15, 2014. The Bancorp does not expect this ASU to have a significant impact on its financial condition or results of operation.

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In May 2014, the FASB issued ASU2014-09, *Revenue from Contracts with Customers*. This ASU establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate and construction industries. The revenue standard's core principal is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) identify the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies the performance obligation. Three basic transition methods are available—full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the cumulative effect alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. The guidance in this ASU is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2016. The Bancorp does not expect this ASU to have a significant impact on its financial condition or results of operation.

In January 2014, the FASB issued ASU 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*, a consensus of the FASB Emerging Issues Task Force. The ASU clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The ASU also requires additional related interim and annual disclosures. The guidance in this ASU is effective for annual and interim periods beginning after December 15, 2014. The Bancorp does not expect this ASU to have a significant impact on its financial condition or results of operation.

In January 2014, the FASB issued ASU 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects*, a consensus of the FASB Emerging Issues Task Force. The ASU provides guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The guidance in this ASU is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. The Bancorp does not expect this ASU to have a significant impact on its financial condition or results of operation.

In February 2013, the FASB issued ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*, a consensus of the FASB Emerging Issues Task Force. The guidance in this ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU was effective in first quarter 2014. This ASU has not had a significant impact on the Bancorp's financial condition or results of operation.

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The following tables present the changes in accumulated other comprehensive income by component for the three months and six months ended June 30, 2014 and 2013.

(amounts in thousands)	For the three months ended June 30, 2014		
	Unrealized Gains and (Losses) on Available-for-sale Securities	Unrealized Gains and (Losses) on Cash Flow Hedges	Total
Beginning balance - April 1, 2014	\$ (4,030)	\$ 432	\$ (3,598)
Other comprehensive income (loss) before reclassifications	2,666	(1,054)	1,612
Amounts reclassified from accumulated other comprehensive loss to net income (2)	(234)	0	(234)
Net current-period other comprehensive income (loss)	2,432	(1,054)	1,378
Ending balance - June 30, 2014	\$ (1,598)	\$ (622)	\$ (2,220)

(amounts in thousands)	For the six months ended June 30, 2014		
	Unrealized Gains and (Losses) on Available-for-sale Securities	Unrealized Losses on Cash Flow Hedges	Total
Beginning balance - January 1, 2014	\$ (8,118)	\$ 0	\$ (8,118)
Other comprehensive income (loss) before reclassifications	8,594	(622)	7,972
Amounts reclassified from accumulated other comprehensive loss to net income (2)	(2,074)	0	(2,074)
Net current-period other comprehensive income (loss)	6,520	(622)	5,898
Ending balance - June 30, 2014	\$ (1,598)	\$ (622)	\$ (2,220)

	For the three months ended June 30, 2013 Unrealized Gains and (Losses) on Available-for-sale Securities (3)
(amounts in thousands)	
Beginning balance - April 1, 2013	\$ 354
Other comprehensive loss before reclassifications	(3,884)
Amounts reclassified from accumulated other comprehensive loss to net income	0
Net current-period other comprehensive (loss)	(3,884)
Ending balance June 30, 2013	\$ (3,530)

Table of Contents**For the six months ended June 30, 2013**

(amounts in thousands)	Unrealized Gains and (Losses) on Available-for-sale Securities (3)
Beginning balance - January 1, 2013	\$ 1,064
Other comprehensive loss before reclassifications	(4,594)
Amounts reclassified from accumulated other comprehensive loss to net income	0
Net current-period other comprehensive (loss) income	(4,594)
Ending balance June 30, 2013	\$ (3,530)

- (1) All amounts are net of tax. Amounts in parentheses indicate debits.
- (2) Reclassification amounts are reported as gain on sale of investment securities on the Consolidated Statements of Income.
- (3) Prior to first quarter 2014, all amounts deferred in accumulated other comprehensive income/(loss) were related to available-for-sale securities.

NOTE 5 EARNINGS PER SHARE

The following are the components and results of the Bancorp's earnings per share calculation for the periods presented. Share and per share amounts have been adjusted to give effect to the 10% stock dividend declared on May 15, 2014 and issued on June 30, 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
(dollars in thousands, except per share data)				
Net income available to common shareholders	\$ 10,233	\$ 8,226	\$ 18,374	\$ 15,415
Weighted-average number of common shares outstanding - basic	26,724,499	23,393,557	26,705,620	21,864,419
Share-based compensation plans	997,012	438,052	924,398	376,221
Warrants	260,893	208,468	251,796	190,007
Weighted-average number of common shares - diluted	27,982,404	24,040,077	27,881,814	22,430,647
Basic earnings per share	\$ 0.38	\$ 0.35	\$ 0.69	\$ 0.71
Diluted earnings per share	\$ 0.37	\$ 0.34	\$ 0.66	\$ 0.69

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The following is a summary of securities that could potentially dilute basic earnings per share in future periods that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented. Share-based compensation awards and warrants have been adjusted to give effect to the 10% stock dividend declared on May 15, 2014 and issued on June 30, 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Anti-dilutive securities:				
Share-based compensation awards	118,386	61,117	86,786	89,729
Warrants	118,745	130,620	118,745	130,620
Total anti-dilutive securities	237,131	191,737	205,531	220,349

Table of Contents**NOTE 6 INVESTMENT SECURITIES**

The amortized cost and approximate fair value of investment securities as of June 30, 2014 and December 31, 2013 are summarized in the tables below:

	June 30, 2014			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(amounts in thousands)				
Available for Sale:				
Mortgage-backed securities (1)	\$ 404,445	\$ 2,181	\$ (5,015)	\$ 401,611
Equity securities (2)	23,074	377	(1)	23,450
	\$ 427,519	\$ 2,558	\$ (5,016)	\$ 425,061

	December 31, 2013			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(amounts in thousands)				
Available for Sale:				
Mortgage-backed securities (1)	\$ 461,988	\$ 207	\$ (10,659)	\$ 451,536
Corporate notes	25,000	344	(21)	25,323
Equity securities(2)	23,074	0	(2,360)	20,714
	\$ 510,062	\$ 551	\$ (13,040)	\$ 497,573

(1) Comprised primarily of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA.

(2) Comprised primarily of equity securities in a foreign entity.

The following table presents proceeds from the sale of available-for-sale investment securities and gross gains and gross losses realized on those sales for the three and six months ended June 30, 2014 and 2013:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
(amounts in thousands)				
Proceeds from sale of available-for-sale securities	\$ 25,359	\$ 0	\$ 213,249	\$ 0

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Gross gains	\$	359	\$ 0	\$	3,191	\$ 0
Gross losses		0	0		0	0
Net gains	\$	359	\$ 0	\$	3,191	\$ 0

These gains and losses were determined using the specific identification method and were reported as gains on sale of investment securities included in non-interest income.

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The following table presents available-for-sale debt securities by stated maturity. Debt securities backed by mortgages have expected maturities that differ from contractual maturities because borrowers have the right to call or prepay and are, therefore, classified separately with no specific maturity date:

	June 30, 2014	
	Amortized Cost	Fair Value
(amounts in thousands)		
Due in one year or less	\$ 0	\$ 0
Due after one year through five years	0	0
Due after five years through ten years	0	0
Due after ten years	0	0
Mortgage-backed securities	404,445	401,611
 Total debt securities	 \$ 404,445	 \$ 401,611

The Bancorp's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2014 and December 31, 2013 were as follows:

	June 30, 2014					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
(amounts in thousands)						
Available for Sale:						
Mortgage-backed securities (1)	\$ 59,038	\$ (613)	\$ 121,905	\$ (4,402)	\$ 180,943	\$ (5,015)
Equity securities (2)	0	0	5	(1)	5	(1)
 Total	 \$ 59,038	 \$ (613)	 \$ 121,910	 \$ (4,403)	 \$ 180,948	 \$ (5,016)

	December 31, 2013					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
(amounts in thousands)						
Available for Sale:						
Mortgage-backed securities (1)	\$ 425,623	\$ (10,061)	\$ 5,274	\$ (598)	430,897	\$ (10,659)
Corporate notes	4,982	(18)	4,997	(3)	9,979	(21)
Equity securities (2)	20,714	(2,360)	0	0	20,714	(2,360)

Total	\$ 451,319	\$ (12,439)	\$ 10,271	\$ (601)	\$ 461,590	\$ (13,040)
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(1) Comprised primarily of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA.

(2) Comprised primarily of equity securities in a foreign entity.

At June 30, 2014, there were five available-for-sale investment securities in the less-than-twelve-month category and twenty-one available-for-sale investment securities in the twelve-month-or-more category. The unrealized losses on the mortgage backed securities are guaranteed by government-sponsored entities and primarily relate to changes in market interest rates. All amounts are expected to be recovered when market prices recover or at maturity. The Company intends to hold these securities for the foreseeable future, and does not intend to sell the securities before the price recovers. Customers considers it more likely than not that it will not be required to sell the securities. Accordingly, Customers has concluded that the securities are not other-than-temporarily impaired as of June 30, 2014.

At June 30, 2014 and December 31, 2013, Customers Bank had pledged investment securities aggregating \$401.2 million and \$451.1 million fair value, respectively, as collateral against its borrowings primarily with the FHLB. The FHLB does not have the ability to sell or repledge these securities.

Table of Contents**NOTE 7 LOANS HELD FOR SALE**

The composition of loans held for sale as of June 30, 2014 and December 31, 2013 was as follows:

	June 30, 2014	December 31, 2013
(amounts in thousands)		
Mortgage warehouse loans at fair value	\$ 1,053,641	\$ 740,694
Residential mortgage loans at fair value	7,754	6,899
Loans held for sale	\$ 1,061,395	\$ 747,593

NOTE 8 LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The following table presents loans receivable as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
(amounts in thousands)		
Construction	\$ 11,544	\$ 14,627
Commercial real estate/multi-family	21,150	24,258
Commercial and industrial	4,039	5,814
Residential real estate	14,600	18,733
Manufactured housing	3,141	3,293
Total loans receivable covered under FDIC loss sharing agreements (1)	54,474	66,725
Construction	51,377	36,901
Commercial real estate/multi-family	2,820,492	1,835,186
Commercial and industrial	299,122	239,509
Mortgage warehouse	9	866
Manufactured housing	133,307	139,471
Residential real estate	283,713	145,188
Consumer	2,015	2,144
Total loans receivable not covered under FDIC loss sharing agreements	3,590,035	2,399,265
Total loans receivable	3,644,509	2,465,990
Deferred (fees) costs, net	(405)	(912)
Allowance for loan losses	(28,186)	(23,998)
Loans receivable, net	\$ 3,615,918	\$ 2,441,080

- (1) Loans that were acquired in two FDIC-assisted transactions and are covered under loss sharing agreements with the FDIC are referred to as covered loans throughout these financial statements.

Table of Contents**Non-Covered Loans**

The following tables summarize **non-covered** loans by class and performance status as of June 30, 2014 and December 31, 2013:

	June 30, 2014						
	90 Days		Total Past Due (1)	Non- Accrual	Current (2)	Purchased- Credit- Impaired Loans (3)	Total Loans (4)
	30-89 Days Past Due (1)	Or More Past Due(1)					
(amounts in thousands)							
Commercial and industrial	\$ 478	\$ 0	\$ 478	\$ 1,974	\$ 295,073	\$ 1,597	\$ 299,122
Commercial real estate	267	0	267	8,714	2,777,671	33,840	2,820,492
Construction	0	0	0	451	50,419	507	51,377
Residential real estate	597	0	597	834	272,555	9,727	283,713
Consumer	4	0	4	0	1,673	338	2,015
Mortgage warehouse	0	0	0	0	9	0	9
Manufactured housing (5)	6,228	4,208	10,436	727	117,817	4,327	133,307
Total	\$ 7,574	\$ 4,208	\$ 11,782	\$ 12,700	\$ 3,515,217	\$ 50,336	\$ 3,590,035

	December 31, 2013						
	90 Days		Total Past Due (1)	Non- Accrual	Current (2)	Purchased- Credit- Impaired Loans (3)	Total Loans (4)
	30-89 Days Past Due (1)	Or More Past Due(1)					
(amounts in thousands)							
Commercial and industrial	\$ 10	\$ 0	\$ 10	\$ 123	\$ 237,453	\$ 1,923	\$ 239,509
Commercial real estate	0	0	0	9,924	1,788,144	37,118	1,835,186
Construction	0	0	0	2,049	33,922	930	36,901
Residential real estate	555	0	555	969	133,158	10,506	145,188
Consumer	0	0	0	0	1,728	416	2,144
Mortgage warehouse	0	0	0	0	866	0	866
Manufactured housing (5)	7,921	3,772	11,693	448	122,416	4,914	139,471
Total	\$ 8,486	\$ 3,772	\$ 12,258	\$ 13,513	\$ 2,317,687	\$ 55,807	\$ 2,399,265

- (1) Includes past due loans that are accruing interest because collection is considered probable.
- (2) Loans where next payment due is less than 30 days from the report date.
- (3) Purchased-credit-impaired loans aggregated into a pool are accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, and the past due status of the pools, or that of the individual loans within the pools, is not meaningful. Because of the credit impaired nature of the loans, the

loans are recorded at a discount reflecting estimated future cash flows and the Bank recognizes interest income on each pool of loans reflecting the estimated yield and passage of time. Such loans are considered to be performing. Purchased-credit-impaired loans that are not in pools accrete interest when the timing and amount of their expected cash flows are reasonably estimable, and are reported as performing loans.

- (4) Amounts exclude deferred costs and fees and the allowance for loan losses.
- (5) Manufactured housing loans purchased in 2010 are subject to cash reserves held at the Bank that are used to fund past-due payments when the loan becomes 90 days or more delinquent. Subsequent purchases are subject to varying provisions in the event of borrowers' delinquencies.

Table of Contents**Covered Loans**

The following tables summarize **covered** loans by class and performance status as of June 30, 2014 and December 31, 2013:

	June 30, 2014						
	30-89 Days Past Due (1)	90 Days Or More Past Due (1)	Total Past Due (1)	Non- Accrual	Current (2)	Purchased - Credit Impaired Loans (3)	Total Loans (4)
(amounts in thousands)							
Commercial and industrial	\$ 0	\$ 0	\$ 0	\$ 217	\$ 3,304	\$ 518	\$ 4,039
Commercial real estate	0	0	0	628	13,070	7,452	21,150
Construction	0	0	0	2,412	526	8,606	11,544
Residential real estate	3	0	3	1,012	11,770	1,815	14,600
Manufactured housing	53	0	53	83	2,863	142	3,141
Total	\$ 56	\$ 0	\$ 56	\$ 4,352	\$ 31,533	\$ 18,533	\$ 54,474

	December 31, 2013						
	30-89 Days Past Due (1)	90 Days Or More Past Due (1)	Total Past Due (1)	Non- Accrual	Current (2)	Purchased- Credit Impaired Loans (3)	Total Loans (4)
(amounts in thousands)							
Commercial and industrial	\$ 295	\$ 0	\$ 295	\$ 2	\$ 3,172	\$ 2,345	\$ 5,814
Commercial real estate	245	0	245	1,691	13,586	8,736	24,258
Construction	0	0	0	3,382	1,967	9,278	14,627
Residential real estate	90	0	90	564	14,108	3,971	18,733
Manufactured housing	56	0	56	11	3,081	145	3,293
Total	\$ 686	\$ 0	\$ 686	\$ 5,650	\$ 35,914	\$ 24,475	\$ 66,725

- (1) Includes past due loans that are accruing interest because collection is considered probable.
- (2) Purchased loans in FDIC assisted transactions with no evidence of credit deterioration since origination.
- (3) Purchased-credit-impaired loans aggregated into a pool are accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, and the past due status of the pools, or that of the individual loans within the pools, is not meaningful. Because of the credit impaired nature of the loans, the loans are recorded at a discount reflecting estimated future cash flows and the Bank recognizes interest income on each pool of loans reflecting the estimated yield and passage of time. Such loans are considered to be performing.

Purchased-credit-impaired loans that are not in pools accrete interest when the timing and amount of their expected cash flows are reasonably estimable, and are reported as performing loans.

(4) Amounts exclude deferred costs and fees and allowance for loan losses.

Allowance for Loan Losses and FDIC Loss Sharing Receivable

Losses incurred on covered loans are eligible for partial reimbursement by the FDIC. Subsequent to the purchase date, the expected cash flows on the covered loans are subject to evaluation. Decreases in the present value of expected cash flows on the covered loans are recognized by increasing the allowance for loan losses with a related charge to the provision for loan losses. At the same time, the FDIC indemnification asset is increased reflecting an estimated future collection from the FDIC with a related credit to the provision for loan losses. If the expected cash flows on the covered loans increase such that a previously recorded impairment can be reversed, the Bancorp records a reduction in the allowance for loan losses with a related credit to the provision for loan losses accompanied by a reduction in the FDIC receivable and a charge to the provision for loan losses. Increases in expected cash flows of covered loans and decreases in expected cash flows of the FDIC loss sharing receivable, when there are no previously recorded impairments, are considered together and recognized over the remaining life of the loans as interest income.

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The following tables present changes in the allowance for loan losses and the FDIC loss sharing receivable for the three and six months ended June 30, 2014 and 2013.

(amounts in thousands)	Allowance for Loan Losses	
	For the three months ended June 30,	
	2014	2013
Beginning balance	\$ 26,704	\$ 26,439
Provision for loan losses (1)	2,730	4,620
Charge-offs	(1,405)	(3,093)
Recoveries	157	176
Ending balance	\$ 28,186	\$ 28,142

(amounts in thousands)	FDIC Loss Sharing Receivable	
	For the three months ended June 30,	
	2014	2013
Beginning balance	\$ 8,272	\$ 12,043
(Decreased)/Increased estimated cash flows (2)	(156)	2,504
Other activity, net (a)	983	380
Cash receipts from FDIC	(180)	(758)
Ending balance	\$ 8,919	\$ 14,169
(1) Provision for loan losses	\$ 2,730	\$ 4,620
(2) Effect attributable to FDIC loss share arrangements	156	(2,504)
Net amount reported as provision for loan losses	\$ 2,886	\$ 2,116

- (a) Includes external costs, such as legal fees, real estate taxes, and appraisal expenses, which qualify for reimbursement under loss sharing arrangements

(amounts in thousands)	Allowance for Loan Losses	
	For the six months ended June 30,	
	2014	2013
Beginning balance	\$ 23,998	\$ 25,837
Provision for loan losses (1)	5,631	5,720
Charge-offs	(1,941)	(3,656)
Recoveries	498	241
Ending balance	\$ 28,186	\$ 28,142

	FDIC Loss Sharing Receivable	
	For the six months	
	ended June 30,	
(amounts in thousands)	2014	2013
Beginning balance	\$ 10,046	\$ 12,343
(Decreased)/Increased estimated cash flows (2)	(1,622)	3,722
Other activity, net (a)	1,972	1,232
Cash receipts from FDIC	(1,477)	(3,128)
Ending balance	\$ 8,919	\$ 14,169
(1) Provision for loan losses	\$ 5,631	\$ 5,720
(2) Effect attributable to FDIC loss share arrangements	1,622	(3,722)
Net amount reported as provision for loan losses	\$ 7,253	\$ 1,998

- (a) Includes external costs, such as legal fees, real estate taxes, and appraisal expenses, which qualify for reimbursement under loss sharing arrangements.

Table of Contents**Impaired Loans Covered and Non-Covered**

The following tables present the recorded investment (net of charge-offs), unpaid principal balance and related allowance for impaired loans as of June 30, 2014 and December 31, 2013 and the average recorded investment and interest income recognized for the three and six months ended June 30, 2014 and 2013. Purchased-credit-impaired loans are considered to be performing and are not included in the tables below.

	June 30, 2014			For the three months ended June 30, 2014		For the six months ended June 30, 2014	
	Recorded Investment Net of Charge offs	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized
(amounts in thousands)							
With no related allowance recorded:							
Commercial and industrial	\$ 14,988	\$ 15,406	\$	\$ 12,949	\$ 57	\$ 12,998	\$ 66
Commercial real estate	17,640	18,491		18,761	45	17,306	103
Construction	2,325	3,594		2,325		2,476	
Consumer	83	83		44		29	
Residential real estate	1,934	1,934		1,943		2,239	6
With an allowance recorded:							
Commercial and industrial	1,655	1,655	915	1,246	7	1,653	12
Commercial real estate	2,913	2,913	812	2,676		2,537	1
Construction	1,553	1,553	671	1,561		1,418	
Consumer	53	53	5	59	1	60	2
Residential real estate	248	248	175	249	1	250	2
Total	\$ 43,392	\$ 45,930	\$ 2,578	\$ 41,813	\$ 111	\$ 40,966	\$ 192

	December 31, 2013			For the three months ended June 30, 2013		For the six months ended June 30, 2013	
	Recorded Investment Net of Charge offs	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized
(amounts in thousands)							
With no related allowance recorded:							
Commercial and industrial	\$ 13,097	\$ 13,159	\$	\$ 6,068	\$ 92	\$ 5,249	\$ 118
Commercial real estate	14,397	15,249		27,251	206	24,277	337
Construction	2,777	4,046		6,214	10	7,075	10

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Consumer				89		100	
Residential real estate	2,831	2,831		2,168	6	2,436	10
With an allowance recorded:							
Commercial and industrial	2,469	3,739	829	1,419	32	886	63
Commercial real estate	2,261	3,167	946	5,838	19	8,095	34
Construction	1,132	1,132	351	5,238		6,172	
Consumer	64	64	17	50		45	
Residential real estate	252	252	199	1,023	1	1,035	2
Total	\$ 39,280	\$ 43,639	\$ 2,342	\$ 55,358	\$ 366	\$ 55,370	\$ 574

Troubled Debt Restructurings

At June 30, 2014 and 2013, there were \$5.3 million and \$9.2 million, respectively, in loans reported as troubled debt restructurings (TDRs). TDRs are reported as impaired loans in the calendar year of their restructuring and are evaluated to determine whether they should be placed on non-accrual status. In subsequent years, a TDR may be returned to accrual status if it satisfies a minimum six-month performance requirement; however, it will remain classified as impaired. Generally, the Bancorp requires sustained performance for nine months before returning a TDR to accrual status.

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Modification of purchased-credit-impaired loans that are accounted for within loan pools in accordance with the accounting standards for purchased-credit-impaired loans do not result in the removal of these loans from the pool even if modifications would otherwise be considered a TDR. Accordingly, as each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, modifications of loans within such pools are not considered TDRs.

The following is an analysis of loans modified in a troubled debt restructuring by type of concession for the three and six months ended June 30, 2014 and 2013. There were no modifications that involved forgiveness of debt.

	TDRs in Compliance with Their Modified Terms and Not Accruing Interest	TDRs in Compliance with Their Modified Terms and Not Accruing Interest	Total
(amounts in thousands)			
<u>Three months ended June 30, 2014</u>			
Extended under forbearance	\$ 167	\$ 0	\$ 167
Multiple extensions resulting from financial difficulty	0	0	0
Interest-rate reductions	0	176	176
Total	\$ 167	\$ 176	\$ 343
<u>Six months ended June 30, 2014</u>			
Extended under forbearance	\$ 167	\$ 0	\$ 167
Multiple extensions resulting from financial difficulty	0	0	0
Interest-rate reductions	247	303	550
Total	\$ 414	\$ 303	\$ 717
<u>Three months ended June 30, 2013</u>			
Extended under forbearance	\$ 0	\$ 0	\$ 0
Multiple extensions resulting from financial difficulty	0	0	0
Interest-rate reductions	93	910	1,003
Total	\$ 93	\$ 910	\$ 1,003
<u>Six months ended June 30, 2013</u>			
Extended under forbearance	\$ 0	\$ 0	\$ 0
Multiple extensions resulting from financial difficulty	0	0	0
Interest-rate reductions	93	1,167	1,260

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Total \$ 93 \$ 1,167 \$ 1,260

The following table provides, by class, the number of loans modified in troubled debt restructurings and the recorded investments and unpaid principal balances during the three and six months ended June 30, 2014 and 2013.

	TDRs in Compliance with Their Modified Terms and Accruing Interest		TDRs in Compliance with Their Terms and Not Accruing Interest	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
(amounts in thousands)				
Three months ended June 30, 2014				
Commercial and industrial	0	\$ 0	0	\$ 0
Commercial real estate	0	0	0	0
Construction	0	0	0	0
Manufactured housing	0	0	3	176
Residential real estate	0	0	0	0
Consumer	4	167	0	0
Total	4	\$ 167	3	\$ 176

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	TDRs in Compliance with Their Modified Terms and Accruing Interest		TDRs in Compliance with Their Modified Terms and Not Accruing Interest	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
(amounts in thousands)				
Six months ended June 30, 2014				
Commercial and industrial	0	\$ 0	0	\$ 0
Commercial real estate	0	0	0	0
Construction	0	0	0	0
Manufactured housing	1	47	5	303
Residential real estate	3	200	0	0
Consumer	4	167	0	0
Total	8	\$ 414	5	\$ 303
Three months ended June 30, 2013				
Commercial and industrial	0	\$ 0	0	\$ 0
Commercial real estate	0	0	0	0
Construction	0	0	0	0
Manufactured housing	2	60	7	910
Residential real estate	0	0	0	0
Consumer	1	33	0	0
Total	3	\$ 93	7	\$ 910
Six months ended June 30, 2013				
Commercial and industrial	0	\$ 0	0	\$ 0
Commercial real estate	0	0	0	0
Construction	0	0	0	0
Manufactured housing	2	60	10	1,167
Residential real estate	0	0	0	0
Consumer	1	33	0	0
Total	3	\$ 93	10	\$ 1,167

At June 30, 2014 and 2013, there were no commitments to lend additional funds to debtors whose terms have been modified in troubled debt restructuring.

For the three and six months ended June 30, 2014 and 2013, the recorded investment of loans determined to be TDRs was \$0.3 million, \$0.7 million, \$1.0 million and \$1.2 million, respectively, both before and after restructuring. During the three month period ended June 30, 2014, three TDR loans defaulted with a recorded investment of \$0.2 million. During the six month period ended June 30, 2014, six TDR loans defaulted with a recorded investment of \$0.5 million. There were no TDRs that defaulted in the three and six month periods ended June 30, 2013.

Loans modified in troubled debt restructurings are evaluated for impairment. The nature and extent of impairment of TDRs, including those which have experienced a subsequent default, is considered in the determination of an appropriate level of allowance for credit losses. There were no specific allowances resulting from TDR modifications during the three and six months ended June 30, 2014 and 2013.

Credit Quality Indicators

Commercial and industrial, commercial real estate, residential real estate and construction loans are rated based on an internally assigned risk rating system which is assigned at the time of loan origination and reviewed on a periodic or on an as needed basis. Consumer, mortgage warehouse and manufactured housing loans are evaluated based on the payment activity of the loan and are not assigned internal risk ratings.

To facilitate the monitoring of credit quality within the commercial and industrial, commercial real estate, construction, and residential real estate classes, and for purposes of analyzing historical loss rates used in the determination of the allowance for loan losses for the respective portfolio class, the Bank utilizes the following categories of risk ratings: pass/satisfactory (includes risk rating 1 through 6), special mention, substandard, doubtful, and loss. The risk rating categories, which are derived from standard regulatory rating

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definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass/satisfactory ratings, which are assigned to those borrowers who do not have identified potential or well-defined weaknesses and for whom there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter. While assigning risk ratings involves judgment, the risk-rating process allows management to identify riskier credits in a timely manner and allocate the appropriate resources to manage those loans.

The risk rating grades are defined as follows:

1 *Pass/Excellent*

Loans rated 1 represent a credit extension of the highest quality. The borrower's historic (at least five years) cash flows manifest extremely large and stable margins of coverage. Balance sheets are conservative, well capitalized, and liquid. After considering debt service for proposed and existing debt, projected cash flows continue to be strong and provide ample coverage. The borrower typically reflects broad geographic and product diversification and has access to alternative financial markets.

2 *Pass/Superior*

Loans rated 2 are those for which the borrower has a strong financial condition, balance sheet, operations, cash flow, debt capacity and coverage with ratios better than industry norms. The borrowers of these loans exhibit a limited leverage position, borrowers are virtually immune to local economies in stable growing industries, and where management is well respected and the company has ready access to public markets.

3 *Pass/Strong*

Loans rated 3 are those loans for which the borrower has above average financial condition and flexibility; more than satisfactory debt service coverage, balance sheet and operating ratios are consistent with or better than industry peers, have little industry risk, move in diversified markets and are experienced and competent in their industry. These borrowers' access to capital markets is limited mostly to private sources, often secured, but the borrower typically has access to a wide range of refinancing alternatives.

4 *Pass/Good*

Loans rated 4 have a sound primary and secondary source of repayment. The borrower may have access to alternative sources of financing, but sources are not as widely available as they are to a higher grade borrower. These loans carry a normal level of risk, with very low loss exposure. The borrower has the ability to perform according to the terms of the credit facility. The margins of cash flow coverage are satisfactory but vulnerable to more rapid deterioration than the higher quality loans.

5 *Satisfactory*

Loans rated 5 are extended to borrowers who are determined to be a reasonable credit risk and demonstrate the ability to repay the debt from normal business operations. Risk factors may include reliability of margins and cash flows, liquidity, dependence on a single product or industry, cyclical trends, depth of management, or limited access to alternative financing sources. The borrower's historical financial information may indicate erratic performance, but current trends are positive and the quality of financial information is adequate, but is not as detailed and sophisticated

as information found on higher grade loans. If adverse circumstances arise, the impact on the borrower may be significant.

6 *Satisfactory/Bankable with Care*

Loans rated 6 are those for which the borrower has higher than normal credit risk; however, cash flow and asset values are generally intact. These borrowers may exhibit declining financial characteristics, with increasing leverage and decreasing liquidity and may have limited resources and access to financial alternatives. Signs of weakness in these borrowers may include delinquent taxes, trade slowness and eroding profit margins.

7 *Special Mention*

Loans rated Special Mention are credit facilities that may have potential developing weaknesses and deserve extra attention from the account manager and other management personnel. In the event that potential weaknesses are not corrected or mitigated, deterioration in the ability of the borrower to repay the debt in the future may occur. This grade is not assigned to loans that bear certain peculiar risks normally associated with the type of financing involved, unless circumstances have caused the risk to increase to a level higher than would have been acceptable when the credit was originally approved. Loans where significant actual, not potential, weaknesses or problems are clearly evident are graded in the category below.

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8 *Substandard*

Loans are classified Substandard when the loans are inadequately protected by the current sound worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the Company will sustain some loss if the weaknesses are not corrected.

9 *Doubtful*

The Bank assigns a doubtful rating to loans that have all the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage of and strengthen the credit quality of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors may include a proposed merger or acquisition, liquidation proceeding, capital injection, perfecting liens on additional collateral or refinancing plans.

10 *Loss*

The Bank assigns a loss rating to loans considered uncollectible and of such little value that their continuance as an active asset is not warranted. Amounts classified as loss are immediately charged off.

Risk ratings are not established for home equity loans, consumer loans, and installment loans, mainly because these portfolios consist of a larger number of homogenous loans with smaller balances. Instead, these portfolios are evaluated for risk mainly based upon aggregate payment history through the monitoring of delinquency levels and trends and are classified as performing and nonperforming.

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The following tables present the credit ratings of the **non-covered** loan portfolio as of June 30, 2014 and December 31, 2013:

	June 30, 2014			
	Commercial and Industrial	Commercial Real Estate	Construction	Residential Real Estate
(amounts in thousands)				
Pass/Satisfactory	\$ 283,044	\$ 2,793,438	\$ 50,899	\$ 281,713
Special Mention	13,750	14,838	27	467
Substandard	2,328	12,216	451	1,533
Total loans receivable, non-covered	\$ 299,122	\$ 2,820,492	\$ 51,377	\$ 283,713

	Mortgage Manufactured		
	Consumer	Warehouse	Housing
(amounts in thousands)			
Performing	\$ 2,015	\$ 9	\$ 122,144
Nonperforming (1)	0	0	11,163
Total loans receivable, non-covered	\$ 2,015	\$ 9	\$ 133,307

	December 31, 2013			
	Commercial and Industrial	Commercial Real Estate	Construction	Residential Real Estate
(amounts in thousands)				
Pass/Satisfactory	\$ 228,748	\$ 1,808,804	\$ 34,822	\$ 142,588
Special Mention	10,314	12,760	29	940
Substandard	447	13,622	2,050	1,660
Total loans receivable, non-covered	\$ 239,509	\$ 1,835,186	\$ 36,901	\$ 145,188

	Mortgage Manufactured		
	Consumer	Warehouse	Housing
(amounts in thousands)			
Performing	\$ 2,144	\$ 866	\$ 127,330
Nonperforming (1)	0	0	12,141
Total loans receivable, non-covered	\$ 2,144	\$ 866	\$ 139,471

(1) Includes loans that are past due and still accruing interest and loans on nonaccrual status.

The following tables present the credit ratings of the **covered** loan portfolio as of June 30, 2014 and December 31, 2013:

	June 30, 2014			
	Commercial and Industrial	Commercial Real Estate	Construction	Residential Real Estate
(amounts in thousands)				
Pass/Satisfactory	\$ 3,700	\$ 13,325	\$ 526	\$ 12,194
Special Mention	0	3,159	0	0
Substandard	339	4,666	11,018	2,406
Total loans receivable, covered	\$ 4,039	\$ 21,150	\$ 11,544	\$ 14,600

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	Manufactured Housing
(amounts in thousands)	
Performing	\$ 3,005
Nonperforming (1)	136
Total loans receivable, covered	\$ 3,141

	December 31, 2013			
	Commercial and Industrial	Commercial Real Estate	Construction	Residential Real Estate
(amounts in thousands)				
Pass/Satisfactory	\$ 3,688	\$ 14,330	\$ 1,967	\$ 14,137
Special Mention	223	2,989	0	455
Substandard	1,903	6,939	12,660	4,141
Total loans receivable, covered	\$ 5,814	\$ 24,258	\$ 14,627	\$ 18,733

	Manufactured Housing
(amounts in thousands)	
Performing	\$ 3,226
Nonperforming (1)	67
Total loans receivable, covered	\$ 3,293

(1) Includes loans that are past due and still accruing interest and loans on nonaccrual status.

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The changes in the allowance for loan losses for the three and six months ended June 30, 2014 and 2013 and the loans and allowance for loan losses by loan class based on impairment evaluation method are as follows. The amounts presented for the provision for loan losses below do not include the effect of changes to estimated benefits resulting from the FDIC loss share arrangements for the covered loans.

	Commercial and Industrial	Commercial Real Estate	Commercial Construction	Residential Real Estate	Manufactured Housing	Consumer	Mortgage Warehouse	Residual Reserve	Total
(amounts in thousands)									
Three months ended June 30, 2014									
Beginning Balance, April 1, 2014	\$ 2,443	\$ 18,852	\$ 2,342	\$ 2,307	\$ 593	\$ 127	\$ 40	\$ 0	\$ 26,704
Charge-offs	(445)	(912)	0	(15)	0	(33)	0	0	(1,405)
Recoveries	135	1	3	18	0	0	0	0	157
Provision for loan losses	1,060	2,148	(158)	(282)	(192)	44	110	0	2,730
Ending Balance, June 30, 2014	\$ 3,193	\$ 20,089	\$ 2,187	\$ 2,028	\$ 401	\$ 138	\$ 150	\$ 0	\$ 28,186
Six months ended June 30, 2014									
Beginning Balance, January 1, 2014	\$ 2,638	\$ 15,705	\$ 2,385	\$ 2,490	\$ 614	\$ 130	\$ 36	\$ 0	\$ 23,998
Charge-offs	(445)	(1,160)	0	(303)	0	(33)	0	0	(1,941)
Recoveries	225	26	3	242	0	2	0	0	498
Provision for loan losses	775	5,518	(201)	(401)	(213)	39	114	0	5,631
Ending Balance, June 30, 2014	\$ 3,193	\$ 20,089	\$ 2,187	\$ 2,028	\$ 401	\$ 138	\$ 150	\$ 0	\$ 28,186
At June 30, 2014									
Loans:									
Individually evaluated for impairment	\$ 16,643	\$ 20,553	\$ 3,878	\$ 2,182	\$ 0	\$ 136	\$ 0	\$ 0	\$ 43,392

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Collectively evaluated for impairment	284,403	2,779,797	49,930	284,589	131,979	1,541	9	0	3,532,248
Loans acquired with credit deterioration	2,115	41,292	9,113	11,542	4,469	338	0	0	68,869
Total loans receivable, excluding deferred fees and costs	\$ 303,161	\$ 2,841,642	\$ 62,921	\$ 298,313	\$ 136,448	\$ 2,015	\$ 9	\$ 0	\$ 3,644,509
Allowance for loan losses:									
Individually evaluated for impairment	\$ 915	\$ 812	\$ 671	\$ 175	\$ 0	\$ 5	\$ 0	\$ 0	\$ 2,578
Collectively evaluated for impairment	2,017	14,270	390	861	86	32	150	0	17,806
Loans acquired with credit deterioration	261	5,007	1,126	992	315	101	0	0	7,802
Total Allowance for loan losses	\$ 3,193	\$ 20,089	\$ 2,187	\$ 2,028	\$ 401	\$ 138	\$ 150	\$ 0	\$ 28,186

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	Commercial and Industrial	Commercial Real Estate	Construction	Residential Real Estate	Manufactured Housing	Consumer	Mortgage Warehouses	Residual Reserve	Total
(amounts in thousands)									
Three months ended June 30, 2013									
Beginning Balance, April 1, 2013									
	\$ 1,990	\$ 15,223	\$ 4,279	\$ 3,248	\$ 846	\$ 141	\$ 54	\$ 658	\$ 26,439
Charge-offs	(76)	(1,481)	(1,471)	(65)	0	0	0	0	(3,093)
Recoveries	154	8	0	10	0	4	0	0	176
Provision for loan losses	417	2,935	1,509	359	(168)	(39)	2	(395)	4,620
Ending Balance, June 30, 2013									
	\$ 2,485	\$ 16,685	\$ 4,317	\$ 3,552	\$ 678	\$ 106	\$ 56	\$ 263	\$ 28,142
Six months ended June 30, 2013									
Beginning Balance, January 1, 2013									
	\$ 1,477	\$ 15,439	\$ 3,991	\$ 3,233	\$ 750	\$ 154	\$ 71	\$ 722	\$ 25,837
Charge-offs	(96)	(1,891)	(1,471)	(198)	0	0	0	0	(3,656)
Recoveries	165	60	0	7	0	9	0	0	241
Provision for loan losses	939	3,077	1,797	510	(72)	(57)	(15)	(459)	5,720
Ending Balance, June 30, 2013									
	\$ 2,485	\$ 16,685	\$ 4,317	\$ 3,552	\$ 678	\$ 106	\$ 56	\$ 263	\$ 28,142
At June 30, 2013									
Loans:									
Individually evaluated for impairment									
	\$ 10,147	\$ 33,344	\$ 10,970	\$ 2,901	\$ 0	\$ 77	\$ 0	\$ 0	\$ 57,439

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Collectively evaluated for impairment	180,933	1,200,004	31,695	121,973	143,925	1,228	7,560	0	1,687,318
Loans acquired with credit deterioration	5,159	58,034	16,563	15,121	5,507	503	0	0	100,887
Total loans receivable, excluding deferred fees and costs	\$ 196,239	\$ 1,291,382	\$ 59,228	\$ 139,995	\$ 149,432	\$ 1,808	\$ 7,560	\$ 0	\$ 1,845,644

Allowance for loan losses:

Individually evaluated for impairment	\$ 602	\$ 1,818	\$ 1,533	\$ 327	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,280
Collectively evaluated for impairment	1,477	9,402	279	1,022	76	48	56	263	12,623
Loans acquired with credit deterioration	406	5,465	2,505	2,203	602	58	0	0	11,239
Total Allowance for loan losses	\$ 2,485	\$ 16,685	\$ 4,317	\$ 3,552	\$ 678	\$ 106	\$ 56	\$ 263	\$ 28,142

The non-covered manufactured housing portfolio was purchased in August 2010. A portion of the purchase price may be used to reimburse the Bank under the specified terms in the purchase agreement for defaults of the underlying borrower and other specified items. At June 30, 2014 and 2013, funds available for reimbursement, if necessary, were \$3.2 million and \$2.7 million, respectively. Each quarter, these funds are evaluated to determine if they would be sufficient to absorb probable losses within the manufactured housing portfolio.

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The changes in accretable yield related to purchased-credit-impaired loans for the three and six months ended June 30, 2014 and 2013 were as follows:

For the three months ended June 30, (amounts in thousands)	2014	2013
Accretable yield balance, beginning of period	\$ 20,619	\$ 29,665
Accretion to interest income	(543)	(1,601)
Reclassification from nonaccretable difference and disposals, net	(385)	(415)
Accretable yield balance, end of period	\$ 19,691	\$ 27,649
For the six months ended June 30, (amounts in thousands)	2014	2013
Accretable yield balance, beginning of period	\$ 22,557	\$ 32,174
Accretion to interest income	(1,623)	(3,672)
Reclassification from nonaccretable difference and disposals, net	(1,243)	(853)
Accretable yield balance, end of period	\$ 19,691	\$ 27,649

NOTE 9 BORROWINGS

On June 26, 2014, Customers Bancorp, Inc. closed a private placement transaction in which it issued \$25 million of 4.625% senior notes due 2019, and Customers Bank closed a private placement transaction in which it issued \$110 million of fixed-to-floating-rate subordinated notes due 2029. The aggregate net proceeds from the sale of the notes totaled \$133.2 million.

The senior notes bear interest at a rate of 4.625%, and interest will be paid semi-annually in arrears in June and December. The subordinated notes will bear interest at an annual fixed rate of 6.125% until June 26, 2024, and interest will be paid semiannually. From June 26, 2024, the subordinated notes will bear an annual interest rate equal to three-month LIBOR plus 344.3 basis points until maturity on June 26, 2029. Customers Bank has the ability to call the subordinated notes, in whole or in part, at a redemption price equal to 100 percent of the principal balance at certain times on or after June 26, 2024.

The subordinated notes qualify as Tier 2 capital for regulatory capital purposes.

During second quarter 2014, Customers Bank borrowed \$200 million of long-term FHLB advances. On May 13, 2014, \$100 million was issued at a fixed rate of 1.04% with a maturity on May 15, 2017. On May 20, 2014, there were two additional issuances of \$50 million, at fixed rates of 0.54 % and 1.44%, maturing on May 20, 2016 and May 21, 2018, respectively.

NOTE 10 SHARE-BASED COMPENSATION

The following information includes the effects of changes in stock options and exercise prices and restricted stock units resulting from the 10% stock dividend declared on May 15, 2014 and issued on June 30, 2014.

Stock Options

During the six months ended June 30, 2014, options to purchase an aggregate of 114,978 shares of voting common stock were granted to certain officers and team members. The options are subject to five-year cliff vesting. The fair values of the options were estimated using the Black-Scholes option pricing model. The following table presents the weighted-average assumptions used and the resulting weighted-average fair value of the options granted.

	June 30, 2014
Weighted-average risk-free interest rate	2.20%
Expected dividend yield	0.00%
Weighted-average expected volatility	17.55%
Weighted-average expected life (in years)	7.00
Weighted-average fair value of each option granted	\$ 4.45

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The following table summarizes stock option activity for the six months ended June 30, 2014.

	Number of Options	Weighted- average Exercise Price	Weighted- average Remaining Contractual Term in Years	Aggregate Intrinsic Value
	(dollars in thousands, except Weighted-average exercise price)			
Outstanding at January 1, 2014	3,057,435	\$ 12.42		
Granted	114,978	17.71		
Forfeited	(7,696)	17.69		
Outstanding at June 30, 2014	3,164,717	\$ 12.60	7.70	\$ 23,478
Exercisable at June 30, 2014	13,683	\$ 16.67	3.04	\$ 71

Also during the six months ended June 30, 2014, 157,459 restricted stock units were granted to certain officers and team members. Of the aggregate restricted stock units, 52,537 were granted under the Bonus Recognition and Retention Program and are subject to five-year cliff vesting. The remainders are subject to three-year cliff vesting. The following table summarizes restricted stock activity for the six months ended June 30, 2014.

	Restricted Stock Units	Weighted- average grant- date fair value
Outstanding and unvested at January 1, 2014	674,810	\$ 11.81
Granted	157,459	17.65
Vested	(37,857)	10.91
Forfeited	(2,901)	11.45
Outstanding and unvested at June 30, 2014	791,511	\$ 13.01

Total share-based compensation expense for the six months ended June 30, 2014 and 2013 was \$2.0 million and \$1.5 million, respectively.

Customers Bancorp has a policy that permits its directors to elect to receive shares of voting common stock in lieu of their cash retainers. In January 2014, Customers Bancorp issued 28,095 shares of voting common stock with a fair value of \$0.5 million to the directors as compensation for their services during 2013. During the six months ended June 30, 2014, Customers Bancorp issued 16,885 shares of voting common stock with a fair value of \$0.3 million to directors as compensation for their services during the first six months of 2014. The fair values were determined based on the opening price of the common stock on the day the shares were issued.

Table of Contents**NOTE 11 REGULATORY MATTERS**

The Bank and the Bancorp are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bancorp's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and Bancorp must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items, as calculated under the 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 Bank and Bancorp to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average assets (as defined in the regulations). At June 30, 2014 and December 31, 2013, the Bank and Bancorp met all capital adequacy requirements to which they were subject.

To be categorized as well capitalized, an institution must maintain minimum total risk based, Tier 1 risk based and Tier 1 leveraged ratios as set forth in the following table:

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2014:						
Total capital (to risk weighted assets)						
Customers Bancorp, Inc.	\$ 548,583	12.82%	\$ 342,299	8.0%	N/A	N/A
Customers Bank	\$ 572,550	13.47%	\$ 339,919	8.0%	\$ 424,899	10.0%
Tier 1 capital (to risk weighted assets)						
Customers Bancorp, Inc.	\$ 410,397	9.59%	\$ 171,149	4.0%	N/A	N/A
Customers Bank	\$ 434,364	10.22%	\$ 169,960	4.0%	\$ 254,939	6.0%
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	\$ 410,397	7.82%	\$ 209,853	4.0%	N/A	N/A
Customers Bank	\$ 434,364	8.33%	\$ 208,696	4.0%	\$ 260,870	5.0%
As of December 31, 2013:						
Total capital (to risk weighted assets)						
Customers Bancorp, Inc.	\$ 411,527	13.21%	\$ 249,196	8.0%	N/A	N/A
Customers Bank	\$ 435,432	14.11%	\$ 246,936	8.0%	\$ 308,670	10.0%
Tier 1 capital (to risk weighted assets)						