UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

001-35542
(Commission File Number)

Customers Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	**27-2290659**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

**1015 Penn Avenue
Suite 103
Wyomissing PA 19610
(Address of principal executive offices)**

**(610) 933-2000
(Registrants telephone number, including area code)**

**N/A
Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Name of Each Exchange on which Registered
Voting Common Stock, par value $1.00 per share	New York Stock Exchange
6.375% Senior Notes due 2018	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, par value $1.00 per share	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-

K. ☐

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," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $677,880,282 as of June 30, 2015, based upon the closing price quoted on the New York Stock Exchange for such date. Shares of common stock held by each executive officer and director have been excluded because such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

On February 19, 2016, 26,935,953 shares of Voting Common Stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on or about May 25, 2016 are incorporated by reference into Part III of this Annual Report.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking information within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 (the "PSLRA"). Other written or oral statements we make from time to time also may contain forward-looking information within the meaning of the safe harbor provisions of the PSLRA. These statements relate to future events or future predictions, including events or predictions relating to future financial performance, and are generally identifiable by the use of forward-looking terminology such as "believe," "expect," "may," "will," "should," "plan," "intend," or "anticipate" or the negative thereof or comparable terminology. These forward-looking statements are only predictions and estimates regarding future events and circumstances and involve known and unknown risks, uncertainties and other factors, including the risks described under "Risk Factors" in this Annual Report on Form 10-K and any updates to these factors included in our Quarterly Reports on Form 10-Q for the quarters subsequent to December 31, 2015 or in other filings we make with the SEC, that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. This information is based upon various assumptions that may not prove to be correct.

In addition to the risks described in the "Risk Factors" section of this Annual Report on Form 10-K and the other reports we filed with the SEC, important factors to consider and evaluate with respect to such forward-looking statements include:

- Changes in the external competitive market factors that might impact results of operations;
- Changes in laws and regulations, including without limitation changes in capital requirements under Basel III;
- Changes in business strategy or an inability to execute our strategy due to the occurrence of unanticipated events;
- Our ability to identify potential candidates for, and consummate, acquisition or investment transactions;
- The timing of acquisition or investment transactions;
- Constraints on our ability to consummate an attractive acquisition or investment transaction because of significant competition for these opportunities;
- Failure to complete any or all of the transactions described herein on the terms currently contemplated;
- Local, regional and national economic conditions and events and the impact they may have on the Bancorp and its customers;
- Our ability to attract deposits and other sources of liquidity;
- Changes in the financial performance and/or condition of the Bank's borrowers;
- Changes in the level of non-performing and classified assets and charge-offs;
- Changes in estimates of future loan loss reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- Unforeseen challenges that may arise in connection with the consummation of our recently-announced transaction with Higher One;
- Inflation, interest rate, securities market and monetary fluctuations;
- Timely development and acceptance of new banking products and services and perceived overall value of these products and services by users;
- Changes in consumer spending, borrowing and saving habits;
- Technological changes;
- Our ability to increase market share and control expenses;
- Continued volatility in the credit and equity markets and its effect on the general economy;
- Effects of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;
- The businesses of Customers Bank and any acquisition targets or merger partners and subsidiaries not integrating successfully or such integration being more difficult, time-consuming or costly than expected, including with respect to our proposed acquisition of certain assets from Higher One;

- Material differences in the actual financial results of merger and acquisition activities compared with expectations, such as with respect to the full realization of anticipated cost savings and revenue enhancements within an expected time frame, including with respect to our proposed acquisition of certain assets of Higher One;
- Our ability to successfully implement our growth strategy, control expenses and maintain liquidity; and
- Customers Bank’s ability to pay dividends to Customers Bancorp.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, or, in the case of other documents referred to herein, the dates of those documents. Customers Bancorp does not undertake any obligation to release publicly or otherwise provide any revisions to these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable law.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES

PART I

Item 1. Business

Customers Bancorp, Inc. (the “Bancorp” or “Customers Bancorp”) is a bank holding company engaged in banking activities through its wholly owned subsidiary, Customers Bank (“Customers Bank” or the “Bank”), collectively referred to as "Customers" herein. Customers Bancorp has made certain equity investments through its wholly owned subsidiaries CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd.

Business Summary

Customers Bancorp, through its wholly owned subsidiary Customers Bank, provides financial products and services to small and middle market businesses, not-for-profits, and consumers through its branches and offices in Southeastern Pennsylvania (Bucks, Berks, Chester, Delaware and Philadelphia Counties), Rye Brook, Melville and New York, New York (Westchester, Suffolk and New York Counties), Hamilton, New Jersey (Mercer County), Providence, Rhode Island (Providence County), Portsmouth, New Hampshire (Rockingham County) and Boston, Massachusetts (Suffolk County). Customers Bank also provides liquidity to the mortgage market nationwide through the operation of its loans to mortgage banking companies. At December 31, 2015, Customers had total assets of $8.4 billion , including loans, net of the allowance for loan losses (including held-for-sale loans) of $7.2 billion , total deposits of $5.9 billion , and shareholders’ equity of $0.6 billion .

Customers' strategic plan is to become a leading regional bank holding company through organic growth and value-added acquisitions. Customers differentiates itself from its competitors through its focus on exceptional customer service supported by state of the art technology. The primary customers of Customers Bank are privately held businesses, business customers, not-for-profit organizations, and consumers. Customers Bank also focuses on certain low-cost specialty lending areas such as multi-family/commercial real estate lending and lending to mortgage banking businesses. The Bank’s lending activities are funded in part by deposits from its branch model, which seeks higher deposit levels per branch than a typical bank, combined with lower branch operating expenses, without sacrificing exceptional customer service. Customers also creates franchise value through its disciplined approach to acquisitions, both in terms of identifying targets and structuring transactions. Enterprise risk management is an important part of the strategies Customers employs.

Customers also launched BankMobile as a key strategic initiative in January 2015, recognizing the product delivery flexibility demanded by the millennial generation and the low cost of the smart phone delivery channel. BankMobile refers to Customers' efforts to build a full service bank that is accessible to our customers anywhere and anytime through the customer's smartphone or other web-enabled device. BankMobile provides a nationwide deposit-aggregation platform. BankMobile focuses on the aggregation of low-cost deposits and currently offers no fee banking, lines of credits to qualified customers, no overdraft fees, higher than average interest rate on savings, and access to 55,000 (and if the customer makes a monthly direct deposit over 400,000) ATMs across the U.S. Customers believes that by consolidating BankMobile with the Disbursements business to be obtained from Higher One, Inc., with approximately 2.0 million student deposit customers, targeted for second quarter 2016, Customers will be uniquely positioned to become the graduating students "bank for life" and service each graduate's financial needs throughout their life. Successful execution of the BankMobile strategy, including its consolidation with Higher One's Disbursements business, will greatly accelerate BankMobile's ability to achieve profitability. BankMobile's revenues are largely derived from interchange charges paid by the product selling vendor and user based fees for specific activities (such as lost card replacement) and net interest income on assets funded by the aggregated deposits.

The management team of Customers consists of experienced banking executives led by its Chairman and Chief Executive Officer, Jay Sidhu, who joined Customers in June 2009. Mr. Sidhu brings over 40 years of banking experience, including 20 years as the Chief Executive Officer and Chairman of Sovereign Bancorp. In addition to Mr. Sidhu, a number of the members of the current management team have experience working together at Sovereign with Mr. Sidhu. Many other team members who have joined Customers management team have significant experience helping build and lead other banking organizations. Combined, the Customers management team has significant experience in building a banking organization, completing and integrating mergers and acquisitions, and developing valuable community and business relationships in its core markets.

Background and History

Customers Bancorp was incorporated in Pennsylvania in April 2010 to facilitate a reorganization into a bank holding company structure pursuant to which Customers Bank became a wholly owned subsidiary of Customers Bancorp (the "Reorganization") on September 17, 2011. Pursuant to the Reorganization, all of the issued and outstanding shares of Voting Common Stock and Class B Non-Voting Common Stock of Customers Bank were exchanged on a one-for-three basis for shares of Voting Common Stock and Class B Non-Voting Common Stock, respectively, of Customers Bancorp. Customers Bancorp's corporate headquarters are located at 1015 Penn Avenue, Wyomissing, Pennsylvania 19610. The main telephone number is (610) 933-2000.

The deposits of Customers Bank, which was chartered as New Century Bank in 1994, are insured by the Federal Deposit Insurance Corporation. Customers Bank's home office is located at 99 Bridge Street, Phoenixville, Pennsylvania 19460. The main telephone number is (610) 933-2000.

Executive Summary

Customers' Markets

Market Criteria

Customers looks to grow organically as well as through selective acquisitions in its current and prospective markets. Customers believes that there is significant opportunity to both enhance its presence in its current markets and enter new complementary markets that meet its objectives. Customers focuses on markets that it believes are characterized by some or all of the following:

- Population density;
- Concentration of business activity;
- Attractive deposit bases;
- Significant market share held by large banks;
- Advantageous competitive landscape that provides opportunity to achieve meaningful market presence;
- Lack of consolidation in the banking sector and corresponding opportunities for add-on transactions;
- Potential for economic growth over time; and
- Management experience in the applicable markets.

Current Markets

Customers' target market is broadly defined as extending from the greater Washington, D.C. area to Boston, Massachusetts roughly following Interstate 95. As of December 31, 2015, Customers had bank branches or limited purpose offices ("LPOs") in the following locations:

Market	Offices	Type
Berks County, PA	4	Branch
Boston, Massachusetts	1	LPO
Mercer County, NJ	1	Branch
New York, NY	1	LPO
Philadelphia-Southeastern PA	9	Branch/LPO
Portsmouth, NH	1	LPO
Providence, RI	1	LPO
Suffolk County, NY	1	LPO
Westchester County, NY	1	Branch/LPO

Customers believes its target market has highly attractive demographic, economic and competitive dynamics that are consistent with its objectives and favorable to executing its organic growth and acquisition strategies.

Prospective Markets

The organic growth strategy of Customers focuses on expanding market share in its existing and contiguous markets by generating deposits, loan and fee based services through its Concierge Banking® high-touch personalized service supported by state of the art technology for the Bank's commercial, consumer, not-for-profit, and specialized lending markets. While Customers has not acquired any banks since 2011, its bank acquisition strategy is focused on undervalued and troubled community banks in Pennsylvania, New Jersey, New York, Maryland, Virginia and New England, where such acquisitions further Customers' objectives and meet its critical success factors. Customers will also consider other acquisitions that will contribute banking business, such as the pending acquisition of the disbursement business of Higher One, Inc. As Customers evaluates potential acquisition and asset purchase opportunities, it believes there are many banking institutions that continue to face credit challenges, capital constraints and liquidity issues and that lack the scale and management expertise to manage the increasing regulatory burden.

Competitive Strengths

- *Experienced and respected management team.* An integral element of the business strategy of Customers is to capitalize on and leverage the prior experience of its executive management team. The management team is led by Chairman and Chief Executive Officer, Jay Sidhu, who is the former Chief Executive Officer and Chairman of Sovereign Bancorp. In addition to Mr. Sidhu, a number of the members of the current management team of Customers have experience working together at Sovereign with Mr. Sidhu, including Richard Ehst, President and Chief Operating Officer, as well as Warren Taylor, President of BankMobile. During their tenure at Sovereign, these individuals established a track record of producing strong financial results, integrating acquisitions, managing risk, working with regulators and achieving organic growth and expense control. Team leaders Timothy Romig, Regional Chief Lending Officer, Steve Issa, New England Marketing President and Chief Lending Officer, and George Maroulis, Head of Private and Commercial Banking - New York, head the New Jersey and Pennsylvania, New England, and New York commercial lending areas, respectively, with 32, 39, and 24 years of experience, respectively. Ken Keiser, Director of Multi-Family and Investment Commercial Real Estate Lending, leads the commercial real estate and multi-family lending group and brings more than 39 years of experience including oversight of the Mid-Atlantic commercial real estate group at Sovereign. In addition, the residential lending group, which includes mortgage loans to individuals and commercial loans (warehouse facilities) to residential mortgage originators, is led by Glenn Hedde, President of Warehouse Lending who brings more than 25 years of experience in this sector. This team has significant experience in successfully building a banking organization as well as existing valuable community and business relationships in our core markets.
- *Unique Asset and Deposit Generation Strategies.* Customers focuses on local market lending combined with relatively low-risk specialty lending segments. Local market asset generation provides various types of business lending products and consumer lending products, such as mortgage loans and home equity loans. Customers has also established a multi-family and commercial real estate product line that is focused on the Mid-Atlantic region, particularly New York City. The strategy is to focus on refinancing existing loans with conservative underwriting and to keep costs low. Through the multi-family and commercial real estate product, Customers earns interest and fee income and generates commercial deposits. Customers also maintains a specialty lending business, commercial loans to mortgage originators, which is a national business where the Bank provides liquidity to non-

depository mortgage companies to fund their mortgage pipelines and meet other business needs. Through the loans to mortgage bankers business, Customers earns interest and fee income and generates core deposits.

- *BankMobile Strategy* . Customers launched BankMobile as a key strategic initiative in January 2015, recognizing the product delivery flexibility demanded by the millennial generation and the low cost of the smart phone delivery channel. BankMobile refers to Customers' efforts to build a full service bank that is accessible to our customers anywhere and anytime through the customer's smartphone or other web-enabled device. BankMobile provides a nationwide deposit-aggregation platform. BankMobile focuses on the aggregation of low-cost deposits and currently offers no fee banking, lines of credits to qualified customers, no overdraft fees, higher than average interest rate on savings, and access to 55,000 (and if the customer makes a monthly direct deposit over 400,000) ATMs across the U.S. Customers believes that by consolidating BankMobile with the Disbursements business to be obtained from Higher One, Inc., with approximately 2.0 million student deposit customers, targeted for second quarter 2016, Customers will be uniquely positioned to become the graduating students "bank for life" and service each graduate's financial needs throughout their life. Successful execution of the BankMobile strategy, including its consolidation with Higher One's Disbursements business, will greatly accelerate BankMobile's ability to achieve profitability. BankMobile's revenues are largely derived from interchange charges paid by the product selling vendor and user based fees for specific activities (such as lost card replacement) and net interest income on assets funded by the aggregated deposits.
- *Attractive risk profile.* Customers has sought to maintain high asset quality and moderate credit risk by using conservative underwriting standards and early identification of potential problem assets. Customers has also formed a special assets department to manage the covered assets portfolio and review other classified and non-performing assets. As of December 31, 2015 , only $10.8 million, or 0.15%, of the Bank's total loan portfolio was non performing.
- *Superior Community Banking Model.* Customers expects to drive organic growth by employing its Concierge Banking® strategy, which provides specific relationship managers or private bankers for all customers, delivering an appointment banking approach available 12 hours a day, seven days a week. This allows Customers to provide services in a personalized, convenient and expeditious manner. This approach, coupled with superior technology, including remote account opening, remote deposit capture, mobile banking and the first fee free mobile first digital bank, BankMobile, results in a competitive advantage over larger institutions, which management believes contributes to the profitability of its franchise and allows the Bank to generate core deposits. The “high-tech, high-touch,” model requires less staff and smaller branch locations to operate, thereby significantly reducing operating costs.
- *Acquisition Expertise.* The depth of Customers' management team and their experience working together and successfully completing acquisitions provides unique insight in identifying and analyzing potential markets and acquisition targets. The experience of Customers' team, which includes the acquisition and integration of over 35 institutions, as well as numerous asset and branch acquisitions, provides a substantial advantage in pursuing and consummating future acquisitions. Additionally, management believes Customers' strengths in structuring transactions to limit its risk, its experience in the financial reporting and regulatory process related to troubled bank acquisitions, and its ongoing risk management expertise, particularly in problem loan workouts, collectively enable it to capitalize on the potential of the franchises it acquires. With Customers' depth of operational experience in connection with completing merger and acquisition transactions, it expects to be able to integrate and reposition acquired franchises cost-efficiently with a minimum disruption to customer relationships.

Customers believes its ability to operate efficiently is enhanced by its centralized risk management structure, its access to attractive labor and real estate costs in its markets, and an infrastructure that is unencumbered by legacy systems. Furthermore, Customers anticipates additional expense synergies from the integration of its acquisitions, which it believes will enhance its financial performance.

Segments

Customers has one reportable segment, “Community Banking.” All of Customers' activities are interrelated, and each activity is dependent and assessed based on how each of the activities supports the others. For example, lending is dependent upon the ability of Customers to fund itself with deposits and borrowings while managing interest rate and credit risk. Accordingly, all significant operating decisions are based upon analysis of Customers as one segment or unit.

Products

Customers offers a broad range of traditional loan and deposit banking products and financial services, and more recently non-traditional products and services through the successful Phase 1 launch of BankMobile in January 2015, to its commercial and consumer customers. Customers offers an array of lending products to cater to its customers' needs, including small business loans, mortgage warehouse loans, multi-family and commercial real estate loans, equipment loans, residential mortgage loans and other consumer loans. Customers also offers traditional deposit products, including commercial and consumer checking accounts, non-interest-bearing demand accounts, money market deposit accounts, savings accounts and time deposit accounts and cash management services. Prior to January 2015, deposit products were available to customers only through branches of Customers Bank. With the successful launch of BankMobile, Customers is able to provide fee free banking to millennials, middle class American families and underserved consumers throughout the United States.

Lending Activities

Customers Bank focuses its lending efforts on the following lending areas:

- Commercial Lending – includes Business Banking (commercial and industrial lending), Small and Middle Market Business Banking, including small business administration (SBA) loans, Multi-family and Commercial Real Estate lending, and commercial loans to mortgage originators; and
- Consumer Lending – local market mortgage and home equity lending.

Commercial Lending

The Bank's commercial lending is divided into four distinct groups: Business Banking, Small and Middle Market Business Banking, Multi-family and Commercial Real Estate Lending, and Mortgage Banking Lending. This grouping is designed to allow for greater resource deployment, higher standards of risk management, strong asset quality, lower interest rate risk and higher productivity levels.

The commercial lending group focuses on companies with annual revenues ranging from $1.0 million to $50.0 million, which typically have credit requirements between $0.5 million and $10.0 million.

The small and middle market business banking platform originates loans, including SBA loans, through the branch network sales force and a team of dedicated Small Business relationship managers. The support administration of the platform for this lending activity is centralized including risk management, product management, marketing, performance tracking and overall strategic planning. Credit and sales training has been established for the sales force, ensuring that the Bank has small business experts in place providing appropriate financial solutions to the small business owners in its communities. A division approach focuses on industries that offer high asset quality and are deposit rich to drive profitability.

The goal of the Bank's multi-family lending group is to build a portfolio of high-quality multi-family and commercial real estate loans within its covered markets, while cross selling its other products and services. This business line primarily focuses on refinancing existing loans, using conservative underwriting. The primary collateral for these loans is a first-lien mortgage on the multi-family property, plus an assignment of all leases related to such property. During the years ended December 31, 2015 and 2014 , the Bank originated approximately $1.3 billion and $1.5 billion, respectively, of multi-family loans.

The goal of commercial loans to mortgage originators is to provide liquidity to mortgage companies. The loans are predominately short-term facilities used by mortgage companies to fund their pipelines from closing of individual mortgage loans until their sale into the secondary market. Most of the individual mortgage loans that collateralize our commercial loans are insured or guaranteed by the U.S. government through one of their programs such as FHA, VA, or are conventional loans eligible for sale to Fannie Mae and Freddie Mac. The Bank is currently expanding its product offerings to mortgage banks to meet a wider array of business needs. During the years ended December 31, 2015 and 2014 , the Bank funded $29.9 billion and $18.1 billion of mortgage loans, respectively, to mortgage originators and warehouses.

As of December 31, 2015 and 2014 , the Bank had $6.9 billion and $5.3 billion , respectively, in commercial loans outstanding, composing approximately 94.6% and 92.5% , respectively, of its total loan portfolio, which includes loans held for sale. During the years ended December 31, 2015 and 2014 , the Bank originated $0.9 billion and $0.8 billion, respectively, of commercial loans, exclusive of multi-family loan originations and loans to mortgage originators and warehouses.

Consumer Lending

The Bank provides home equity and residential mortgage loans to customers. Underwriting standards for home equity lending are conservative and lending is offered to solidify customer relationships and grow relationship revenues in the long term. This lending is important in the Bank’s efforts to grow total relationship revenues for its consumer households. These areas also support the Bank's commitment to lower and moderate income families in its market area. The Bank plans to expand its product offerings in real estate secured consumer lending.

Beginning in 2013, Customers Bank launched a community outreach program in Philadelphia to encourage a higher percentage of homeownership in urban communities. As part of this program, the Bank is offering an “Affordable Mortgage Product”. This community outreach program is penetrating the underserved population, especially in low-and moderate income neighborhoods. As part of this commitment, a loan production office was opened at Progress Plaza, 1501 North Broad Street, Philadelphia, PA. The program includes homebuyer seminars that prepare potential homebuyers for homeownership by teaching money management and budgeting skills, including the financial responsibilities that come with having a mortgage and owning a home. The “Affordable Mortgage Product” is offered throughout Customers Bank’s CRA assessment areas.

As of December 31, 2015 and 2014 , the Bank had $391.7 million and $432.2 million , respectively, in consumer loans outstanding, composing 5.4% and 7.5% , respectively, of the Bank’s total loan portfolio, which includes loans held for sale. During the years ended December 31, 2015 and 2014 , the Bank originated $63.0 million and $77.0 million of consumer loans, respectively. As of December 31, 2015 and 2014 , consumer loans included a balance of $72.7 million and $102.9 million, respectively, of residential loans acquired from Flagstar in January 2014.

Private Banking

Beginning in 2013, Customers Bank introduced a Private Banking model for its commercial clients in the major markets within its geographic footprint. This unique model provides unparalleled service to customers through an in-market team of experienced private bankers. Acting as a single-point-of-contact for all the banking needs of the Bank’s commercial clients, these private bankers will deliver the whole bank – not only to its clients, but to their families, their management teams, and their employees, as well. With a world-class suite of sophisticated cash management products, these private bankers will deliver on Customers Bank’s “high-tech, high-touch” strategy and provide real value to its mid-market commercial clients.

Customers Bank opened its first private banking representative office in Manhattan in second quarter 2013, and eventually, all of its markets will be served by private bankers.

Deposit Products and Other Funding Sources

Customers Bank offers a variety of deposit products to its customers, including checking accounts, savings accounts, money market deposit accounts and other deposit accounts, including fixed-rate, fixed-maturity retail time deposits ranging in terms from 30 days to five years, individual retirement accounts, and non-retail time deposits consisting of jumbo certificates greater than or equal to $100,000. Using its high touch supported by high tech model, the Bank has experienced significantly higher above average growth in core deposits in all of its markets. Customers Bank also utilizes wholesale deposit products, money market and certificates of deposit obtained through listing services and borrowings from the FHLB as a source of funding. These funding sources offer attractive funding costs in comparison to traditional sources of funding given the low interest rate environment.

Financial Products and Services

In addition to traditional banking activities, Customers Bank provides other financial services to its customers, including: mobile phone banking, internet banking, wire transfers, electronic bill payment, lock box services, remote deposit capture services, courier services, merchant processing services, cash vault, controlled disbursements, positive pay and cash management services (including account reconciliation, collections and sweep accounts). In January 2015, the Bank successfully launched BankMobile, America's first mobile platform based full service consumer bank. BankMobile had over 100,000 new checking accounts at December 31, 2015.

Competition

Customers Bank competes with other financial institutions for deposit and loan business. Competitors include other commercial banks, savings banks, savings and loan associations, insurance companies, securities brokerage firms, credit unions, finance companies, mutual funds, money market funds, and certain government agencies. Financial institutions compete principally on the quality of the services rendered, interest rates offered on deposit products, interest rates charged on loans, fees and service charges, the convenience of banking office locations and hours of operation, and in the consideration of larger commercial borrowers, lending limits.

Many competitors are significantly larger than Customers Bank, and have significantly greater financial resources, personnel and locations from which to conduct business. In addition, Customers Bank is subject to regulation, while certain of its competitors are not. Non-regulated companies face relatively few barriers to entry into the financial services industry. Customers Bank's larger competitors enjoy greater name recognition and greater resources to finance wide ranging advertising campaigns. Customers Bank competes for business principally on the basis of high-quality, personal service to customers, customer access to Customers Bank's decision makers, and competitive interest and fee structure. Customers Bank also strives to provide maximum convenience of access to services by employing innovative delivery vehicles such as internet banking, and the convenience of Concierge Banking®.

Customers Bank's current market is primarily served by large national and regional banks, with a few larger institutions capturing more than 50% of the deposit market share. Customers Bank's large competitors primarily utilize expensive, branch-based models to sell products to consumers and small businesses, which requires our larger competitors to price their products with wider margins and charge more fees to justify their higher expense base. While maintaining physical branch locations remains an important component of Customers Bank's strategy, Customers Bank utilizes an operating model with fewer and less expensive locations, thereby lowering overhead costs and allowing for greater pricing flexibility.

Employees

As of December 31, 2015 , Customers Bancorp had 517 full-time equivalent employees.

Available Information

Customers Bancorp's internet website address is www.customersbank.com. Information on Customers Bancorp's website is not part of this Annual Report on Form 10-K. Investors can obtain copies of Customers Bancorp's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, on Customers Bancorp's website (accessible under "About Us" – "Investor Relations" – "SEC Filings") as soon as reasonably practicable after Customers Bancorp has filed such materials with, or furnished them to, the Securities and Exchange Commission ("SEC"). Customers Bancorp will also furnish a paper copy of such filings free of charge upon request. Investors can also read and copy any materials filed by Customers Bancorp with the SEC at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Customers Bancorp's filings can also be accessed at the SEC's internet website: www.sec.gov.

SUPERVISION AND REGULATION

GENERAL

Customers Bancorp is subject to extensive regulation, examination and supervision by the Pennsylvania Department of Banking and Securities and, as a member of the Federal Reserve System, by the Federal Reserve Board. Federal and state banking laws and regulations govern, among other things, the scope of a bank's business, the investments a bank may make, the reserves against deposits a bank must maintain, terms of deposit accounts, loans a bank makes, the interest rates it charges and collateral it takes, the activities of a bank with respect to mergers and consolidations and the establishment of branches.

PENNSYLVANIA BANKING LAWS

Pennsylvania banks that are Federal Reserve members may establish new branch offices only after approval by the Pennsylvania Department of Banking and Securities and the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Approval by these regulators can be subject to a variety of factors, including the convenience and needs of the community, whether the institution is sufficiently capitalized and well managed, issues of safety and soundness, the institution's record of meeting the credit needs of its community, whether there are significant supervisory concerns with respect to the institution or affiliated organizations, and whether any financial or other business arrangement, direct or indirect, involving bank "insiders" (directors, officers, employees and 10%-or-greater shareholders) which involves terms and conditions more favorable to the insiders than would be available in a comparable transaction with unrelated parties.

Under the Pennsylvania Banking Code, Customers Bank is permitted to branch throughout Pennsylvania. Pennsylvania law also provides Pennsylvania state-chartered banks elective parity with the power of national banks, federal thrifts, and state-chartered institutions in other states as authorized by the FDIC, subject to a required notice to the Pennsylvania Department of Banking and Securities. The Pennsylvania Banking Code also imposes restrictions on payment of dividends, as well as minimum capital requirements.

On October 24, 2012, Pennsylvania enacted three laws known as the "Banking Law Modernization Package," all of which became effective on December 24, 2012. The intended goal of the law, which applies to Customers Bank, is to modernize Pennsylvania's banking laws and to reduce regulatory burden at the state level where possible, given the increased regulatory demands at the federal level as described below.

The law also permits banks to disclose formal enforcement actions initiated by the Pennsylvania Department of Banking and Securities, clarifies that the Department has examination and enforcement authority over subsidiaries as well as affiliates of regulated banks and bolsters the Department's enforcement authority over its regulated institutions by clarifying its ability to remove directors, officers and employees from institutions for violations of laws or orders or for any unsafe or unsound practice or breach of fiduciary duty. Changes to existing law also allow the Department to assess civil money penalties of up to $25,000 per violation.

The law also sets a new standard of care for bank officers and directors, applying the same standard that exists for non-banking corporations in Pennsylvania. The standard is one of performing duties in good faith, in a manner reasonably believed to be in the best interests of the institutions and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. Directors may rely in good faith on information, opinions and reports provided by officers, employees, attorneys, accountants, or committees of the board, and an officer may not be held liable simply because he or she served as an officer of the institution.

Interstate Branching . Federal law allows the Federal Reserve and FDIC, and the Pennsylvania Banking Code allows the Pennsylvania Department of Banking and Securities, to approve an application by a state banking institution to acquire interstate branches. For more information on federal law, see the discussion under "Federal Banking Laws – Interstate Branching" that follows.

Pennsylvania banking laws authorize banks in Pennsylvania to acquire existing branches or branch de novo in other states, and also permits out-of-state banks to acquire existing branches or branch de novo in Pennsylvania.

In April 2008, Banking Regulators in the States of New Jersey, New York, and Pennsylvania entered into a Memorandum of Understanding (the "Interstate MOU") to clarify their respective roles, as home and host state regulators, regarding interstate branching activity on a regional basis pursuant to the Riegle-Neal Amendments Act of 1997. The Interstate MOU establishes the regulatory responsibilities of the respective state banking regulators regarding bank regulatory examinations and is intended to reduce the regulatory burden on state-chartered banks branching within the region by eliminating duplicative host state compliance exams.

Under the Interstate MOU, the activities of branches Customers established in New Jersey or New York would be governed by Pennsylvania state law to the same extent that federal law governs the activities of the branch of an out-of-state national bank in such host states. Issues regarding whether a particular host state law is preempted are to be determined in the first instance by the Pennsylvania Department of Banking and Securities. In the event that the Pennsylvania Department of Banking and Securities and the applicable host state regulator disagree regarding whether a particular host state law is pre-empted, the Pennsylvania Department of Banking and Securities and the applicable host state regulator would use their reasonable best efforts to consider all points of view and to resolve the disagreement.

FEDERAL BANKING LAWS

Interstate Branching. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (called the "Interstate Act"), among other things, permits bank holding companies to acquire banks in any state. A bank may also merge with a bank in another state. Interstate acquisitions and mergers are subject, in general, to certain concentration limits and state entry rules relating to the age of the Bank. Under the Interstate Act, the responsible federal regulatory agency is permitted to approve the acquisition of less than all of the branches of an insured bank by an out-of-state bank or bank holding company without the acquisition of an entire bank, only if the law of the state in which the branch is located permits. Under the Interstate Act, branches of state-chartered banks that operate in other states are covered by the laws of the chartering state, rather than the host state. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") created a more permissive interstate branching regime by permitting banks to establish branches de novo in any state if a bank chartered by such state would have been permitted to establish the branch. For more information on interstate branching under Pennsylvania law, see “Pennsylvania Banking Laws – Interstate Branching” above.

Prompt Corrective Action . Federal banking law mandates certain “prompt corrective actions,” which Federal banking agencies are required to take, and certain actions which they have discretion to take, based upon the capital category into which a Federally regulated depository institution falls. Regulations have been adopted by the Federal bank regulatory agencies setting forth detailed procedures and criteria for implementing prompt corrective action in the case of any institution that is not adequately capitalized. Under the rules, an institution will be deemed to be “adequately capitalized” or better if it exceeds the minimum Federal regulatory capital requirements. However, it will be deemed “undercapitalized” if it fails to meet the minimum capital requirements, “significantly undercapitalized” if it has a common equity tier 1 risk-based capital ratio that is less than 3.0%, or has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 3.0%, or a leverage ratio that is less than 3.0%, and “critically undercapitalized” if the institution has a ratio of tangible equity to total assets that is equal to or less than 2.0%. The rules require an undercapitalized institution to file a written capital restoration plan, along with a performance guaranty by its holding company or a third party. In addition, an undercapitalized institution becomes subject to certain restrictions including a prohibition on the payment of dividends, a limitation on asset growth and expansion, and in certain cases, a limitation on the payment of bonuses or raises to senior executive officers, and a prohibition on the payment of certain “management fees” to any “controlling person.” Institutions that are classified as undercapitalized are also subject to certain additional supervisory actions, including increased reporting burdens and regulatory monitoring, a limitation on the institution’s ability to make acquisitions, open new branch offices, or engage in new lines of business, obligations to raise additional capital, restrictions on transactions with affiliates, and restrictions on interest rates paid by the institution on deposits. In certain cases, bank regulatory agencies may require replacement of senior executive officers or directors, or sale of the institution to a willing purchaser. If an institution is deemed to be “critically undercapitalized” and continues in that category for four quarters, the statute requires, with certain narrowly limited exceptions, that the institution be placed in receivership.

Safety and Soundness; Regulation of Bank Management . The Federal Reserve Board possesses the power to prohibit a bank from engaging in any activity that would be an unsafe and unsound banking practice and in violation of the law. Moreover, Federal law enactments have expanded the circumstances under which officers or directors of a bank may be removed by the institution’s Federal supervisory agency; restricted and further regulated lending by a bank to its executive officers, directors, principal shareholders or related interests thereof; restricted management personnel of a bank from serving as directors or in other management positions with certain depository institutions whose assets exceed a specified amount or which have an office within a specified geographic area; and restricted management personnel from borrowing from another institution that has a correspondent relationship with the bank for which they work.

Capital Rules . Federal banking agencies have issued certain “risk-based capital” guidelines, which supplemented existing capital requirements. In addition, the Federal Reserve Board imposes certain “leverage” requirements on member banks. Banking regulators have authority to require higher minimum capital ratios for an individual bank or bank holding company in view of its circumstances.

The risk-based capital guidelines require all banks and bank holding companies to maintain capital levels in compliance with “risk-based capital” ratios. In these ratios, the on-balance sheet assets and off balance sheet exposures are assigned a risk-weight based upon the perceived and historical risk of incurring a loss of principal from that exposure. For periods ending prior January 1, 2015 the first is a minimum ratio of total capital (“Tier 1” and “Tier 2” capital) to risk-weighted assets equal to 8.0%, and the second is a minimum ratio of “Tier 1” capital to risk-weighted assets equal to 4.0%. Assets are assigned to five risk categories, with higher levels of capital being required for the categories perceived as representing greater risk. In making the calculation, certain intangible assets must be deducted from the capital base. The risk-based capital rules are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and to minimize disincentives for holding liquid assets.

The risk-based capital rules also may consider interest rate risk. Institutions with interest rate risk exposure above a normal level would be required to hold extra capital in proportion to that risk. The Bank currently monitors and manages its assets and liabilities for interest rate risk, and management believes that the interest rate risk rules which have been implemented and proposed will not materially adversely affect its operations.

The Federal Reserve Board’s “leverage” ratio rules require member banks which are rated the highest in the composite areas of capital, asset quality, management, earnings and liquidity to maintain a ratio of “Tier 1” capital to “adjusted total assets” of not less than 3.0%. For banks which are not the most highly rated, the minimum “leverage” ratio will range from 4.0% to 5.0%, or higher at the discretion of the Federal Reserve Board, and is required to be at a level commensurate with the nature of the level of risk of the Bancorp's condition and activities.

For purposes of the capital requirements, “Tier 1” or “core” capital is defined to include common shareholders’ equity and certain noncumulative perpetual preferred stock and related surplus. “Tier 2” or “qualifying supplementary” capital is defined to include a bank’s allowance for loan losses up to 1.25% of risk-weighted assets, plus certain types of preferred stock and related surplus, certain “hybrid capital instruments” and certain term subordinated debt instruments.

New Capital Rules. On July 2, 2013, the Federal Reserve approved final rules that substantially amend the regulatory risk-based capital rules applicable to the Bancorp and the Bank. The FDIC and the OCC have subsequently approved these rules. The final rules were adopted following the issuance of proposed rules by the Federal Reserve in June 2012 and implement the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act. “Basel III” refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The rules include new risk-based capital and leverage ratios, which are being phased in from 2015 to 2019, and refine the definition of what constitutes “capital” for purposes of calculating those ratios. Effective January 1, 2015, the new minimum capital level requirements applicable to the Bancorp and the Bank under the final rules are:

(i) a new common equity Tier 1 capital ratio of 4.5%;

(ii) a Tier 1 Risk based capital ratio of 6% (increased from 4%);

(iii) a Total Risk based capital ratio of 8% (unchanged from rules in effect prior to January 1, 2015); and

(iv) a Tier 1 leverage ratio of 4% for all institutions.

The final rules also establish a “capital conservation buffer” above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital.

The capital conservation buffer will be phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer will be 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter.

Effective January 1, 2016, the new minimum capital level requirements applicable to the Bancorp and the Bank under the final rules are:

(i) a common equity Tier 1 capital ratio of 5.125%;

(ii) a Tier 1 Risk based capital ratio of 6.625%;

(iii) a Total Risk based capital ratio of 8.625%; and

(iv) a Tier 1 leverage ratio of 4.625% for all institutions.

Considering the capital conservation buffer, to avoid limitations on certain actions or activities, banks will be required to maintain the following ratios beginning in 2019:

(i) a common equity Tier 1 capital ratio of 7.0%;

(ii) a Tier 1 Risk Based capital ratio of 8.5%;

(iii) a Total Risk based capital ratio of 10.5%; and

(iv) a Tier 1 leverage ratio of 6.5% for all institutions.

Under the final rules, institutions are subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the minimum capital level plus buffer amount. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Basel III provided discretion for regulators to impose an additional buffer, the “countercyclical buffer,” of up to 2.5% of common equity Tier 1 capital to take into account the macro-financial environment and periods of excessive credit growth. However, the final rules permit the countercyclical buffer to be applied only to “advanced approach banks” (i.e., banks with $250 billion or more in total assets or $10 billion or more in total foreign exposures), which currently excludes the Bancorp and the Bank. The final rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier 1 capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier 1 capital, some of which will be phased out over time. However, the final rules provide that small depository institution holding companies with less than $15 billion in total assets as of December 31, 2009 (which includes the Bancorp) will be able to permanently include non-qualifying instruments that were issued and included in Tier 1 or Tier 2 capital prior to May 19, 2010 in additional Tier 1 or Tier 2 capital until they redeem such instruments or until the instruments mature.

In addition, the final rules provide for smaller banking institutions (less than $250 billion in consolidated assets) an opportunity to make a one-time election to opt out of including most elements of accumulated other comprehensive income in regulatory capital. Importantly, the opt-out excludes from regulatory capital not only unrealized gains and losses on available-for-sale debt securities, but also accumulated net gains and losses on cash-flow hedges and amounts attributable to defined benefit postretirement plans. Customers Bank selected the opt-out election in its March 31, 2015 Call Report.

The final rules also contain revisions to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including the Bank, if their capital levels begin to show signs of weakness. These revisions took effect on January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as "well capitalized:"

(i) a new common equity Tier 1 capital ratio of 6.5%;

(ii) a Tier 1 Risk based capital ratio of 8% (increased from 6%);

(iii) a Total Risk based capital ratio of 10% (unchanged from rules in effect prior to January 1, 2015); and

(iv) a Tier 1 leverage ratio of 5% (increased from 4%).

The final rules set forth certain changes for the calculation of risk-weighted assets, which were required to be utilized as of January 1, 2015. The standardized approach final rule utilizes an increased number of credit risk exposure categories and risk weights, and also addresses:

(i) an alternative standard of creditworthiness consistent with Section 939A of the Dodd-Frank Act;

(ii) revisions to recognition of credit risk mitigation;

(iii) rules for risk weighting of equity exposures and past due loans;

(iv) revised capital treatment for derivatives and repo-style transactions; and

(v) disclosure requirements for top-tier banking organizations with $50 billion or more in total assets that are not subject to the "advance approach rules" that apply to banks with greater than $250 billion in consolidated assets.

As of December 31, 2015 and 2014 , management believed that the Bank and Bancorp met all capital adequacy requirements to which they were subject. For additional information on Customers' regulatory ratios, refer to "NOTE 18 – REGULATORY MATTERS."

Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank bill was enacted by Congress on July 15, 2010, and was signed into law by President Obama on July 21, 2010. Among many other provisions, the legislation:

- established the Financial Stability Oversight Council, a federal agency acting as the financial system's systemic risk regulator with the authority to review the activities of significant bank holding companies and non-bank financial firms, to make recommendations and impose standards regarding capital, leverage, conflicts and other requirements for financial firms and to impose regulatory standards on certain financial firms deemed to pose a systemic threat to the financial health of the U.S. economy;
- created a new Consumer Financial Protection Bureau within the U.S. Federal Reserve, which has substantive rule-making authority over a wide variety of consumer financial services and products, including the power to regulate unfair, deceptive, or abusive acts or practices;
- permitted state attorneys general and other state enforcement authorities broader power to enforce consumer protection laws against banks;
- authorized federal regulatory agencies to ban compensation arrangements at financial institutions that give employees incentives to engage in conduct that could pose risks to the nation's financial system;

- granted the U.S. government resolution authority to liquidate or take emergency measures with regard to troubled financial institutions, such as bank holding companies, that fall outside the existing resolution authority of the Federal Deposit Insurance Corporation;
- gave the FDIC substantial new authority and flexibility in assessing deposit insurance premiums, which may result in increased deposit insurance premiums for us in the future;
- increased the deposit insurance coverage limit for insurable deposits to $250,000 generally, and removes the limit entirely for transaction accounts;
- permitted banks to pay interest on business demand deposit accounts;
- extended the national bank lending (or loans-to-one-borrower) limits to other institutions;
- prohibited banks subject to enforcement action such as a memorandum of understanding from changing their charter without the approval of both their existing charter regulator and their proposed new charter regulator; and
- imposed new limits on asset purchase and sale transactions between banks and their insiders.

Many of these provisions are subject to further rule making and to the discretion of regulatory bodies, including Customers Bank's primary federal banking regulator, the Federal Reserve. It is not possible to predict at this time the extent to which regulations authorized or mandated by the Dodd-Frank Act will impose requirements or restrictions on Customers Bank in addition to or different from the provisions summarized above.

Deposit Insurance Assessments . Customers Bank's deposits are insured by the FDIC up to the limits set forth under applicable law and are subject to deposit insurance premium assessments. The FDIC imposes a risk-based deposit premium assessment system, which was amended pursuant to the Federal Deposit Insurance Reform Act of 2005 (the "Act"). Under this system, the amount of FDIC assessments paid by an individual insured depository institution, like Customers Bank, is based on the level of perceived risk incurred in its activities. The FDIC places a depository institution in one of four risk categories determined by reference to its capital levels and supervisory ratings. In addition, in the case of those institutions in the lowest risk category, the FDIC further determines its assessment rates based on certain specified financial ratios.

On February 7, 2011, the FDIC adopted a final rule modifying the risk-based assessment system and setting initial base assessment rates beginning April 1, 2011, ranging from 2.5 to 45 basis points of Tier I capital.

In addition to deposit insurance assessments, banks are subject to assessments to pay the interest on Financing Corporation bonds. The Financing Corporation was created by Congress to issue bonds to finance the resolution of failed thrift institutions. The FDIC sets the Financing Corporation assessment rate every quarter.

Community Reinvestment Act . Under the Community Reinvestment Act of 1977 ("CRA"), the record of a bank holding company and its subsidiary banks must be considered by the appropriate Federal banking agencies, including the Federal Reserve Board, in reviewing and approving or disapproving a variety of regulatory applications including approval of a branch or other deposit facility, office relocation, a merger and certain acquisitions. Federal banking agencies have demonstrated an increased readiness to deny applications based on unsatisfactory CRA performance. The Federal Reserve Board is required to assess our record to determine if we are meeting the credit needs of the community (including low and moderate neighborhoods) that we serve. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 amended the CRA to require, among other things, that the Federal Reserve Board make publicly available an evaluation of the Bank's record of meeting the credit needs of its entire community including low- and moderate-income neighborhoods. This evaluation includes a descriptive rating (outstanding, satisfactory, needs to improve, or substantial noncompliance) and a statement describing the basis for the rating.

Consumer Protection Laws . Customers Bank is subject to a variety of consumer protection laws, including the Truth in Lending Act, the Truth in Savings Act adopted as part of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Electronic Funds Transfer Act, the Real Estate Settlement Procedures Act and the regulations adopted thereunder. In the aggregate, compliance with these consumer protection laws and regulations involves substantial expense and administrative time on the part of Customers.

Bank Holding Company Regulation

As a bank holding company, Customers Bancorp is also subject to additional regulation.

The Bank Holding Company Act requires the Bancorp to secure the prior approval of the Federal Reserve Board before it owns or controls, directly or indirectly, more than five percent (5%) of the voting shares or substantially all of the assets of any bank. It also prohibits acquisition by the Bancorp of more than five percent (5%) of the voting shares of, or interest in, or all or substantially all of the assets of, any bank located outside of the state in which a current bank subsidiary is located unless such acquisition is specifically authorized by laws of the state in which such bank is located. A bank holding company is prohibited from engaging in or acquiring direct or indirect control of more than five percent (5%) of the voting shares of any company engaged in non-banking activities unless the Federal Reserve Board, by order or regulation, has found such activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making this determination, the Federal Reserve Board considers whether the performance of these activities by a bank holding company would offer benefits to the public that outweigh possible adverse effects. Applications under the Bank Holding Company Act and the Change in Control Act are subject to review, based upon the record of compliance of the applicant with the CRA.

The Bancorp is required to file an annual report with the Federal Reserve Board and any additional information that the Federal Reserve Board may require pursuant to the Bank Holding Company Act. Further, under Section 106 of the 1970 amendments to the Bank Holding Company Act and the Federal Reserve Board's regulations, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit or provision of credit or provision of any property or services. The so-called "anti-tie-in" provisions state generally that a bank may not extend credit, lease, sell property or furnish any service to a customer on the condition that the customer obtains additional credit or service from Customers Bank, or on the condition that the customer not obtain other credit or service from a competitor.

The Federal Reserve Board permits bank holding companies to engage in non-banking activities so closely related to banking or managing or controlling banks as to be a proper incident thereto. A number of activities are authorized by Federal Reserve Board regulation, while other activities require prior Federal Reserve Board approval. The types of permissible activities are subject to change by the Federal Reserve Board.

Item 1A. Risk Factors

Risks Related to the Bancorp's Banking Operations

If our allowance for loan losses is insufficient to absorb losses in our loan portfolio, our earnings could decrease.

Lending money is a substantial part of our business, and each loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

- the financial condition and cash flows of the borrower and/or the project being financed;
- the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;
- the discount on the loan at the time of its acquisition and capital, which could have regulatory implications;
- the duration of the loan;
- the credit history of a particular borrower; and
- changes in economic and industry conditions.

At December 31, 2015 , the Bancorp's allowance for loan losses totaled $35.6 million , which represents 0.65% of total loans held for investment. Management makes various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and loans covered under the loss sharing agreements that did not exhibit evidence of deterioration in credit quality on the acquisition date and the probability of making payment, as well as the value of real estate and other assets serving as collateral for the repayment of many of our loans. Loans covered under the loss sharing agreements totaled $13.8 million at December 31, 2015. The period to submit losses under the FDIC loss sharing agreements for non-single family loans expired in third quarter 2015. The period to submit losses under the FDIC loss sharing agreements for single family loans expires in third quarter 2017. Unless terminated earlier, the final maturity of the FDIC loss sharing agreements occurs in third quarter 2020.

In determining the amount of the allowance for loan losses, significant factors considered include loss experience in particular segments of the portfolio, trends and absolute levels of classified and criticized loans, trends and absolute levels in delinquent loans, trends in risk ratings, trends in industry and Customers charge-offs by particular segments and changes in existing general economic and business conditions affecting our lending areas and the national economy. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance.

Management reviews and re-estimates the allowance for loan losses quarterly. Additions to our allowance for loan losses as a result on management's review and estimate could materially decrease net income. Our regulators, as an integral part of their examination process, periodically review our allowance for loan losses and may require us to increase our allowance for loan losses by recognizing additional provisions for loan losses charged to expense, or to decrease our allowance for loan losses by recognizing loan charge-offs, net of recoveries. Any such additional provisions for loan losses or charge-offs, as required by these regulatory agencies, could have a material adverse effect on our financial condition and results of operations.

Our emphasis on commercial, multi-family/commercial real estate and mortgage warehouse lending may expose us to increased lending risks.

We intend to continue emphasizing the origination of commercial loans and specialty loans, including loans to mortgage banking businesses. Commercial loans, including multi-family and commercial real estate loans, can expose a lender to risk of non-payment and loss because repayment of the loans often depends on the successful operation of a business or property and the borrower's cash flows. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. In addition, we may need to increase our allowance for loan losses in the future to account for an increase in probable credit losses associated with such loans. Also, we expect that many of our commercial borrowers will have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

As a lender to mortgage banking businesses, we provide financing to mortgage bankers by purchasing, subject to resale under a master repurchase agreement, the underlying residential mortgages on a short-term basis pending the ultimate sale of the mortgages to investors. We are subject to the risks associated with such lending, including, but not limited to, the risks of fraud, bankruptcy and possible default by the borrower, closing agents, and the residential borrower on the underlying mortgage, any of which could result in credit losses. The risk of fraud associated with this type of lending includes, but is not limited to, settlement process risks, the risk of financing nonexistent loans or fictitious mortgage loan transactions, or the risk that collateral delivered is fraudulent or non-existent, creating a risk of loss of the full amount financed on the underlying residential mortgage loan, or in the settlement processes. As discussed in Note 21 – "LOSS CONTINGENCY", in March 2013, a suspected fraud was discovered in the Bank's held-for-sale loan portfolio. Additional fraudulent transactions could have a material adverse effect on our financial condition and results of operations.

Our lending to mortgage businesses is a significant part of our assets and earnings. This business is subject to cyclicality of the mortgage lending business, and volumes are likely to decline if interest rates increase, generally. A decline in the rate of growth, volume or profitability of this business unit, or a loss of its leadership could adversely affect our results of operations and financial condition.

As of December 31, 2015 and 2014, the Bank had $6.9 billion and $5.3 billion , respectively, in commercial loans outstanding, composing approximately 94.6% and 92.5% , respectively, of its total loan portfolio, which includes loans held for sale.

Decreased origination, volume and pricing decisions of competitors may adversely affect our profitability.

The Bank currently operates a residential mortgage banking business but plans to expand our origination, sale, and servicing of residential mortgage loans in the future. The Bank also began selling recent multi-family loan originations to third parties in the third quarter of 2014. Changes in market interest rates and pricing decisions by our loan competitors may adversely affect demand for our residential mortgage and multi-family loan products, the revenue realized on the sale of loans and revenues received from servicing such loans for others, and ultimately reduce our net income. New regulations, increased regulatory reviews, and/or changes in the structure of the secondary mortgage markets which we would utilize to sell mortgage loans or other rule changes that could affect the multi-family resale market may be introduced and may increase costs and make it more difficult to operate a residential mortgage origination business or sell multi-family loans.

Federal Home Loan Bank of Pittsburgh may not pay dividends or repurchase capital stock in the future.

On December 23, 2008, the Federal Home Loan Bank of Pittsburgh ("FHLB") announced that it would voluntarily suspend the payment of dividends and the repurchase of excess capital stock until further notice. The FHLB announced at that time that it expected its ability to pay dividends and add to retained earnings to be significantly curtailed due to low short-term interest rates, an increased cost of maintaining liquidity, other than temporary impairment charges, and constrained access to debt markets at attractive rates. While the FHLB resumed payment of dividends and capital stock repurchases in 2012, capital stock repurchases from member banks are reviewed on a quarterly basis by the FHLB, and there is no guarantee that such dividends and capital stock repurchases will continue in the future. As of December 31, 2015 , the Bank held $78.9 million of FHLB capital stock.

The fair value of our investment securities can fluctuate due to market conditions. Adverse economic performance can lead to adverse security performance and other-than-temporary impairment.

As of December 31, 2015 , the fair value of our investment securities portfolio was approximately $560.3 million . We have historically followed a conservative investment strategy, with concentrations in securities that are backed by government sponsored enterprises. In the future, we may seek to increase yields through more aggressive strategies, which may include a greater percentage of corporate securities, structured credit products or non-agency mortgage backed securities. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could have a material adverse effect on us. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security.

Changes to estimates and assumptions made by management in preparing financial statements could adversely affect the Bancorp's business, operating results, reported assets and liabilities, financial condition, and capital levels.

Changes to estimates and assumptions made by management in connection with the preparation of the Bancorp's consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses. The preparation of the Bancorp's consolidated financial statements requires management to make certain critical accounting estimates and assumptions that could affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting periods. In the event the covered assets perform better than originally estimated at the time of acquisition, the Bancorp could be required to reimburse all, or a portion of, its discounted purchase price to the FDIC. Further information regarding the FDIC loss sharing receivable and clawback liability, and other accounting policies subject to significant judgment and estimates, is included in "Management's Discussion and Analysis - Critical Accounting Policies." Changes to management's assumptions or estimates could materially and adversely affect Customers' business, operating results, reported assets and liabilities, financial condition, and capital levels.

Changes in accounting standards and policies can be difficult to predict and can materially impact how we record and report our financial results.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the FASB or the SEC changes the financial accounting and reporting standards or the policies that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. We could be required to apply new or revised guidance retrospectively, which may result in the revision of prior period financial statements by material amounts. The implementation of new or revised accounting guidance could have a material adverse effect on our financial results or net worth. Notably, the FASB is currently considering changes to the framework for estimating the allowance for loan and lease losses which could significantly alter the current estimate as well as other elements of the U.S. banking model.

Downgrades in U.S. Government and federal agency securities could adversely affect Customers Bancorp and the Bank.

The long-term impact of the downgrade of the U.S. Government and federal agencies from an AAA to an AA+ credit rating is still uncertain. However, in addition to causing economic and financial market disruptions, the downgrade, and any future downgrades and/or failures to raise the U.S. debt limit if necessary in the future, could, among other things, materially adversely affect the market value of the U.S. and other government and governmental agency securities owned by Customers Bank, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition. In particular, it could increase interest rates and disrupt payment systems, money markets, and long-term or short-term fixed income markets, adversely affecting the cost and availability of funding, which could negatively affect profitability. Also, the adverse consequences as a result of the downgrade could extend to the borrowers of the loans the Bank makes and, as a result, could adversely affect its borrowers' ability to repay their loans.

We may not be able to maintain consistent earnings or profitability.

Although we made a profit for the years of 2011 through 2015 , there can be no assurance that we will be able to remain profitable in future periods, or, if profitable, that our overall earnings will remain consistent or increase in the future. Our earnings also may be reduced by increased expenses associated with increased assets, such as additional employee compensation expense, and increased interest expense on any liabilities incurred or deposits solicited to fund increases in assets. If earnings do not grow proportionately with our assets or equity, our overall profitability may be adversely affected.

Continued or worsening general business and economic conditions could materially and adversely affect us.

Our business and operations are sensitive to general business and economic conditions in the United States. If the U.S. economy experiences worsening conditions such as a recession, we could be materially and adversely affected. Weak economic conditions may be characterized by deflation, instability in debt and equity capital markets, a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on loans, residential and commercial real estate price declines and lower home sales and commercial activity. Adverse changes in any of these factors could be detrimental to our business. Our business is also significantly affected by monetary and related policies of the U.S. federal government, its agencies and government-sponsored entities. Adverse changes in economic factors or U.S. government policies could have a negative effect on Customers Bancorp.

The geographic concentration in the Northeast and Mid-Atlantic region makes our business susceptible to downturns in the local economies and depressed banking markets, which could materially and adversely affect us.

Our loan and deposit activities are largely based in the Northeast and Mid-Atlantic regions. As a result, our financial performance depends upon economic conditions in this region. This region experienced deteriorating local economic conditions in the past economic cycle and a downturn in the regional real estate market could harm our financial condition and results of operations because of the geographic concentration of loans within this region and because a large percentage of the loans are secured by real property. If there is decline in real estate values, the collateral value for our loans will decrease and our probability of incurring losses will increase as the ability to recover on defaulted loans by selling the underlying real estate will be lessened.

Additionally, Customers has made a significant investment in commercial real estate loans. Often in a commercial real estate transaction, repayment of the loan is dependent on the property generating sufficient rental income to service the loan. Economic conditions may affect the tenant’s ability to make rental payments on a timely basis, and may cause some tenants not to renew their leases, each of which may impact the debtor’s ability to make loan payments. Further, if expenses associated with commercial properties increase dramatically, the tenant’s ability to repay, and therefore the debtor’s ability to make timely loan payments, could be adversely affected. All of these factors could increase the amount of non-performing loans, increase our provision for loan losses and reduce our net income.

Our business is highly susceptible to credit risk.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to the contractual terms and that the collateral securing the payment of their loans (if any) may not be sufficient to assure repayment. The risks inherent in making any loan include risks with respect to the ability of borrowers to repay their loans and, if applicable, the period of time over which the loan is repaid, risks relating to proper loan underwriting and guidelines, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. Similarly, we have credit risk embedded in our securities portfolio. Our credit standards, procedures and policies are designed to reduce the risk of credit losses to a low level, but may not prevent us from incurring substantial credit losses.

Additionally, we may restructure originated or acquired loans if we believe the borrowers are experiencing problems servicing the debt pursuant to current terms and we believe the borrower is likely to fully repay their restructured obligations. We may also be subject to legal or regulatory requirements for restructured loans. With respect to restructured loans, we may grant concessions to borrowers experiencing financial difficulties in order to facilitate repayment of the loan by (1) reduction of the stated interest rate for the remaining life of the loan to lower than the current market rate for new loans with similar risk or (2) extension of the maturity date.

We depend on our executive officers and key personnel to implement our strategy and could be harmed by the loss of their services.

We believe that the implementation of our strategy will depend in large part on the skills of our executive management team and our ability to motivate and retain these and other key personnel. Accordingly, the loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our growth strategy and materially and adversely affect us. Leadership changes will occur from time to time, and if significant resignations occur, we may not be able to recruit additional qualified personnel. We believe our executive management team possesses valuable knowledge about the banking industry and that their knowledge and relationships would be very difficult to replicate. Although our Chief Executive Officer, President, and Chief Financial Officer have entered into employment agreements with us, it is possible that they may not complete the term of their employment agreement or may choose not to renew it upon expiration.

Our customers also rely on us to deliver personalized financial services. Our strategic model is dependent upon relationship managers and private bankers who act as a customer’s point of contact to us. The loss of the service of these individuals could undermine the confidence of our customers in our ability to provide such personalized services. We need to continue to attract and retain these individuals and to recruit other qualified individuals to ensure continued growth. In addition, competitors may recruit these individuals in light of the value of the individuals’ relationships with their customers and communities and we may not be able to retain such relationships absent the individuals. In any case, if we are unable to attract and retain our relationship managers and private bankers, and recruit individuals with appropriate skills and knowledge to support our business, our growth strategy, business, financial condition and results of operations may be adversely affected.

Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key senior personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on us.

We face significant competition from other financial institutions and financial services providers, which may materially and adversely affect us.

Commercial and consumer banking is highly competitive. Our markets contain a large number of community and regional banks as well as a significant presence of the country's largest commercial banks. We compete with other state and national financial institutions, including savings and loan associations, savings banks and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies, as well as major retailers, in providing various types of loans and other financial services. Some of these competitors may have a long history of successful operations in our markets, greater ties to local businesses and more expansive banking relationships, as well as better established depositor bases. Competitors may also have greater resources and access to capital and may possess other advantages such as operating more ATMs and conducting extensive promotional and advertising campaigns or operating a more developed Internet platform. Competitors may also exhibit a greater tolerance for risk and behave more aggressively with respect to pricing in order to increase their market share.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Increased competition among financial services companies due to the recent consolidation of certain competing financial institutions may adversely affect our ability to market our products and services. Technological advances have lowered barriers to entry and made it possible for banks to compete in our market without a retail footprint by offering competitive rates, as well as non-banks to offer products and services traditionally provided by banks. Our ability to compete successfully depends on a number of factors, including, among others:

- the ability to develop, maintain and build upon long-term customer relationships based on high quality, personal service, effective and efficient products and services, high ethical standards and safe and sound assets;
- the scope, relevance and competitive pricing of products and services offered to meet customer needs and demands;
- the ability to provide customers with maximum convenience of access to services and availability of banking representatives;
- the ability to attract and retain highly qualified employees to operate our business;
- the ability to expand our market position;
- customer access to our decision makers, and customer satisfaction with our level of service; and
- the ability to operate our business effectively and efficiently.

Failure to perform in any of these areas could significantly weaken our competitive position, which could materially and adversely affect us.

Like other financial services institutions, our asset and liability structures are monetary in nature. Such structures are affected by a variety of factors, including changes in interest rates, which can impact the value of financial instruments held by us.

Like other financial services institutions, we have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, inflation, currency values, market conditions, the availability and terms (including cost) of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties and the level and volatility of trading markets. Such factors can impact customers and counterparties of a financial services institution and may impact the value of financial instruments held by a financial services institution.

Our earnings and cash flows largely depend upon the level of our net interest income, which is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. Because different types of assets and liabilities may react differently and at different times to market interest rate changes, changes in interest rates can increase or decrease our net interest income. When interest-bearing liabilities mature or reprice more quickly than interest earning assets in a period, an increase in interest rates would reduce net interest income. Similarly, when interest earning assets mature or reprice more quickly, and because the magnitude of repricing of interest earning assets is often greater than interest bearing liabilities, falling interest rates would reduce net interest income.

Accordingly, changes in the level of market interest rates affect our net yield on interest earning assets and liabilities, loan and investment securities portfolios and our overall results. Changes in interest rates may also have a significant impact on any future loan origination revenues. Changes in interest rates also have a significant impact on the carrying value of a significant percentage of the assets, both loans and investment securities, on our balance sheet. We may incur debt in the future and that debt may also be sensitive to interest rates and any increase in interest rates could materially and adversely affect us. Interest rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve. Adverse changes in the Federal Reserve’s interest rate policies or other changes in monetary policies and economic conditions could materially and adversely affect us.

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security could have a material adverse effect on us.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

In addition, we provide our customers with the ability to bank remotely, including online, over the Internet and over the telephone. The secure transmission of confidential information over the Internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could materially and adversely affect us.

Additionally, financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on the ability to keep pace with technological advances and to invest in new technology as it becomes available. Certain competitors may have greater resources to invest in technology and may be better equipped to market new technology-driven products and services. The ability to keep pace with technological change is important, and the failure to do so could have a material adverse impact on our business and therefore on our financial condition and results of operations.

Loss of, or failure to adequately safeguard, confidential or proprietary information may adversely affect the Bancorp’s operations, net income or reputation.

The Bancorp regularly collects, processes, transmits and stores significant amounts of confidential information regarding its customers, employees and others. This information is necessary for the conduct of the Bancorp’s business activities, including the ongoing maintenance of deposit, loan, investment management and other account relationships for our customers, and receiving instructions and affecting transactions for those customers and other users of the Bancorp’s products and services. In addition to confidential information regarding its customers, employees and others, the Bancorp compiles, processes, transmits and stores proprietary, non-public information concerning its own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on behalf of the Bancorp.

Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or breach of the Bancorp’s operational or information security systems, or those of the Bancorp's third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect the Bancorp's systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for the Bancorp.

If this confidential or proprietary information were to be mishandled, misused or lost, the Bancorp could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss. Mishandling, misuse or loss of this confidential or proprietary information could occur, for example, if the confidential or proprietary information were erroneously provided to parties who are not permitted to have the information, either by fault of the systems or employees of the Bancorp, or the systems or employees of third parties which have collected, compiled, processed, transmitted or stored the information on the Bancorp's behalf, where the information is intercepted or otherwise inappropriately taken by third parties or where there is a failure or breach of the network, communications or information systems which are used to collect, compile, process, transmit or store the information.

Although the Bancorp employs a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, or that if mishandling, misuse or loss of the information did occur, those events would be promptly detected and addressed. Additionally, as information security risks and cyber threats continue to evolve, the Bancorp may be required to expend additional resources to continue to enhance its information security measures and/or to investigate and remediate any information security vulnerabilities.

Our directors and executive officers can influence the outcome of shareholder votes and, in some cases, shareholders may not have the opportunity to evaluate and affect the investment decision regarding a potential investment or acquisition transaction.

As of December 31, 2015 , the directors and executive officers of Customers Bancorp as a group owned a total of 1,722,606 shares of Voting Common Stock and exercisable options and warrants to purchase up to an additional 1,028,605 shares of Voting Common Stock, which potentially gives them, as a group, the ability to control approximately 9.85 **%** of the issued and outstanding Voting Common Stock. In addition, directors of Customers Bank who are not directors of Customers Bancorp own an additional 23,124 shares of Voting Common Stock and exercisable warrants to purchase up to an additional 8,240 shares of Voting Common Stock, which if combined with the directors and officers of Customers Bancorp, potentially gives them, as a group, the ability to control approximately 9.96% of the issued and outstanding Voting Common Stock. We believe ownership of stock causes directors and officers to have the same interests as shareholders, but it also gives them the ability to vote as shareholders for matters that are in their personal interest, which may be contrary to the wishes of other shareholders. Shareholders will not necessarily be provided with an opportunity to evaluate the specific merits or risks of one or more target institutions. Any decision regarding a potential investment or acquisition transaction will be made by our board of directors. Except in limited circumstances as required by applicable law, consummation of an acquisition will not require the approval of holders of Voting Common Stock. Accordingly, the shareholder may not have an opportunity to evaluate and affect the investment decision regarding potential investment or acquisition transactions.

We intend to engage in acquisitions of other businesses from time to time, including our pending acquisition of certain assets from Higher One. These acquisitions may not produce revenue or earnings enhancements or cost savings at levels, or within timeframes, originally anticipated and may result in unforeseen integration difficulties.

We regularly evaluate opportunities to strengthen our current market position by acquiring and investing in banks and in other complementary businesses, or opening new branches, and when appropriate opportunities arise, subject to regulatory approval, we plan to engage in acquisitions of other businesses and in opening new branches. Such transactions could, individually or in the aggregate, have a material effect on our operating results and financial condition, including short and long-term liquidity. Our acquisition activities could be material to our business. For example, we could issue additional shares of Voting Common Stock in a purchase transaction, which could dilute current shareholders' value or ownership interest. These activities could require us to use a substantial amount of cash, other liquid assets and/or incur debt. In addition, if goodwill recorded in connection with acquisitions were determined to be impaired, then we would be required to recognize a charge against our earnings, which could materially and adversely affect our results of operations during the period in which the impairment was recognized. Our acquisition activities could involve a number of additional risks, including the risks of:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating the terms of potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- being potentially exposed to unknown or contingent liabilities of banks and businesses we acquire;
- being required to expend time and expense to integrate the operations and personnel of the combined businesses;
- experiencing higher operating expenses relative to operating income from the new operations;
- creating an adverse short-term effect on our results of operations;
- losing key employees and customers as a result of an acquisition that is poorly received; and
- incurring significant problems relating to the conversion of the financial and customer data of the entity being acquired into our financial and customer product systems.

Additionally, in evaluating potential acquisition opportunities we may seek to acquire failed banks through FDIC-assisted acquisitions. While the FDIC may, in such acquisitions, provide assistance to mitigate certain risks, such as sharing in exposure to loan losses, and providing indemnification against certain liabilities, of the failed institution, we may not be able to accurately estimate our potential exposure to loan losses and other potential liabilities, or the difficulty of integration, in acquiring such institutions.

Depending on the condition of any institutions or assets that are acquired, any acquisition may, at least in the near term, materially adversely affect our capital and earnings and, if not successfully integrated following the acquisition, may continue to have such effects. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with pending or potential acquisitions. Our inability to overcome these risks could have an adverse effect on levels of reported net income, return on equity and return on assets, and the ability to achieve our business strategy and maintain market value.

Our acquisitions generally will require regulatory approvals, and failure to obtain them would restrict our growth.

We intend to complement and expand our business by pursuing strategic acquisitions of community banking franchises and other businesses. Generally, any acquisition of target financial institutions, banking centers or other banking assets by us may require approval by, and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve, the OCC and the FDIC, as well as state banking regulators. In acting on applications, federal banking regulators consider, among other factors:

- the effect of the acquisition on competition;
- the financial condition, liquidity, results of operations, capital levels and future prospects of the applicant and the bank(s) involved;
- the quantity and complexity of previously consummated acquisitions;
- the managerial resources of the applicant and the bank(s) involved;
- the convenience and needs of the community, including the record of performance under the Community Reinvestment Act (“CRA”);
- the effectiveness of the applicant in combating money laundering activities; and
- the extent to which the acquisition would result in greater or more concentrated risks to the stability of the United States banking or financial system.

Such regulators could deny our application based on the above criteria or other considerations, which could restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of any acquisition.

The success of future transactions will depend on our ability to successfully identify and consummate acquisitions of banking franchises that meet our investment objectives. Because of the intense competition for acquisition opportunities and the limited number of potential targets, we may not be able to successfully consummate acquisitions on attractive terms, or at all, that are necessary to grow our business.

Our acquisition history should be viewed in the context of the recent opportunities available to us as a result of the confluence of our access to capital at a time when market dislocations of historical proportions resulted in attractive asset acquisition opportunities. As conditions change, we may prove to be unable to execute our acquisition strategy, which could materially and adversely affect us. The success of future transactions will depend on our ability to successfully identify and consummate transactions with target banking franchises that meet our investment objectives. There are significant risks associated with our ability to identify and successfully consummate these acquisitions. There are a limited number of acquisition opportunities, and we expect to encounter intense competition from other banking organizations competing for acquisitions and also from other investment funds and entities looking to acquire financial institutions. Many of these entities are well established and have extensive experience in identifying and consummating acquisitions directly or through affiliates. Many of these competitors possess ongoing banking operations with greater financial, technical, human and other resources and access to capital than we do, which could limit the acquisition opportunities we pursue. Our competitors may be able to achieve greater cost savings, through consolidating operations or otherwise, than we could. These competitive limitations give others an advantage in pursuing certain acquisitions. In addition, increased competition may drive up the prices for the acquisitions we pursue and make the other acquisition terms more onerous, which would make the identification and successful consummation of those acquisitions less attractive to us. Competitors may be willing to pay more for acquisitions than we believe are justified, which could result in us having to pay more for them than we prefer or to forego the opportunity. As a result of the foregoing, we may be unable to successfully identify and consummate acquisitions on attractive terms, or at all, that are necessary to grow our business.

We will generally establish the pricing of transactions and the capital structure of banking franchises to be acquired by us on the basis of financial projections for such banking franchises. In general, projected operating results will be based on the judgment of our management team. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed and the projected results may vary significantly from actual results. General economic, political and market conditions can have a material adverse impact on the reliability of such projections. In the event that the projections made in connection with our acquisitions, or future projections with respect to new acquisitions, are not accurate, such inaccuracies could materially and adversely affect us.

We are subject to certain risks related to FDIC-assisted acquisitions.

The success of past FDIC-assisted acquisitions, and any FDIC-assisted acquisitions in which we may participate in the future, will depend on a number of factors, including our ability to:

- fully integrate, and to integrate successfully, the branches acquired into bank operations;
- limit the outflow of deposits held by new customers in the acquired branches and to successfully retain and manage interest-earning assets (loans) acquired in FDIC-assisted acquisitions;
- retain existing deposits and to generate new interest-earning assets in the geographic areas previously served by the acquired banks;
- effectively compete in new markets in which we did not previously have a presence;
- successfully deploy the cash received in the FDIC-assisted acquisitions into assets bearing sufficiently high yields without incurring unacceptable credit or interest rate risk;
- control the incremental non-interest expense from the acquired branches in a manner that enables us to maintain a favorable overall efficiency ratio;
- retain and attract the appropriate personnel to staff the acquired branches; and
- earn acceptable levels of interest and non-interest income, including fee income, from the acquired bank.

As with any acquisition involving a financial institution, particularly one involving the transfer of a large number of bank branches (as is often the case with FDIC-assisted acquisitions), there may be higher than average levels of service disruptions that would cause inconveniences or potentially increase the effectiveness of competing financial institutions in attracting our customers. Integrating the acquired branches could present unique challenges and opportunities because of the nature of the transactions. Integration efforts will also likely divert our management’s attention and resources. It is not known whether we will be able to integrate acquired branches successfully, and the integration process could result in the loss of key employees, the disruption of ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the FDIC-assisted acquisitions. We may also encounter unexpected difficulties or costs during integration that could materially adversely affect our earnings and financial condition. Additionally, we may be unable to compete effectively in the market areas previously served by the acquired branches or to manage any growth resulting from FDIC-assisted acquisitions effectively.

Our willingness and ability to grow acquired branches following FDIC-assisted acquisitions depend on several factors, most importantly the ability to retain certain key personnel that we hire or transfer in connection with FDIC-assisted acquisitions. Our failure to retain these employees could adversely affect the success of FDIC-assisted acquisitions and our future growth.

Our ability to continue to receive benefits of our Loss Sharing Agreements with the FDIC is conditioned upon compliance with certain requirements under the Purchase and Assumption Agreements.

Pursuant to the Purchase and Assumption Agreements we signed in connection with our FDIC-assisted acquisitions of USA Bank and ISN Bank (“Purchase and Assumption Agreements”), we are the beneficiary of loss sharing arrangements with the FDIC (the “Loss Sharing Agreements”) that call for the FDIC to fund a portion of its losses on a majority of the assets acquired in connection with the transactions. Our ability to recover a portion of losses and retain the loss sharing protection is subject to compliance with certain requirements imposed on us in the Purchase and Assumption Agreements. The requirements of the Loss Sharing Agreements relate primarily to loan servicing standards concerning the assets covered by the Loss Sharing Agreements (the “Covered Assets”), as well as obtaining the consent of the FDIC to engage in certain corporate transactions that may be deemed under the agreements to constitute a transfer of the loss sharing benefits. For example, FDIC approval will be required for any merger we undertake that would result in the pre-merger shareholders of such entity owning less than sixty-six and two/thirds percent (66.66%) of the equity of the surviving entity.

As the loan servicing standards evolve, we may experience difficulties in complying with the requirements of the Loss Sharing Agreements, which could result in Covered Assets losing some or all of their loss sharing coverage. In accordance with the terms of the Loss Sharing Agreements, we are subject to audits by the FDIC through its designated agent. The required terms of the Loss Sharing Agreements are extensive and failure to comply with any of the guidelines could result in a specific asset or group of assets losing their loss sharing coverage.

In such instances in which the consent of the FDIC is required under the Purchase and Assumption Agreements, the FDIC may withhold its consent to such transactions or may condition its consent on terms that we do not find acceptable. There can be no assurance that the FDIC will grant its consent or condition its consent on terms that we find acceptable. If the FDIC does not grant its consent to a transaction we would like to pursue, or conditions its consent on terms that we do not find acceptable, this may cause us not to engage in a corporate transaction that might otherwise benefit shareholders or to pursue such a transaction without obtaining the FDIC’s consent, which could result in termination of the Loss Sharing Agreements with the FDIC.

Loans covered under the loss sharing agreements totaled $13.8 million at December 31, 2015. The period to submit losses under the FDIC loss sharing agreements for non-single family loans expired in third quarter 2015. The period to submit losses under the FDIC loss sharing agreements for single family loans expires in third quarter 2017. Unless terminated earlier, the final maturity of the FDIC loss sharing agreements occurs in third quarter 2020.

FDIC-assisted acquisition opportunities may not become available and increased competition may make it more difficult for us to bid on failed bank transactions on terms considered to be acceptable.

Our near-term business strategy includes consideration of potential acquisitions of failing banks that the FDIC plans to place in receivership. The FDIC may not place banks that meet our strategic objectives into receivership. Failed bank transactions are attractive opportunities in part because of loss sharing arrangements with the FDIC that limit the acquirer’s downside risk on the purchased loan portfolio and, apart from our assumption of deposit liabilities, we have significant discretion as to the non-deposit liabilities that we assume. In addition, assets purchased from the FDIC are marked to their fair value and in many cases there is little or no addition to goodwill arising from an FDIC-assisted acquisition. The bidding process for failing banks could become very competitive, and the increased competition may make it more difficult for us to bid on terms we consider to be acceptable. Further, all FDIC-assisted acquisitions would require us to obtain applicable regulatory approval.

Some institutions we could acquire may have distressed assets and there can be no assurance that we will be able to realize the value predicted from these assets or that we will make sufficient provision for future losses in the value of, or accurately estimate the future write-downs taken in respect of, these assets.

Loan portfolios and other assets acquired in transactions may experience increases in delinquencies and losses in the loan portfolios, or in amounts that exceed initial forecasts developed during the due diligence investigation prior to acquiring those institutions. In addition, asset values may be impaired in the future due to factors that cannot currently be predicted, including deterioration in economic conditions and subsequent declines in collateral values and credit quality indicators. Any of these events could adversely affect the financial condition, liquidity, capital position and value of institutions acquired and of our business as a whole. Further, as a registered bank holding company, if we acquire bank subsidiaries, they may become subject to cross-guaranty liability under applicable banking law. If we do so and any of the foregoing adverse events occur with respect to one subsidiary, they may adversely affect other subsidiaries. Asset valuations are estimates of value and there is no certainty that we will be able to sell assets of target institutions at the estimated value, even if it is determined to be in our best interests to do so. The institutions we may target may have substantial amounts of asset classes for which there is currently limited or no marketability.

As a result of an investment or acquisition transaction, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition and results of operations.

We conduct due diligence investigations of target institutions we intend to acquire. Due diligence is time consuming and expensive due to the operations, accounting, finance and legal professionals who must be involved in the due diligence process. Even if extensive due diligence is conducted on a target institution with which we may be combined, this diligence may not reveal all material issues that may affect a particular target institution, and factors outside our control, or the control of the target institution, may later arise. If, during the diligence process, we fail to identify issues specific to a target institution or the environment in which the target institution operates, we may be forced to later write down or write off assets, restructure operations or incur impairment or other charges that could result in reporting losses. These charges may also occur if we are not successful in integrating and managing the operations of the target institution with which we combine. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming preexisting debt held by a target institution or by virtue of obtaining debt financing.

Resources could be expended in considering or evaluating potential investment or acquisition transactions that are not consummated, which could materially and adversely affect subsequent attempts to locate and acquire or merge with another business.

We anticipate that the investigation of each specific target institution and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If a decision is made not to complete a specific investment or acquisition transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific target institution, we may fail to consummate the investment or acquisition transaction for any number of reasons, including those beyond our control. Any such event will result in a loss of the related costs incurred, and could result in additional costs or expenses, which could materially and adversely affect subsequent attempts to locate and acquire or merge with another institution and our reported earnings.

If we do not open new branches as planned, or do not achieve targeted profitability on new branches, earnings may be reduced.

Customers Bank is interested in opening or acquiring four to six new branches annually for the next several years in and around our target markets of southeastern Pennsylvania, New Jersey, New York, Maryland, Connecticut, Virginia and Delaware. Our ability to open or acquire branches is subject to regulatory approvals. We cannot predict whether the banking regulators will agree with our growth plans or if or when they will provide the necessary branch approvals. Numerous factors contribute to the performance of a new branch, such as the ability to select a suitable location, competition, our ability to hire and retain qualified personnel, and the effectiveness of our marketing strategy. It takes time for a new branch to generate significant deposits and loan volume to offset expenses, some of which, like salaries and occupancy expense, are relatively fixed costs. The initial cost, including capital asset purchases, for each new branch to open would be in a range of approximately $200,000 to $250,000. Additionally, there can be no assurance that any of these new branches will ever become profitable. During the period of time before a branch can become profitable, operating a branch will negatively impact net income.

To the extent that we are unable to increase loans through organic loan growth, we may be unable to successfully implement our growth strategy, which could materially and adversely affect us.

In addition to growing our business through strategic acquisitions, we also intend to grow our business through organic loan growth. While loan growth has been strong and our loan balances have increased over the past three fiscal years, much of the loan growth came from multi-family and commercial real estate lending. If the bank is unsuccessful with diversifying its loan originations or if we do not grow the existing business lines, our results of operations and financial condition could be negatively impacted.

We may not be able to effectively manage our growth.

Our future operating results and financial condition depend to a large extent on our ability to successfully manage our growth. Our growth has placed, and it may continue to place, significant demands on our operations and management. Whether through additional acquisitions or organic growth, our current plan to expand our business is dependent upon our ability to:

- continue to implement and improve our operational, credit underwriting and administration, financial, accounting, enterprise risk management and other internal and disclosure controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships;
- comply with changes in, and an increasing number of, laws, rules and regulations, including those of any national securities exchange on which any of our securities become listed;
- scale our technology and other systems' platforms;
- maintain and attract appropriate staffing;
- operate profitable or raise capital; and
- support our asset growth with adequate deposits, funding and liquidity while maintaining our net interest margin and meeting our customers' and regulators' liquidity requirements.

We may not successfully implement improvements to, or integrate, our management information and control systems, credit underwriting and administration, internal and disclosure controls, and procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with new banking centers and banks. Our growth strategy may divert management from our existing business and may require us to incur additional expenditures to expand our administrative and operational infrastructure and, if we are unable to effectively manage and grow our banking franchise, including to the satisfaction of our regulators, we could be materially and adversely affected. In addition, if we are unable to manage our current and future expansion in our operations, we may experience compliance, operational and regulatory problems and delays, have to slow our pace of growth or even stop our market and product expansion, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect us. If we experience difficulties with the development of new business activities or the integration process of acquired businesses, the anticipated benefits of any particular acquisition may not be realized fully, or at all, or may take longer to realize than expected. Additionally, we may be unable to recognize synergies, operating efficiencies and/or expected benefits within expected timeframes and cost projections, or at all. We also may not be able to preserve the goodwill of an acquired financial institution. Our growth could lead to increases in our legal, audit, administrative and financial compliance costs, which could materially and adversely affect us.

If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to material risks, such as credit, operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design, their implementation or the degree to which we adhere to them, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our business, financial condition or results of operations. In addition, we could be subject to litigation, particularly from our customers, and sanctions or fines from regulators. Our techniques for managing the risks we face may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate.

We are dependent upon maintaining an effective system of internal controls to provide reasonable assurance that transactions and activities are conducted in accordance with established policies and procedures and are all captured and reported in the financial statements. Failure to comply with the system of internal controls may result in events or losses which could adversely affect Customers' operations, net income, financial condition, reputation, and compliance with laws and regulations.

Customers' system of internal controls, including internal controls over financial reporting, is an important element of our risk management framework. Management regularly reviews and seeks to improve Customers' internal controls, including annual review of key policies and procedures, and annual review and testing of key internal controls over financial reporting. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and expectations of employee conduct and can only provide reasonable, not absolute, assurance that the objectives of the internal control structure are met. Any failure or circumvention of Customers' controls and procedures, or failure to comply with regulations related to controls and procedures, could have a material adverse effect on the Customers' operations, net income, financial condition, reputation and compliance with laws and regulations.

We may not be able to meet the cash flow requirements of our loan funding obligations, deposit withdrawals, or other business needs and fund our asset growth unless we maintain sufficient liquidity.

Customers Bank must maintain sufficient liquidity to fund its balance sheet growth in order to successfully grow our revenues, make loans and to repay deposit and other liabilities as these mature or are drawn. This liquidity can be gathered in both wholesale and non-wholesale funding markets. Our asset growth over the past few years has been funded with various forms of deposits and wholesale funding, including brokered and wholesale time deposits, FHLB advances, and Federal funds line borrowings. Total wholesale deposits including brokered deposits were 42.1% and 35.3% of total deposits as of December 31, 2015 and 2014 , respectively. Our gross loan to deposit ratio was 122.7% at December 31, 2015 and 126.8% at December 31, 2014 and our loan to deposit ratios excluding the mortgage warehouse portfolio funded by short term FHLB borrowings were 93.0% and 97.4% as of December 31, 2015 and 2014 , respectively **.** Wholesale funding can cost more than deposits generated from our traditional branch system and customer relationships and is subject to certain practical limits such as our liquidity policy limits, our available collateral for FHLB borrowings capacity and Federal funds line limits with our lenders. Additionally, regulators consider wholesale funding beyond certain points to be imprudent and might suggest that future asset growth be reduced or halted. In the absence of appropriate levels and mix of funding, we might need to reduce earning asset growth through the reduction of current production, sales of loans and/or the sale of participation interests in future and current loans. This might reduce our future growth and net income.

The amount loaned to us is generally dependent on the value of the eligible collateral pledged and our financial condition. These lenders could reduce the percentages loaned against various collateral categories, eliminate certain types of collateral and otherwise modify or even terminate their loan programs, if further disruptions in the capital markets occur. Any change or termination of our borrowings from the FHLB or correspondent banks could have an adverse effect on our profitability and financial condition, including liquidity.

We may not be able to develop and retain a strong core deposit base and other low-cost, stable funding sources.

Customers Bank depends on checking, savings and money market deposit account balances and other forms of customer deposits as a primary source of funding for our lending activities. We expect that our future loan growth will largely depend on our ability to retain and grow a strong, low-cost deposit base. Because 39.7% of our deposit base as of December 31, 2015 was time deposits, it may prove harder to maintain and grow our deposit base than would otherwise be the case, especially since many of these deposits currently pay interest at above-market rates. As of December 31, 2015 , $1.8 billion , or 76.6% , of our total time deposits are scheduled to mature through December 31, 2016. We are working to transition certain of our customers to lower cost traditional bank deposits as higher cost funding, such as time deposits, mature. If interest rates increase, whether due to changes in inflation, monetary policy, competition or other factors, we would expect to pay higher interest rates on deposits, which would increase our funding costs and compress our net interest margin. We may not succeed in moving our deposits to lower yielding savings and transactions products, which could materially and adversely affect us. In addition, with concerns about bank failures over the past several years and the end of the FDIC's non-interest transaction deposit guarantee program on December 31, 2012, customers, particularly those who may maintain deposits in excess of insured limits, have become concerned about the extent to which their deposits are insured by the FDIC. Our customers may withdraw deposits to ensure that their deposits with us are fully insured, and may place excess amounts in other institutions or make investments that are perceived as being more secure and/or higher yielding. Further, even if we are able to maintain and grow our deposit base, deposit balances can decrease when customers perceive alternative investments, such as the stock market, will provide a better risk/return tradeoff. If customers move money out of bank deposits, we could lose a relatively low cost source of funds, increasing our funding costs and reducing our net interest income and net income. Additionally, any such loss of funds could result in lower loan originations and growth, which could materially and adversely affect our results of operations and financial condition, including liquidity.

Our "high-touch" personalized service banking model may be replicated by competitors.

We expect to drive organic growth by employing our Concierge Banking® strategy, which provides specific relationship managers or private bankers for all customers. Many of our competitors provide similar services and others may replicate our model. Our competitors may have greater resources than we do and may be able to provide similar services more quickly, efficiently and extensively. To the extent others replicate our model, we could lose what we view as a competitive advantage, and our financial condition and results of operations may be adversely affected.

Competitors' technology-driven products and services and improvements to such products and services may adversely affect our ability to generate core deposits through mobile banking.

Our organic growth strategy focuses on, among other things, expanding market share through our "high-tech" model, which includes remote account opening, remote deposit capture and mobile banking. These technological advances, such as BankMobile, are intended to allow the Bank to generate additional core deposits at a lower cost than generating deposits through opening and operating branch locations. Some of our competitors may have greater resources to invest in technology and may be better equipped to market new technology-driven products and services. This may result in limiting, reducing or otherwise adversely affecting our growth strategy in this area and our access to deposits through mobile banking. In addition, to the extent we fail to keep pace with technological changes, or incur respectively large expenses to implement technological changes, our business, financial condition and results of operations may be adversely affected.

We may suffer losses due to minority investments in other financial institutions or related companies.

From time to time, we may make or consider making minority investments in other financial institutions or technology companies in the financial services business. If we do so, we may not be able to influence the activities of companies in which we invest, and may suffer losses due to these activities. Investments in foreign companies could pose additional risks as a result of distance, language barriers and potential lack of information (for example, foreign institutions, including foreign financial institutions, may not be obligated to provide as much information regarding their operations as those in the United States). Our investment in Religare Enterprises Limited (or Religare), which is a diversified financial services company in India, represents such an investment. There is no assurance of Religare's ability to operate at a level of profitability sufficient to support our investment. These and other factors may result in lower-than-expected returns, or a loss, on our investment in Religare. We do not expect to receive any dividends on our investment in Religare securities. In addition, our investment in Religare may not have the market liquidity needed to realize a gain or avoid losses on our investment and any dispositions of our Religare common stock may be limited or delayed by market conditions or the need for regulatory or other approvals in India, and the value of our investment will be subject to fluctuations in the currency exchange rates between the Indian rupee and the United States dollar. On December 31, 2013, we announced that our investment in Religare would be capped at $23.0 million (4.1 million common shares). We had the ability to purchase warrants to acquire up to an additional $28.0 million of Religare stock but decided not to acquire the warrants or otherwise increase our holdings of Religare stock. Our current holdings represent approximately 2.3% of current outstanding Religare shares.

We will be required to hold capital for United States bank regulatory purposes to support our investment in Religare securities.

Under the newly adopted U.S. capital adequacy rules, which became effective as of January 1, 2015, we have to hold risk based capital based on the amount of Religare common stock we own. Based upon the implementation of the final U.S. capital adequacy rules, these investments are potentially subject to risk weighting of 300% of the amount of the investment; however, to the extent future aggregated carrying value of certain equity exposures exceed 10% of the Bancorp's then total capital, risk weightings of 300% may apply. Any capital that is required to be used to support our Religare investment will not be available to support our United States operations or Customers Bank, if needed.

Risks Relating to the Regulation of Our Industry

The implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may have a material adverse effect on our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (which we refer to as the "Dodd-Frank Act"), which imposes significant regulatory and compliance changes. The key effects of the Dodd-Frank Act on our business are:

- changes to regulatory capital requirements;
- exclusion of hybrid securities, including trust preferred securities, issued on or after May 19, 2010 from tier 1 capital;
- creation of new government regulatory agencies (such as the Financial Stability Oversight Council, which will oversee systemic risk, and the Consumer Financial Protection Bureau, which will develop and enforce rules for bank and non-bank providers of consumer financial products);
- potential limitations on federal preemption;
- changes to deposit insurance assessments;
- regulation of debit interchange fees we earn;
- changes in retail banking regulations, including potential limitations on certain fees we may charge; and
- changes in regulation of consumer mortgage loan origination and risk retention.

In addition, the Dodd-Frank Act restricts the ability of banks to engage in certain proprietary trading or to sponsor or invest in private equity or hedge funds. The Dodd-Frank Act also contains provisions designed to limit the ability of insured depository institutions, their holding companies and their affiliates to conduct certain swaps and derivatives activities and to take certain principal positions in financial instruments.

Some provisions of the Dodd-Frank Act became effective immediately upon its enactment. Many provisions, however, still require regulations to be promulgated by various federal agencies in order to be implemented, some of which have been proposed by the applicable federal agencies. The provisions of the Dodd-Frank Act may have unintended effects, which will not be clear until implementation. The changes resulting from the Dodd-Frank Act could limit our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise materially and adversely affect us. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements could also materially and adversely affect us. Any changes in the laws or regulations or their interpretations could be materially adverse to investors in our Voting Common Stock. For a more detailed description of the Dodd-Frank Act, see "Supervision and Regulation – Changes in Laws, Regulations or Policies and the Dodd-Frank Act."

New regulations could adversely impact our earnings due to, among other things, increased compliance costs or costs due to noncompliance.

The Consumer Financial Protection Bureau issued a rule, effective as of January 14, 2014, designed to clarify for lenders how they can avoid monetary damages under the Dodd-Frank Act, which would hold lenders accountable for ensuring a borrower's ability to repay a mortgage. Loans that satisfy this "qualified mortgage" safe-harbor will be presumed to have complied with the new ability-to-repay standard. Under the Consumer Financial Protection Bureau's rule, a "qualified mortgage" loan must not contain certain specified features, including but not limited to: (i) excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans); (ii) interest-only payments; (iii) negative-amortization; and (iv) terms longer than 30 years. Also, to qualify as a "qualified mortgage," a borrower's total monthly debt service-to-income ratio may not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments. The Consumer Financial Protection Bureau's rule on qualified mortgages could limit our ability or desire to make certain types of loans or loans to certain borrowers, or could make it more expensive and/or time consuming to make these loans, which could adversely impact our growth or profitability.

Additionally, on December 10, 2013, five financial regulatory agencies, including our primary federal regulator, the Federal Reserve, adopted final rules (the "Final Rules") implementing the so-called Volcker Rule embodied in Section 13 of the Bank

Holding Company Act, which was added by Section 619 of the Dodd-Frank Act. The Final Rules prohibit banking entities from, among other things, (1) engaging in short-term proprietary trading for their own accounts, and (2) having certain ownership interests in and relationships with hedge funds or private equity funds ("covered funds"). The Final Rules are intended to provide greater clarity with respect to both the extent of those primary prohibitions and of the related exemptions and exclusions. The Final Rules also require each regulated entity to establish an internal compliance program that is consistent with the extent to which it engages in activities covered by the Volcker Rule, which must include (for the largest entities) making regular reports about those activities to regulators. Community banks, such as Customers, have been afforded some relief under the Final Rules. If such banks are engaged only in exempted proprietary trading, such as trading in U.S. government, agency, state and municipal obligations, they are exempt entirely from compliance program requirements. Moreover, even if a community bank engages in proprietary trading or covered fund activities under the rule, they need only incorporate references to the Volcker Rule into their existing policies and procedures. The Final Rules were effective April 1, 2014, but the conformance period has been extended from its statutory end date of July 21, 2014 until July 21, 2016, and the Federal Reserve has announced its intention to further extend the conformance period until July 21, 2017. Management is currently evaluating the Final Rules, which are lengthy and detailed.

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could materially and adversely affect us.

We are subject to extensive regulation, supervision, and legislation that govern almost all aspects of our operations. Intended to protect customers, depositors and the FDIC's Deposit Insurance Fund (the "DIF") and not our shareholders, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities, limit the dividends or distributions that we can pay, restrict the ability of our subsidiary bank to engage in transactions with the the Bancorp, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs, and may make certain products impermissible or uneconomic. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, reputational harm, fines and other penalties, any of which could materially and adversely affect us. Further, any new laws, rules and regulations could make compliance more difficult or expensive and also materially and adversely affect us.

Our use of third party vendors and our other ongoing third party business relationships are subject to increasing regulatory requirements and attention.

We regularly use third party vendors as part of our business and have other ongoing business relationships with other third parties. These types of third party relationships are subject to increasingly demanding regulatory requirements and attention by federal banking regulators. Regulation requires us to perform enhanced due diligence, perform ongoing monitoring and control our third party vendors and other ongoing third party business relationships. In certain cases we may be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect our business, financial condition or results of operations.

We are subject to numerous laws and governmental regulations and to regular examinations by our regulators of our business and compliance with laws and regulations, and our failure to comply with such laws and regulations or to adequately address any matters identified during our examinations could materially and adversely affect us.

Federal banking agencies regularly conduct comprehensive examinations of our business, including our compliance with applicable laws, regulations and policies applicable to the Bancorp and the Bank. Examination reports and ratings (which often are not publicly available) and other aspects of this supervisory framework can materially impact the conduct, organic and acquisition growth, and profitability of our business. Our regulators have extensive discretion in their supervisory and enforcement activities and may impose a variety of remedial actions, conditions or limitations on our business operations if, as a result of an examination, they determined that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that the Bancorp or its management was in violation of any law, regulation or policy. Examples of those actions, conditions or limitations include enjoining "unsafe or unsound" practices, requiring affirmative actions to correct any conditions resulting from any asserted violation of law, issuing administrative orders that can be judicially enforced, directing increases in our capital, assessing civil monetary penalties against our officers or directors, removing officers and directors and, if a conclusion was reached that the offending conditions cannot be corrected or there is an imminent risk of loss to depositors, terminating our deposit insurance. Other actions, formal or informal, that may be imposed could restrict our growth, including regulatory denials to expand branches, relocate, add subsidiaries and affiliates, expand into new financial activities or merge with or purchase other financial institutions. The timing of these examinations, including the timing of the resolution of any issues identified by our regulators in the examinations and the final determination by them with respect to the imposition of any remedial actions, conditions or limitations on our business operations, is generally not within our control. We also could suffer reputational harm in the event of any perceived or actual noncompliance with certain laws and regulations. If we become subject to such regulatory actions, we could be materially and adversely affected.

Other litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities.

Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has only intensified since the recent financial crisis, with regulators and prosecutors focusing on a variety of financial institution practices and requirements. We may, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our business. Legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could be material to our business, results of operations, financial condition and cash flows depending on, among other factors, the level of our earnings for that period, and could have a material adverse effect on our business, financial condition or results of operations.

The FDIC's restoration plan and the related increased assessment rate could materially and adversely affect us.

The FDIC insures deposits at FDIC-insured depository institutions up to applicable limits. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. Market developments have significantly depleted the DIF of the FDIC and reduced the ratio of reserves to insured deposits. As a result of recent economic conditions and the enactment of the Dodd-Frank Act, the FDIC has increased the deposit insurance assessment rates and thus raised deposit insurance premiums for insured depository institutions. If these increases are insufficient for the DIF to meet its funding requirements, there may need to be further special assessments or increases in deposit insurance premiums. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially and adversely affect us, including by reducing our profitability or limiting our ability to pursue certain business opportunities.

The Federal Reserve may require us to commit capital resources to support our subsidiary banks.

As a matter of policy, the Federal Reserve, which examines us and our subsidiaries, expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under this requirement, we could be required to provide financial assistance to Customers Bank or any other subsidiary banks we may own in the future should they experience financial distress.

A capital injection may be required at times when we do not have the resources to provide it and therefore we may be required to borrow the funds or raise additional equity capital from third parties. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its indebtedness. Any financing that must be done by the holding company in order to make the required capital injection may be difficult and expensive and may not be available on attractive terms, or at all, which likely would have a material adverse effect on us.

The short-term and long-term impact of the new regulatory capital standards and the forthcoming new capital rules on U.S. banks is uncertain.

On September 12, 2010, the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. Basel III narrows the definition of capital, introduces requirements for minimum Tier 1 common capital, increases requirements for minimum Tier 1 capital and total risk-based capital, and changes risk-weighting methodologies. Basel III is scheduled to be phased in over time until fully phased in by January 1, 2019.

On July 2, 2013, the Federal Reserve adopted a final rule regarding new capital requirements pursuant to Basel III. These rules, which became effective on January 1, 2015 for community banks, increase the required amount of regulatory capital that we must hold and failure to comply with the capital rules will lead to limitations on the dividend payments to us by Customers Bank and other elective distributions.

Various provisions of the Dodd-Frank Act increase the capital requirements of bank holding companies, such as Customers Bancorp, and non-bank financial companies that are supervised by the Federal Reserve. The leverage and risk-based capital ratios of these entities may not be lower than the leverage and risk-based capital ratios for insured depository institutions. The Basel III changes and other regulatory capital requirements will likely result in generally higher regulatory capital standards for the Bank and the Bancorp.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements, and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control (the "OFAC"). If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions (such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans), which could materially and adversely affect us. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make.

Loans that we make through certain federal programs are dependent on the federal government's continuation and support of these programs and on our compliance with their requirements .

We participate in various U.S. government agency guarantee programs, including programs operated by the Small Business Administration. We are responsible for following all applicable U.S. government agency regulations, guidelines and policies whenever we originate loans as part of these guarantee programs. If we fail to follow any applicable regulations, guidelines or policies associated with a particular guarantee program, any loans we originate as part of that program may lose the associated guarantee, exposing us to credit risk we would not otherwise be exposed to or underwritten as part of our origination process for U.S. government agency guaranteed loans, or result in our inability to continue originating loans under such programs. The loss of any guarantees for loans we have extended under U.S. government agency guarantee programs or the loss of our ability to participate in such programs could have a material adverse effect on our business, financial condition or results of operations.

Reviews performed by the Internal Revenue Service and State Taxing Authorities for the fiscal years that remain open for investigation may result in a change to income taxes recorded in our consolidated financial statements and adversely affect our results of operations.

The Bancorp and its subsidiaries are subject to U.S. federal income tax as well as income tax of various states primarily in the mid-Atlantic region of the United States. Years that remain open for potential review by (1) the Internal Revenue Service are 2012 through 2014, and (2) state taxing authorities are 2010 through 2014. The results of these reviews could result in increased recognition of income tax expense in our consolidated financial statements as well as possible fines and penalties.

Our financial results may be adversely affected by changes in U.S. and non-U.S. tax and other laws and regulations.

The U.S. Congress and the Administration have indicated an interest in reforming the U.S. corporate income tax code. Possible approaches include lowering the 35 percent corporate tax rate, modifying the taxation of income earned outside the U.S. and limiting or eliminating various other deductions, tax credits and/or other tax preferences. Also, the Governor of New York has issued a proposal to reform the New York state corporate income tax. It is not possible at this time to quantify either the one-time impacts from the remeasurement of deferred tax assets and liabilities that might result upon tax reform enactment or the ongoing impacts reform proposals might have on income tax expense.

The Federal Reserve and FDIC took regulatory enforcement action against one of our business partners, which has subjected us to regulatory inquiry and potential regulatory enforcement action, which may result in liabilities adversely affecting our business, financial conditions and/or results of operations, or in reputational harm.

Since August 2013, Customers Bank has provided deposit accounts and services to college students through a third party, Higher One, Inc. ("Higher One"), which has relationships with colleges and universities in the United States, using Higher One's technological services. Because Higher One is not a bank, it must partner with one or more banks to provide deposit accounts and services to students. Higher One and one of Higher One's former bank partners (the "predecessor bank"), announced in May 2014 that the Board of Governors of the Federal Reserve notified them that certain disclosures and operating processes of these entities may have violated certain laws and regulations and may result in penalties and restitution. In May 2014, the Federal Reserve also informed Customers Bank, as one of Higher One's bank partners, that it was recommending a regulatory enforcement action be initiated against Customers Bank based on the same allegations.

In July 2014, the predecessor bank referenced above, which no longer is a partner with Higher One, entered into a consent order to cease and desist with the Federal Reserve Board pursuant to which it agreed to pay a total of $3.5 million in civil money penalties and an additional amount that it may be required to pay in restitution to students in the event Higher One is unable to pay the restitution obligations, if any, imposed on Higher One ("back-up restitution"). Customers Bank believes that the circumstances of its relationship with Higher One and the student customers are different than the relationship between the predecessor bank and Higher One and the student customers.

In December 2015, Higher One entered into consent orders with both the Federal Reserve Board and the FDIC. Under the consent order with the Federal Reserve Board, Higher One agreed to pay $2.2 million in civil money penalties, and $24 million in restitution to students. Under the consent order with the FDIC, Higher One agreed to pay an additional $2.2 million in civil money penalties, and $31 million in restitution to students. In addition, a third partner bank, which is regulated by the FDIC, also entered into a consent order to cease and desist with the FDIC pursuant to which it agreed to pay $1.8 million in civil money penalties and an additional amount in restitution to students in the event Higher One is unable to meet its restitution obligation.

Customers Bank believes that it identified key critical alleged compliance deficiencies within 30 days of first accepting deposits through its relationship with Higher One, and caused such deficiencies to be remediated within approximately 120 days. In addition, Customers Bank understands that the total amount of fees that Higher One collected from students who opened accounts at Customers Bank during the relevant time period is substantially less than the total fees that Higher One collected from students who opened deposit accounts at the other partner banks during the relevant time period. In addition, as Higher One has agreed to pay the restitution, and has deposited such monies to pay the required restitution, Customers does not expect that backup restitution will be required.

Nonetheless, the Federal Reserve or other regulatory agencies that supervise us may determine that Customers Bank has responsibility for the violations of certain laws and regulations in connection with its relationship with Higher One and the student customers and may take regulatory action against Customers Bank that could include, among other things, entry into a consent order to cease and desist and civil money penalties. If any of the regulatory actions described herein were to occur, or if any other regulatory actions were to be taken against us, alone or in combination, such regulatory actions could have an adverse effect on our business or financial condition. We are currently in discussions with the Federal Reserve regarding these matters and at this time cannot predict the outcome of those discussions, including the amount of any civil money penalties or restitution that we might be required to pay. However, based on these discussions and information currently available to us regarding Higher One and the predecessor banks, we currently do not believe that any penalties or customer restitution for which we may ultimately be responsible would have a material adverse effect on our business or financial condition.

We will be subject to heightened regulatory requirements if we exceed $10 billion in assets.

Based on our current total assets and growth strategy, we do not anticipate our bank's total assets to exceed $10 billion in the near future, however, our bank's total assets ultimately could exceed that level. The Dodd-Frank Act and its implementing regulations impose various additional requirements on bank holding companies with $10 billion or more in total assets, including compliance with portions of the Federal Reserve's enhanced prudential oversight requirements and annual stress testing requirements. In addition, banks with $10 billion or more in total assets are primarily examined by the Consumer Financial Protection Bureau ("CFPB") with respect to various federal consumer financial protection laws and regulations. Currently, our bank is subject to regulations adopted by the CFPB, but the Federal Reserve is primarily responsible for examining our bank's compliance with consumer protection laws and those CFPB regulations. As a relatively new agency with evolving regulations and practices, there is uncertainty as to how the CFPB's examination and regulatory authority might impact our business.

Compliance with these requirements may necessitate that we hire additional compliance or other personnel, design and implement additional internal controls, or incur other significant expenses, any of which could have a material adverse effect on our business, financial condition or results of operations. Compliance with the annual stress testing requirements, part of which must be publicly disclosed, may also be misinterpreted by the market generally or our customers and, as a result, may adversely affect our stock price or our ability to retain our customers or effectively compete for new business opportunities. To ensure compliance with these heightened requirements when effective, our regulators may require us to fully comply with these requirements or take actions to prepare for compliance even before our or our bank's total assets equal or exceed $10 billion. As a result, we may incur compliance-related costs before we might otherwise be required, including if we do not continue to grow at the rate we expect or at all. Our regulators may also consider our preparation for compliance with these regulatory requirements when examining our operations generally or considering any request for regulatory approval we may make, even requests for approvals on unrelated matters.

Risks Relating to Our Securities

Risks Relating to Our Voting Common Stock

The trading volume in our common stock is less than that of other larger financial services companies.

Although the shares of our common stock are listed on the New York Stock Exchange, the trading volume in our common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of willing buyers and sellers of our Voting Common Stock at any given time, which presence will be dependent upon the individual decisions of investors, over which we have no control. Illiquidity of the stock market, or in the trading of our common stock on the New York Stock Exchange, could have a material adverse effect on the value of your shares, particularly if significant sales of our Voting Common Stock, or the expectation of significant sales, were to occur.

We do not expect to pay cash dividends on our Voting Common Stock in the foreseeable future, and our ability to pay dividends is subject to regulatory limitations.

We have not historically declared nor paid cash dividends on our Voting Common Stock and we do not expect to do so in the near future. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, ability to service any equity or debt obligations senior to the Voting Common Stock, and other factors deemed relevant by the board of directors. We must be current in the payment of dividends payable to holders of our Series C and Series D Preferred Stock before any dividends can be paid on our common stock.

In addition, as a bank holding company, we are subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Further, various federal and state statutory provisions limit the amount of dividends that our bank subsidiaries can pay to us as its holding company without regulatory approval. See “Market Price of Common Stock and Dividends – Dividends on Voting Common Stock” below for further detail regarding restrictions on our ability to pay dividends.

We may issue additional shares of our common stock in the future which could adversely affect the value or voting power of the Voting Common Stock.

Actual or anticipated issuances or sales of substantial amounts of our common stock in the future could cause the value of our Voting Common Stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. Actual issuances of our Voting Common Stock could also significantly dilute the voting power of the Voting Common Stock. In 2013, we issued 6,791,514 shares of Voting Common Stock in a public offering, as adjusted for a 2014 10% stock dividend.

We have also made grants of restricted stock units and stock options with respect to shares of Voting Common Stock and Class B Non-Voting Common Stock to our directors and certain employees. We may also issue further equity-based awards in the future. As such shares are issued upon vesting and as such options may be exercised and the underlying shares are or become freely tradeable, the value or voting power of our Voting Common Stock may be adversely affected and our ability to sell more equity or equity-related securities could also be adversely affected.

Except for 627,673 warrants held by certain investors at December 31, 2015 , we are not required to issue any additional equity securities to existing holders of our Voting Common Stock on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities, warrants or options, will generally dilute the holdings of our existing holders of Voting Common Stock and such issuances or the perception of such issuances may reduce the market price of our Voting Common Stock. Our outstanding preferred stock has preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to holders of our Voting Common Stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital raising efforts is uncertain. Thus, holders of our Voting Common Stock bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the value of our Voting Common Stock.

Future issuances of debt securities, which would rank senior to our Voting Common Stock upon our liquidation, and future issuances of equity securities, which would dilute the holdings of our existing holders of Voting Common Stock and may be senior to our Voting Common Stock for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of our Voting Common Stock.

In the future, we may issue debt or equity securities or incur other borrowings. Upon our liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before holders of our Voting Common Stock. If we incur debt in the future, our future interest costs could increase, and adversely affect our liquidity, cash flows and results of operations.

Provisions in our articles of incorporation and bylaws may inhibit a takeover of us, which could discourage transactions that would otherwise be in the best interests of our shareholders and could entrench management.

Provisions of our articles of incorporation and bylaws, and applicable provisions of Pennsylvania law and the federal Change in Bank Control Act may delay, inhibit or prevent someone from gaining control of our business through a tender offer, business combination, proxy contest or some other method even though some of our shareholders might believe a change in control is desirable. They might also increase the costs of completing a transaction in which we acquire another financial services business, merge with another financial institution, or sell our business to another financial institution. These increased costs could reduce the value of the shares held by our shareholders upon completion of these types of transactions.

Shareholders may be deemed to be acting in concert or otherwise in control of us and our bank subsidiaries, which could impose prior approval requirements and result in adverse regulatory consequences for such holders.

We are a bank holding company regulated by the Federal Reserve. Any entity (including a "group" composed of natural persons) owning 25% or more of a class of our outstanding shares of voting stock, or a lesser percentage if such holder or group otherwise exercises a "controlling influence" over us, may be subject to regulation as a "bank holding company" in accordance with the Bank Holding Company Act of 1956, as amended (the "BHCA"). In addition, (1) any bank holding company or foreign bank with a U.S. presence is required to obtain the approval of the Federal Reserve under the BHCA to acquire or retain 5% or more of a class of our outstanding shares of voting stock, and (2) any person other than a bank holding company may be required to obtain prior regulatory approval under the Change in Bank Control Act to acquire or retain 10% or more of our outstanding shares of voting stock. Any shareholder that is deemed to "control" the Company for bank regulatory purposes would become subject to prior approval requirements and ongoing regulation and supervision. Such a holder may be required to divest amounts equal to or exceeding 5% of the voting shares of investments that may be deemed incompatible with bank holding company status, such as an investment in a company engaged in non-financial activities. Regulatory determination of "control" of a depository institution or holding company is based on all of the relevant facts and circumstances. Potential investors are advised to consult with their legal counsel regarding the applicable regulations and requirements.

Our common stock owned by holders determined by a bank regulatory agency to be acting in concert would be aggregated for purposes of determining whether those holders have control of a bank or bank holding company. Each shareholder obtaining control that is a "company" would be required to register as a bank holding company. "Acting in concert" generally means knowing participation in a joint activity or parallel action towards the common goal of acquiring control of a bank or a parent company, whether or not pursuant to an express agreement. The manner in which this definition is applied in individual circumstances can vary and cannot always be predicted with certainty. Many factors can lead to a finding of acting in concert, including where: (i) the shareholders are commonly controlled or managed; (ii) the shareholders are parties to an oral or written agreement or understanding regarding the acquisition, voting or transfer of control of voting securities of a bank or bank holding company; (iii) the shareholders each own stock in a bank and are also management officials, controlling shareholders, partners or trustees of another company; or (iv) both a shareholder and a controlling shareholder, partner, trustee or management official of such shareholder own equity in the bank or bank holding company.

The FDIC's policy statement imposing restrictions and criteria on private investors in failed bank acquisitions will apply to us and our investors.

On August 26, 2009, the FDIC issued a policy statement imposing restrictions and criteria on private investors in failed bank acquisitions. The policy statement is broad in scope and both complex and potentially ambiguous in its application. In most cases it would apply to an investor with more than 5% of the total voting power of an acquired depository institution or its holding company, but in certain circumstances it could apply to investors holding fewer voting shares. The policy statement will be applied to us if we make additional failed bank acquisitions from the FDIC or if the FDIC changes its interpretation of the policy statement or determines at some future date that it should be applied because of our circumstances.

Investors subject to the policy statement could be prohibited from selling or transferring their interests for three years. They also would be required to provide the FDIC with information about the investor and all entities in the investor's ownership chain, including information on the size of the capital fund or funds, its diversification, its return profile, its marketing documents, and its management team and business model. Investors owning 80% or more of two or more banks or savings associations would be required to pledge their proportionate interests in each institution to cross-guarantee the FDIC against losses to the Deposit Insurance Fund.

Under the policy statement, the FDIC also could prohibit investment through ownership structures involving multiple investment vehicles that are owned or controlled by the same parent company. Investors that directly or indirectly hold 10% or more of the equity of a bank or savings association in receivership also would not be eligible to bid to become investors in the deposit liabilities of that failed institution. In addition, an investor using ownership structures with entities that are domiciled in bank secrecy jurisdictions would not be eligible to own a direct or indirect interest in an insured depository institution unless the investor's parent company is subject to comprehensive consolidated supervision as recognized by the Federal Reserve and the investor enters into certain agreements with the U.S. bank regulators regarding access to information, maintenance of records and compliance with U.S. banking laws and regulations. If the policy statement applies, we (including any failed bank we acquire) could be required to maintain a ratio of Tier 1 common equity to total assets of at least 10% for a period of 3 years, and thereafter maintain a capital level sufficient to be well capitalized under regulatory standards during the remaining period of ownership of the investors. Bank subsidiaries also may be prohibited from extending any new credit to investors that own at least 10% of our equity.

Risks Relating to Our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C and Our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D

The shares of Series C Preferred Stock and Series D Preferred Stock are equity securities and are subordinate to our existing and future indebtedness.

The shares of Series C and Series D Preferred Stock are equity interests in Customers Bancorp and do not constitute indebtedness of Customers Bancorp or any of our subsidiaries, and rank junior to all of Customer Bancorp's and our subsidiaries' existing and future indebtedness and other non-equity claims with respect to assets available to satisfy claims against us, including claims in the event of Customer Bancorp's liquidation. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient funds to pay amounts due on any or all of the Series C and Series D Preferred Stock then outstanding.

We may not pay dividends on the shares of Series C Preferred Stock and Series D Preferred Stock.

Dividends on the shares of Series C and Series D Preferred Stock are payable only if declared by our board of directors or a duly authorized committee of the board. As a bank holding company, we are subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Further, various federal and state statutory provisions limit the amount of dividends that our bank subsidiaries can pay to us as its holding company without regulatory approval.

Dividends on the shares of Series C Preferred Stock and Series D Preferred Stock are non-cumulative.

Dividends on the shares of Series C and Series D Preferred Stock are payable only when, as and if authorized and declared by our board of directors or a duly authorized committee of the board. Consequently, if our board of directors or a duly authorized committee of the board does not authorize and declare a dividend for any dividend period, holders of the Series C and Series D Preferred Stock will not be entitled to receive any such dividend, and such unpaid dividend will cease to accrue or be payable. If we do not declare and pay dividends on the Series C and Series D Preferred Stock, the market prices of the shares of Series C and Series D Preferred Stock may decline.

Our ability to pay dividends on the shares of Series C Preferred Stock and Series D Preferred is dependent on dividends and distributions we receive from our subsidiaries, which are subject to regulatory and other limitations.

Our principal source of cash flow is dividends from Customers Bank. We cannot assure you that Customers Bank will, in any circumstances, pay dividends to us. If Customers Bank fails to make dividend payments or other permitted distributions to us, and sufficient cash is not otherwise available, we may not be able to make dividend payments on the Series C and Series D Preferred Stock. Various federal and state statutes, regulations and rules limit, directly or indirectly, the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval. In particular, dividend and other distributions from Customers Bank to us would require notice to or approval of the applicable regulatory authority. There can be no assurances that we would receive such approval.

In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or otherwise, and, as a result, the ability of a holder of Series C or Series D Preferred Stock to benefit indirectly from such distribution, will be subject to the prior claims of preferred equity holders and creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, shares of the Series C and Series D Preferred Stock are effectively subordinated to all existing and future liabilities and any preferred equity of our subsidiaries.

Holders of Series C Preferred Stock and Series D Preferred Stock should not expect us to redeem their shares when they first becomes redeemable at our option or on any particular date thereafter, and our ability to redeem the shares will be subject to the prior approval of the Federal Reserve.

Our Series C and Series D Preferred Stock are perpetual equity securities, meaning that the Series C and Series D Preferred Stock have no maturity date or mandatory redemption date and the shares are not redeemable at the option of the holders thereof. Any determination we make at any time to propose a redemption of the Series C or Series D Preferred Stock will depend upon a number of factors, including our evaluation of our capital position, the composition of our shareholders' equity and general market conditions at that time. In addition, our right to redeem the Series C and Series D Preferred Stock is subject to any limitations established by the Federal Reserve. Under the Federal Reserve's risk-based capital guidelines applicable to bank holding companies, any redemption of the Series C or Series D Preferred Stock is subject to prior approval of the Federal Reserve. There can be no assurance that the Federal Reserve will approve any such redemption.

We may be able to redeem the Series C Preferred Stock and Series D Preferred Stock before their initial redemption dates upon a "regulatory capital treatment event."

We may be able to redeem the Series C and Series D Preferred Stock before their respective initial redemption dates, in whole but not in part, upon the occurrence of certain events involving the capital treatment of the Series C and Series D Preferred Stock, as applicable. In particular, upon our determination in good faith that an event has occurred that would constitute a "regulatory capital treatment event," with respect to a particular series of the preferred stock, we may redeem that particular series of securities in whole but not in part upon the prior approval of the Federal Reserve.

Holders of Series C Preferred stock and Series D Preferred Stock have limited voting rights.

Holders of Series C and Series D Preferred Stock have no voting rights with respect to matters that generally require the approval of voting shareholders. However, holders of Series C and Series D Preferred Stock will have the right to vote in the event of non-payments of dividends under certain circumstances, with respect to authorizing classes or series of preferred stock senior to the Series C or Series D Preferred Stock, as applicable, and with respect to certain fundamental changes in the terms of the Series C or Series D Preferred Stock, as applicable, or as otherwise required by law.

General market conditions and unpredictable factors could adversely affect market prices for the Series C Preferred Stock and Series D Preferred Stock.

There can be no assurance regarding the market prices for either the Series C or Series D Preferred Stock. A variety of factors, many of which are beyond our control, could influence the market prices, including:

- whether we declare or fail to declare dividends on the series of preferred stock from time to time;
- our operating performance, financial condition and prospects, or the operating performance financial condition and prospects of our competitors;
- real or anticipated changes in the credit ratings (if any) assigned to the Series C or Series D Preferred Stock or our other securities;
- our creditworthiness;
- changes in interest rates and expectations regarding changes in rates;
- our issuance of additional preferred equity;
- the market for similar securities;
- developments in the securities, credit and housing markets, and developments with respect to financial institutions generally; and
- economic, financial, corporate, securities market, geopolitical, regulatory or judicial events that affect us, the banking industry or the financial markets generally.

The Series C Preferred Stock and Series D Preferred Stock may not have an active trading market.

Although the shares of Series C and Series D Preferred Stock are listed on the New York Stock Exchange, an active trading market may not be established or maintained for the shares and transaction costs could be high. As a result, the difference between bid and asked prices in any secondary market could be substantial.

The Series C Preferred Stock and D Preferred Stock may be junior or equal in rights and preferences to preferred stock we may issue in the future.

Our Series C Preferred Stock and Series D Preferred Stock rank equally. Although we do not currently have outstanding preferred stock that ranks senior to the Series C and Series D Preferred Stock, the Series C and Series D Preferred Stock may rank junior to other preferred stock we may issue in the future that by its terms is expressly senior in rights and preferences to the Series C and Series D Preferred Stock, although the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the affected class of preferred stock is required to issue any shares of stock ranking senior in rights and preferences to such class. Any preferred stock that ranks senior to the Series C or Series D Preferred Stock in the future would have priority in payment of dividends and the making of distributions in the event of any liquidation, dissolution or winding up of Customers Bancorp. Additional issuances by us of preferred stock ranking equally with Series C and Series D Preferred Stock do not generally require the approval of holders of Series C or Series D Preferred Stock.

Risks Relating to Our Debt Securities

Our 6.375% Senior Notes and 4.625% Senior Notes contain limited covenants.

The terms of our 6.375% Senior Notes and 4.625% Senior Notes generally do not prohibit us from incurring additional debt or other liabilities. If we incur additional debt or liabilities, our ability to pay our obligations on the 6.375% Senior Notes and 4.625% Senior Notes could be adversely affected. In addition, the terms of our 6.375% Senior Notes and 4.625% Senior Notes do not require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, do not protect holders of those notes in the event that we experience material adverse changes in our financial condition or results of operations. Holders of the 6.375% Senior Notes and 4.625% Senior Notes also have limited protection in the event of a highly leveraged transaction, reorganization, default under our existing indebtedness, restructuring, merger or similar transaction.

Our ability to make interest and principal payments on the 6.375% Senior Notes and 4.625% Senior Notes is dependent on dividends and distributions we receive from our subsidiaries, which are subject to regulatory and other limitations.

Our principal source of cash flow is dividends from Customers Bank. We cannot assure you that Customers Bank will, in any circumstances, pay dividends to us. If Customers Bank fails to make dividend payments to us, and sufficient cash is not otherwise available, we may not be able to make interest and principal payments on the 6.375% Senior Notes and 4.625% Senior Notes. Various federal and state statutes, regulations and rules limit, directly or indirectly, the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval. In particular, dividend and other distributions from Customers Bank to us would require notice to or approval of the applicable regulatory authority. There can be no assurances that we would receive such approval.

In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or otherwise, and, as a result, the ability of a holder of 6.375% Senior Notes and 4.625% Senior Notes to benefit indirectly from such distribution, will be subject to the prior claims of preferred equity holders and creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, the 6.375% Senior Notes and 4.625% Senior Notes are effectively subordinated to all existing and future liabilities and any preferred equity of our subsidiaries.

We may not be able to generate sufficient cash to service our debt obligations, including our obligations under the 6.375% Senior Notes and 4.625% Senior Notes.

Our ability to make payments on and to refinance our indebtedness, including the 6.375% Senior Notes and 4.625% Senior Notes, will depend on our financial and operating performance, including dividends payable to us from Customers Bank, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources, and dividends from Customers Bank, are insufficient to fund our debt service obligations, we may be unable to provide new loans, other products or to fund our obligations to existing customers and otherwise implement our business plans. As a result, we may be unable to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations, or seek to restructure our indebtedness, including the notes. We may not be able to consummate these transactions, and these proceeds may not be adequate to meet our debt service obligations then due.

The 6.375% Senior Notes and 4.625% Senior Notes are our unsecured obligations. The 6.375% Senior Notes and 4.625% Senior Notes will rank equal in right of payment with all of our secured and unsecured senior indebtedness and will rank senior in right of payment to all of our subordinated indebtedness. Although the 6.375% Senior Notes and 4.625% Senior Notes are "senior notes," they will be effectively subordinate to all liabilities of our subsidiaries, including secured indebtedness.

The 6.375% Senior Notes and 4.625% Senior Notes may not have an active trading market.

Although the 6.375% Senior Notes are listed on the New York Stock Exchange, an active trading market may not be established or maintained for those notes and transaction costs could be high. The 4.625% Senior Notes are not listed on any securities exchange and there is no active trading market for these notes. In addition to the other factors described below, the lack of a trading market for the 4.625% Senior Notes may adversely affect the holder's ability to sell the notes and the prices at which the notes may be sold.

The prices realizable from sales of the 6.375% Senior Notes and 4.625% Senior Notes in any secondary market also will be affected by the supply and demand of the notes, the interest rate, the ranking and a number of other factors, including:

- yields on U.S. Treasury obligations and expectations about future interest rates;
- actual or anticipated changes in our financial condition or results, including our levels of indebtedness;
- general economic conditions and expectations regarding the effects of national policies;
- investors' views of securities issued by both holding companies and similar financial service firms; and
- the market for similar securities.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The table below summarizes our leased branch and limited purpose and administrative office properties, by county and state, as of December 31, 2015. We do not currently own any real property.

Bank Branches

County	State	Leased
Berks (1)	PA	4
Bucks	PA	3
Chester (2)	PA	3
Delaware	PA	2
Westchester	NY	1
Mercer	NJ	1
		14

Limited Purpose and Administrative Offices

County	State	Leased
Berks (3)	PA	3
Bucks (6)	PA	1
Chester (2)	PA	2
Delaware (7)	PA	1
Lancaster (14)	PA	1
Philadelphia (8)	PA	1
Fairfax (9)	VA	1
Mercer (4)	NJ	2
Morris (14)	NJ	1
New York (10)	NY	1
Westchester (5)	NY	2
Suffolk (13)	NY	1
Providence (11)	RI	1
Rockingham (15)	NH	1
Suffolk (12)	MA	1
		20

(1) Includes the full service branch at 1001 Penn Avenue, Wyomissing, PA as well as three branches acquired through the Berkshire Bancorp, Inc. acquisition. The lease expirations range from 2017 to 2021.
(2) Includes the corporate headquarters of Customers Bank and a full service branch located in a freestanding building at 99 Bridge St., Phoenixville, PA 19460, wherein we lease approximately 31,054 square feet on 4 floors. The lease on this location expires in 2023. Also includes the lease of 5,523 square feet of property at 513 Kimberton Road in Phoenixville, PA where we maintain a full service commercial bank branch and corporate offices. The lease on this location expires in 2019.
(3) Includes the corporate headquarters of Customers Bancorp and a full service branch located at 1015 Penn Avenue, Wyomissing, PA. The leased space covers a total of 23,719 square feet. This lease expires in 2020. Also, includes the leased administrative offices for the corporate lending group which is housed within the Exeter branch location, expiring in 2021, and an administrative offices for Company personnel in Shillington, PA, expiring in 2018.
(4) We lease 7,327 square feet of space in Hamilton, NJ from which we conduct our mortgage warehouse activities. The lease on this location expires in 2019.
(5) Represents administrative offices for Customers personnel. The leases at these locations expire in 2019 and 2022.
(6) Represents administrative office for Customers personnel. The lease on this location expires in 2017.
(7) Represents administrative office for Customers personnel. The lease on this location expires in 2018.
(8) Represents limited purpose office for Customers personnel. The lease on this location expires in 2023.
(9) Represents limited purpose office. The space is currently sublet to a third party. The lease on this location expires in 2019.
(10) Represents limited purpose office for Customers personnel. The lease on this location expires in 2020.
(11) Represents limited purpose office for Customers personnel. The lease on this location expires in 2021.
(12) Represents limited purpose office for Customers personnel. The lease on this location expires in 2019.
(13) Represents limited purpose office for Customers personnel. The lease on this location expires in 2025.
(14) Represents administrative office for Customers personnel. The lease on this location expires in 2016.
(15) Represents limited purpose office for Customers personnel. The lease on this location expires in 2018.

The Bank branch locations, which range in size from approximately 1,800 to 3,900 square feet, have leases on these locations which expire between 2017 and 2023.

The total minimum cash lease payments for our current branches, administrative offices and mortgage warehouse lending locations amount to approximately $325,000 per month.

Item 3. Legal Proceedings

On August 7, 2013, the Bancorp received a letter from the Federal Reserve Bank of Philadelphia (“Reserve Bank”) of its determination, in connection with its consumer compliance and Community Reinvestment Act examinations of the Bank for the period of 2011 and 2012, to make a referral to the Department of Justice. The Reserve Bank informed us that it made the referral based on its belief that Customers Bank has not complied with certain provisions of the Equal Credit Opportunity Act (“ECOA”), Fair Housing Act (“FHA”) and Regulation B with regard to the City of Philadelphia. Customers Bank received notification as of September 24, 2013 that the Department of Justice has initiated an investigation of the Bancorp under the ECOA and FHA.

On August 22, 2014, the Department of Justice informed the Bancorp that it had completed its review and that the circumstances of this matter did not require enforcement action by the Department of Justice at this time. The matter has been referred back to the Federal Reserve. The Federal Reserve has advised us that it will not issue a formal enforcement action with regard to this matter.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Trading Market for Voting Common Stock

Since December 30, 2014, the common stock of Customers Bancorp has been listed for quotation on the New York Stock Exchange under the symbol “CUBI.” The common stock of Customers Bancorp was listed for quotation on the Nasdaq Global Select Market under the symbol “CUBI” from May 16, 2013 through December 29, 2014.

Market Price of Voting Common Stock

The chart below displays the high and low closing sale prices of the common stock of the Bancorp as reported on the Nasdaq Global Select Market and New York Stock Exchange (effective December 30, 2014) between May 16, 2013 and February 20, 2015.

	High	Low
2015		
Fourth quarter	$ 31.00	$ 24.30
Third quarter	29.02	22.51
Second quarter	27.49	24.05
First quarter	24.65	17.96
2014		
Fourth quarter	$ 20.16	$ 17.10
Third quarter	20.66	17.71
Second quarter	21.25	18.25
First quarter	20.03	17.27

As of February 19, 2016, there were 475 shareholders of record and 26,935,953 shares outstanding of Customers Bancorp's Voting Common Stock.

Dividends on Voting Common Stock

Customers Bancorp historically has not paid any cash dividends on its shares of common stock. Customers Bancorp does not expect to do so in the forseeable future.

Any future determination relating to dividend policy will be made at the discretion of Customers Bancorp’s board of directors and will depend on a number of factors, including earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, ability to service any equity or debt obligations senior to the Voting Common Stock, including obligations to pay dividends to the holders of the Bancorp's issued and outstanding shares of preferred stock, and other factors deemed relevant by the board of directors.

In addition, as a bank holding company, Customers Bancorp is subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Further, various federal and state statutory provisions limit the amount of dividends that bank subsidiaries can pay to their parent holding company without regulatory approval. Generally, subsidiaries are prohibited from paying dividends when doing so would cause them to fall below the regulatory minimum capital levels, and limits exist on paying dividends in excess of net income for specified periods.

Beginning January 1, 2015, the ability to pay dividends and the amounts that can be paid, will be limited to the extent the bank capital ratios do not exceed the minimum required levels plus 250 basis points, as these requirements are phased in through January 1, 2019. See "Item 1, Business- Federal Banking Laws" for more information relating to restrictions on the Bank's ability to pay dividends to the Bancorp and the Bancorp's payment of dividends.

Issuer Purchases of Equity Securities

On November 26, 2013, the Bancorp's Board of Directors authorized a stock repurchase plan in which the Bancorp could acquire up to 5% of its current outstanding shares at prices not to exceed a 20% premium over the then current book value. The repurchase program has no expiration date but may be suspended, modified or discontinued at any time, and the Bancorp has no obligation to repurchase any amount of its common stock under the program. There were no common stock repurchases during 2015.

EQUITY COMPENSATION PLANS

The following table provides certain summary information as of December 31, 2015 concerning our compensation plans (including individual compensation arrangements) under which shares of our common stock may be issued.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants, and Rights (#)	Weighted-Average Exercise Price of Outstanding Options ($) (2)	Number of Securities Remaining Available for Future Issuance Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column) (#)
Equity Compensation Plans Approved by Security Holders (1)	4,605,025	$ 14.33	2,895,784 (3)
Equity Compensation Plans Not Approved by Security Holders	**N/A**	**N/A**	**N/A**

(1) Includes shares of common stock that may be issued upon the exercise of awards granted or rights accrued under the Amended and Restated Customers Bancorp, Inc. 2004 Incentive Equity and Deferred Compensation Plan, Customers Bancorp, Inc. 2010 Stock Option Plan, the Bonus Recognition and Retention Program ("BRRP"), and Customers Banorp, Inc. Amended and Restated 2014 Employee Stock Purchase Plan.

(2) Does not include restricted stock units and stock awards for which, by definition, there exists no exercise price.

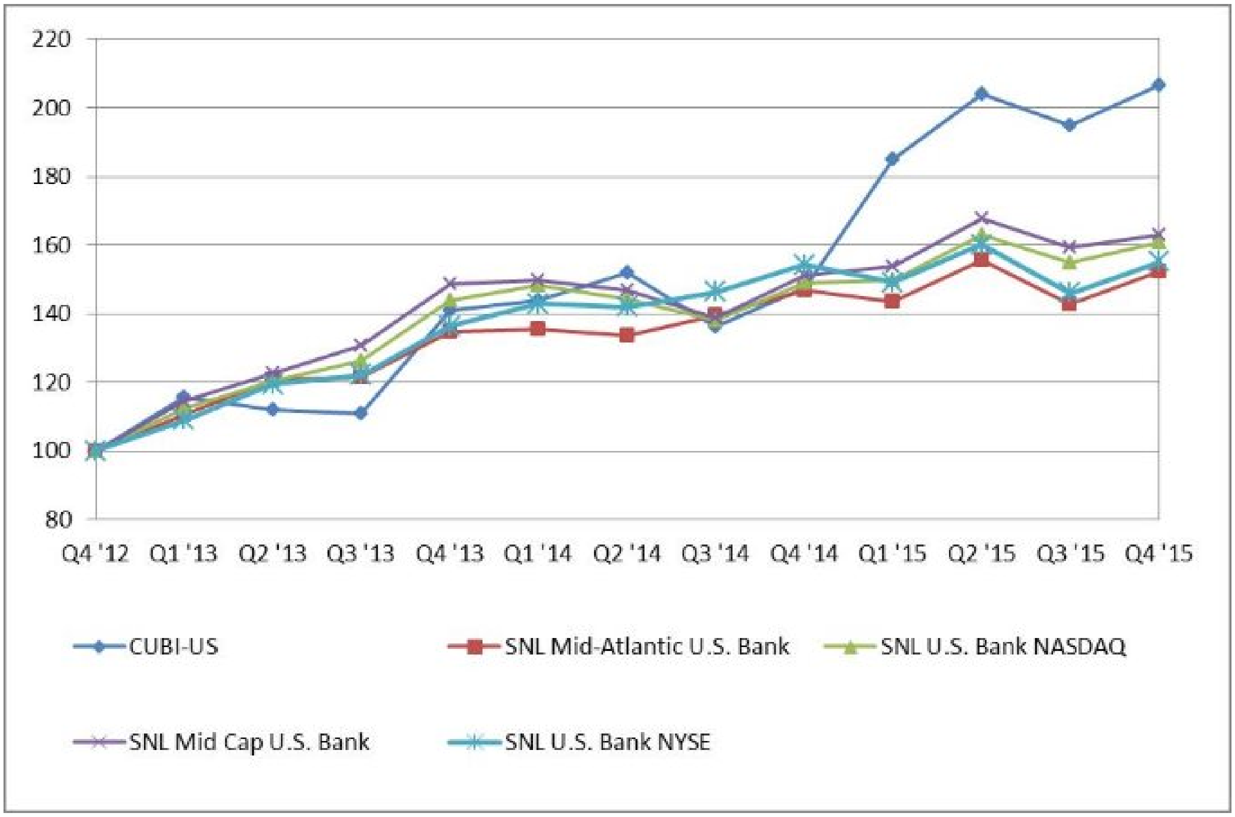
(3) Does not include securities available for future issuance under the BRRP as there is no specific number of shares reserved under this plan. By its terms, the plan limits the award of restricted stock units to the amount of the cash bonuses paid to the participants in the BRRP.

Common Stock Performance Graph

The following graph compares the performance of our common stock over the period from December 31, 2012 to December 31, 2015 , to that of the total return index for the SNL Mid-Atlantic Bank Index, SNL U.S. Bank NASDAQ Index and SNL U.S. Bank NYSE Index, assuming an investment of $100 on December 31, 2012. The SNL U.S. Bank NYSE Index was added to the performance graph because the Bancorp changed the listing of its Voting Common Stock to the NYSE from NASDAQ in December 2014. In calculating total annual shareholder return, reinvestment of dividends, if any, is assumed. Customers Bancorp obtained the information contained in the performance graph from SNL Financial.

The graph below is furnished under this Part II, Item 5 of this Form 10-K and shall not be deemed to be “soliciting material” or to be “filed” with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

Total Return Performance



Item 6. Selected Financial Data

Customers Bancorp, Inc. and Subsidiaries

The following table presents Customers Bancorp’s summary consolidated financial data. Customers Bancorp derived the balance sheet and income statement data for the years ended December 31, 2015 , 2014 , 2013 , 2012 , and 2011 from its audited financial statements. The summary consolidated financial data should be read in conjunction with, and is qualified in their entirety by, Customers Bancorp’s financial statements and the accompanying notes and the other information included elsewhere in this Annual Report on Form 10-K. Certain amounts reported in this table have been reclassified to conform to the 2015 presentation. These reclassifications did not significantly impact Customers' financial position or results of operations.

(dollars in thousands, except per share information)	2015	2014	2013	2012	2011 (1)
For the Year ended December 31,					
Interest income	$ **249,850**	$ 190,427	$ 128,156	$ 93,814	$ 61,245
Interest expense	**53,560**	38,504	24,301	21,761	22,464
Net interest income	**196,290**	151,923	103,855	72,053	38,781
Provision for loan losses	**20,566**	14,747	2,236	14,270	7,495
Total non-interest income	**27,717**	25,126	22,703	28,958	11,469
Total non-interest expense	**114,946**	98,914	74,024	50,651	36,886
Income before taxes	**88,495**	63,388	50,298	36,090	5,869
Income tax expense	**29,912**	20,174	17,604	12,272	1,835
Net income	**58,583**	43,214	32,694	23,818	4,034
Preferred stock dividends	**2,493**	—	—	—	—
Net income attributable to common shareholders	**56,090**	43,214	32,694	23,818	3,990
Basic earnings per common share	**2.09**	1.62	1.34	1.61	0.36
Diluted earnings per common share	**1.96**	1.55	1.30	1.57	0.35
At Period End					
Total assets	$ **8,401,313**	$ 6,825,370	$ 4,153,173	$ 3,201,234	$ 2,077,532
Cash and cash equivalents	**264,593**	371,023	233,068	186,016	73,570
Investment securities (2)	**560,253**	416,685	497,573	129,093	398,684
Loans held for sale (3)	**1,797,064**	1,435,459	747,593	1,439,889	174,999
Loans receivable	**5,453,479**	4,312,173	2,465,078	1,324,467	1,341,393
Allowance for loan losses	**35,647**	30,932	23,998	25,837	15,032
FDIC loss sharing receivable (4)	—	2,320	10,046	12,343	13,077
Deposits	**5,909,501**	4,532,538	2,959,922	2,440,818	1,583,189
Borrowings	**1,893,550**	1,816,250	771,750	471,000	331,000
Shareholders’ equity	**553,902**	443,145	386,623	269,475	147,748
Tangible common equity (5)	**494,682**	439,481	382,947	265,786	144,043
Selected Ratios and Share Data					
Return on average assets	**0.81%**	0.78%	0.95%	1.02%	0.24%
Return on average common equity	**11.82%**	10.39%	9.49%	12.69%	3.04%
Common book value per share	$ **18.52**	$ 16.57	$ 14.51	$ 13.27	$ 11.84
Tangible book value per common share (5)	$ **18.39**	$ 16.43	$ 14.37	$ 13.09	$ 11.54
Common shares outstanding	**26,901,801**	26,745,529	26,646,566	20,305,452	12,482,451
Net interest margin	**2.81%**	2.86%	3.13%	3.21%	2.47%
Equity to assets	**6.59%**	6.49%	9.31%	8.42%	7.11%
Tangible common equity to tangible assets (5)	**5.89%**	6.44%	9.23%	8.31%	6.95%

Tier 1 leverage ratio – Customers Bank	**7.30%**	7.39%	10.81%	7.74%	7.11%
Tier 1 leverage ratio – Customers Bancorp	**7.16%**	6.69%	10.11%	9.30%	7.37%
Tier 1 risk-based capital ratio – Customers Bank	**8.62%**	9.27%	13.33%	8.50%	9.66%
Tier 1 risk-based capital ratio – Customers Bancorp	**8.46%**	8.39%	12.44%	10.23%	10.01%
Total risk-based capital ratio – Customers Bank	**10.85%**	11.98%	14.11%	9.53%	10.78%
Total risk-based capital ratio – Customers Bancorp	**10.62%**	11.09%	13.21%	11.26%	11.13%
Asset Quality					
Non-performing loans	**$ 10,771**	$ 11,733	$ 19,163	$ 32,851	$ 36,626
Non-performing loans to total loans receivable	**0.20%**	0.27%	0.78%	2.48%	2.73%
Non-performing loans to total loans	0.15%	0.20%	0.60%	1.19%	2.42%
Other real estate owned	**$ 5,057**	$ 15,371	$ 12,265	$ 8,114	$ 13,482
Non-performing assets	**15,828**	27,104	31,428	40,965	50,108
Non-performing assets to total assets	**0.19%**	0.40%	0.76%	1.28%	2.41%
Allowance for loan losses to total loans receivable	**0.65%**	0.72%	0.97%	1.95%	1.12%
Allowance for loan losses to non-performing loans	**330.95%**	263.63%	125.23%	78.65%	41.04%
Net charge-offs	**$ 11,979**	$ 3,124	$ 6,894	$ 5,466	$ 9,547
Net charge-offs to average total loans receivable	**0.26%**	0.09%	0.37%	0.38%	1.20%

(1) On September 17, 2011, Customers Bancorp completed its acquisition of Berkshire Bancorp, Inc. using the purchase accounting method in accounting for the acquisition. The purchase method provides that all transactions after the acquisition date are reflected in the acquirers' financial accounting records.
(2) Includes available-for-sale and held-to-maturity investment securities.
(3) In 2015 and 2014, loans held for sale included $1,754,950 and $1,332,019 of mortgage warehouse loans at fair value, respectively.
(4) The FDIC loss sharing receivable, as of December 2015, is included in "Accrued interest payable and other liabilities" net of the clawback liability.
(5) Customers' selected financial data contains non-GAAP financial measures calculated using non-GAAP amounts. These measures include tangible common equity and tangible book value per common share and tangible common equity to tangible assets. Management uses these non-GAAP measures to present historical periods comparable to the current period presentation. In addition, management believes the use of these non-GAAP measures provides additional clarity when assessing the Bancorp's financial results and use of equity. These disclosures should not be viewed as substitutes for results determined to be in accordance with U.S. GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other entities. Customers Bancorp calculates tangible common equity by excluding intangible assets from total shareholders' equity. Tangible book value per common share equals tangible common equity divided by common shares outstanding.

A reconciliation of shareholders' equity to tangible common equity and other related amounts is set forth below.

	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Shareholders' equity	$ 553,902	$ 443,145	$ 386,623	$ 269,475	$ 147,748
Less: intangible assets	(3,651)	(3,664)	(3,676)	(3,689)	(3,705)
Less: preferred stock	(55,569)	—	—	—	—
Tangible common equity	$ 494,682	$ 439,481	$ 382,947	$ 265,786	$ 144,043
Shares outstanding	26,902	26,746	26,647	20,305	12,482
Common book value per share	$ 18.52	$ 16.57	$ 14.51	$ 13.27	$ 11.84
Less: effect of excluding intangible assets	(0.13)	(0.14)	(0.14)	(0.18)	(0.30)
Common tangible book value per share	$ 18.39	$ 16.43	$ 14.37	$ 13.09	$ 11.54
Total assets	$ 8,401,313	$ 6,825,370	$ 4,153,173	$ 3,201,234	$ 2,077,532
Less: intangible assets	(3,651)	(3,664)	(3,676)	(3,689)	(3,705)
Total tangible assets	$ 8,397,662	$ 6,821,706	$ 4,149,497	$ 3,197,545	$ 2,073,827
Equity to assets	6.59%	6.49%	9.31%	8.42%	7.11%
Tangible common equity to tangible assets	5.89%	6.44%	9.23%	8.31%	6.95%

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read this Management's Discussion and Analysis in conjunction with “Business – Executive Summary” and the Bancorp’s consolidated financial statements and related notes for the year ended December 31, 2015. Certain amounts reported in the 2014 and 2013 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications did not significantly impact Customers' financial position or results of operations.

Critical Accounting Policies

Customers has adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America (U.S. GAAP) and that are consistent with general practices within the banking industry in the preparation of its financial statements. Customers' significant accounting policies are described in “NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION” to its audited financial statements.

Certain accounting policies involve significant judgments and assumptions by Customers that have a material impact on the carrying value of certain assets and liabilities. Customers considers these accounting policies to be critical accounting policies. The judgment and assumptions used are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions management makes, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of Customers' assets and liabilities and results of operations.

The following is a summary of the policies Customers recognizes as involving critical accounting estimates: Allowance for Loan Losses, Stock-Based Compensation, Unrealized Gains and Losses on Available for Sale Securities, Fair Value Accounting, Accounting for Purchased-Credit-Impaired (PCI) Loans, FDIC Loss Sharing Receivable and Clawback Liability, and Deferred Income Taxes.

Allowance for Loan Losses. Customers maintains an allowance for loan losses at a level management believes is sufficient to absorb estimated credit losses incurred as of the report date. Management’s determination of the adequacy of the allowance is based on periodic evaluations of the loan portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires significant estimates by management. Consideration is given to a variety of factors in establishing these estimates including historical losses, peer and industry data, current economic conditions, the size and composition of the loan portfolio, delinquency statistics, criticized and classified assets and impaired loans, results of internal loan reviews, borrowers’ perceived financial and management strengths, the adequacy of underlying collateral, the dependence on collateral, or the strength of the present value of future cash flows and other relevant factors. These factors may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provisions for loan losses may be required which may adversely affect Customers' results of operations in the future.

Subsequent to acquisition of purchased-credit-impaired loans, estimates of cash flows expected to be collected are updated each reporting period based on updated assumptions regarding default rates, loss severities, and other factors that are reflective of current market conditions. Subsequent decreases in expected cash flows will generally result in a provision for loan losses. Subsequent increases in expected cash flows result in a reversal of the provision for loan losses to the extent of prior charges.

Stock-Based Compensation. Customers recognizes compensation expense for share-based awards in accordance with ASC 718 *Compensation – Stock Compensation*. Expense related to stock option awards is based on the fair value of the option at the grant date, with compensation expense recognized over the service period, which is usually the vesting period. For performance based awards, compensation cost is recognized over the vesting period as long as it remains probable that the performance conditions will be met. If the service or performance conditions are not met, Customers reverses previously recorded compensation expense upon forfeiture. Customers utilizes the Black-Scholes option-pricing model to estimate the fair value of each option on the date of grant. The Black-Scholes model takes into consideration the exercise price of the option, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the current risk-free interest rate for the expected life of the option. Customers' estimate of the fair value of a stock option is based on expectations derived from its limited historical experience and may not necessarily equate to market value when fully vested.

Unrealized Gains and Losses on Securities Available for Sale. Customers receives estimated fair values of debt securities from independent valuation services and brokers. In developing these fair values, the valuation services and brokers use estimates of cash flows based on historical performance of similar instruments in similar rate environments. Debt securities available for sale consist primarily of mortgage-backed securities issued by U.S. government-sponsored agencies. Customers uses various indicators in determining whether a security is other-than-temporarily impaired including, for debt securities, when it is probable that the contractual interest and principal will not be collected, or for equity securities, whether the market value is below its cost for an extended period of time with low expectation of recovery. The debt securities are monitored for changes in credit ratings because adverse changes in credit ratings could indicate a change in the estimated cash flows of the underlying collateral or issuer.

For marketable equity securities, Customers considers the issuer's financial condition, capital strength and near term prospects to determine whether an impairment is temporary or other-than-temporary. Customers also considers the volatility of a security's price in comparison to the market as a whole and any recoveries or declines in fair value subsequent to the balance sheet date. If management determines that the impairment is other-than-temporary, the entire amount of the impairment as of the balance sheet date is recognized in earnings even if the decision to sell the security has not been made. The fair value of the security becomes the new amortized cost basis of the investment and is not adjusted for subsequent recoveries in fair value.

The unrealized losses associated with available-for-sale debt securities were not considered to be other-than-temporarily impaired as of December 31, 2015 and 2014 because the unrealized losses were related to changes in interest rates and did not affect the expected cash flows of the underlying collateral or issuer. The unrealized losses associated with the equity investments were also not considered other-than-temporarily impaired as of December 31, 2015 and 2014. Management concluded that the decline in fair value was temporary and would recover by way of increases in market price or positive changes in foreign currency exchange rates.

Fair Value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, other than in a forced or liquidation sale as of the measurement date (also referred to as an exit price). Management estimates the fair value of a financial instrument using a variety of valuation methods. When financial instruments are actively traded and have quoted market prices, the quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, Customers estimates fair value using unobservable data. The valuation methods and inputs consider factors such as types of underlying assets or liabilities, rates of estimated credit losses, interest rate or discount rate and collateral. The best estimate of fair value involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, current delinquency rates, loan-to-value ratios and the possibility of obligor refinancing. U.S. GAAP requires the use of fair values in determining the carrying values of certain assets and liabilities, as well as for specific disclosures. The most significant uses of fair values include residential mortgage loans acquired subject to an agreement to resell, residential mortgage loans originated with an intent to sell, available-for-sale investment securities, derivative assets and liabilities, impaired loans and foreclosed property and the net assets acquired in business combinations. For additional information, refer to "NOTE 19 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS."

Purchased Credit-Impaired Loans

For certain acquired loans that have experienced a deterioration of credit quality, Customers follows the guidance contained in ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* . Purchased credit-impaired loans are loans that were acquired in business combinations or asset purchases with evidence of credit deterioration since origination to the date acquired and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of purchase dates may include information such as past-due and non-accrual status, borrower credit scores and recent loan to value percentages.

The fair value of loans with evidence of credit deterioration is recorded net of a nonaccretable difference and, if appropriate, an accretable yield. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is the nonaccretable difference, which is not included in the carrying amount of acquired loans. Subsequent decreases in the estimated cash flows of the loan will generally result in a provision for loan losses. Subsequent to acquisition, estimates of cash flows expected to be collected are updated each reporting period based on updated assumptions regarding default rates, loss severities, and other factors that are reflective of current market conditions. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges, or a reclassification of the difference from nonaccretable to accretable with a positive impact on accretion of interest income in future periods. Further, any excess of cash flows expected at the time of acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of those cash flows.

Purchased-credit-impaired loans acquired may be aggregated into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. On a quarterly basis, the Bank re-estimates the total cash flows (both principal and interest) expected to be collected over the remaining life of each pool. These estimates incorporate assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that reflect then-current market conditions. If the timing and/or amounts of expected cash flows on purchased-credit-impaired loans were determined not to be reasonably estimable, no interest would be accreted and the loans would be reported as non-accrual loans; however, when the timing and amounts of expected cash flows for purchased-credit-impaired loans are reasonably estimable, interest is being accreted and the loans are being reported as performing loans. Charge-offs are not recorded on purchased-credit-impaired loans until actual losses exceed the estimated losses that were recorded as purchase accounting adjustments at acquisition date.

FDIC Loss Sharing Receivable and Clawback Liability for Loss Share Agreements. The majority of the loans and other real estate assets acquired in an FDIC-assisted acquisition is covered under loss share agreements with the FDIC in which the FDIC has agreed to reimburse the Bank for 80% of all losses incurred in connection with those assets. Management estimated the amount that the Bank will receive from the FDIC under the loss share agreements that will result from losses incurred as the Bank disposes of covered loans and other real estate assets and records the estimate as a receivable from the FDIC.

The FDIC loss sharing receivable is measured separately from the related covered assets because it is not contractually embedded in the assets and is not transferable if the assets are sold. Management estimated the fair value of the FDIC loss sharing receivable using the present value of cash flows related to the loss share agreements based on the expected reimbursements for losses and the applicable loss share percentages.

The FDIC loss sharing receivable is reviewed quarterly and adjusted for changes in expected cash flows based on recent performance and expectations for future performance of the covered portfolio. These adjustments are measured on the same basis as the related covered loans and covered other real estate owned. Increases in estimated cash flows on the covered assets will reduce the FDIC loss sharing receivable and decreases in estimated cash flows on the covered assets will increase the FDIC loss sharing receivable. Increases to the FDIC loss sharing receivable resulting from reduced cash flow estimates on the covered loans are recorded as a reduction to the provision for loan losses and decreases to the FDIC loss sharing receivable are recorded either as an increase to the provision for loan losses (to the extent an increase in the FDIC receivable balance was previously recorded as a reduction to the provision for loan losses) or recognized over the life of the loss share agreements. Decreases in the valuations of covered other real estate owned are recorded net of the FDIC receivable balance resulting from the valuation allowance as an increase to other real estate owned expense (a component of non-interest expense).

The FDIC loss sharing receivable balance will be reduced through a charge to the provision for loan losses, with no offsetting reduction to the allowance for loan losses, as the period to submit losses under the FDIC loss sharing agreements approaches expiration and the estimated losses in the covered loans have not yet emerged or been realized in a final disposition event. The period to submit losses under the FDIC loss sharing agreements for non-single family loans expired in third quarter 2015. The period to submit losses under the FDIC loss sharing agreements for single family loans expires in third quarter 2017. The final maturity of the FDIC loss sharing agreements occurs in third quarter 2020.

As part of the FDIC loss sharing agreements, the Bank also assumed a liability to be paid within 45 days subsequent to the maturity or termination of the loss sharing agreements that is contingent upon actual losses incurred over the life of the agreements relative to expected losses and the consideration paid upon acquisition of the failed institutions ("the Clawback Liability"). Due to cash received on the covered assets in excess of the original expectations of the FDIC, the Bank anticipates that it will be required to pay the FDIC at the end of its loss sharing agreements. As of December 31, 2015, a clawback liability of $2.3 million has been recorded. To the extent actual losses on the covered assets are less than estimated losses, the clawback liability will increase. To the extent actual losses on the covered assets are more than the estimated losses, the clawback liability will decrease.

The Bank presents the FDIC loss sharing receivable balance, net of the estimated clawback liability on the consolidated balance sheet. As of December 31, 2015, the Bank expected to collect $0.2 million from the FDIC for estimated losses and reimbursement of external costs, such as legal fees, real estate taxes and appraisal expenses, and estimated the clawback liability due to the FDIC in 2020 at $2.3 million . The net amount of $2.1 million is included in "Accrued interest payable and other liabilities " in the accompanying consolidated balance sheet.

Deferred Income Taxes. Customers provides for deferred income taxes on the liability method whereby tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities in the financial statements and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Overview

Like most financial institutions, Customers derives the majority of its income from interest it receives on its interest-earning assets, such as loans and investments. Customers' primary source of funds for making these loans and investments is its deposits, on which it pays interest. Consequently, one of the key measures of Customers' success is its amount of net interest income, or the difference between the income on its interest-earning assets and the expense on its interest-bearing liabilities, such as deposits and borrowings. Another key measure is the spread between the yield earned on these interest-earning assets and the rate paid on these interest-bearing liabilities, which is referred to as net interest spread.

There is credit risk inherent in all loans, so Customers maintains an allowance for loan losses to absorb probable losses on existing loans that may become uncollectible. Customers maintains this allowance by charging a provision for loan losses against its operating earnings. Customers has included a detailed discussion of this process, as well as several tables describing its allowance for loan losses.

2016 Economic Outlook

U.S. Real GDP is forecasted to grow 2.5% to 3.0% during 2016. The economy is expected to remain divided in two during 2016. Sectors tied closely to the domestic economy should fare better than those sectors that are more closely tied to the global economy. Domestic demand is expected to grow during 2016 partly due to non-farm payroll growth averaging approximately $190,000 per month and that the unemployment rate will continue to trend lower during 2016, ending the year at 4.6%.

While inflation has remained below the Federal Reserve's target of 2%, as measured by both the CPI and PCE deflator, many economists feel that this has been the effect of lower-than-expected commodity prices around the world, led by oil. Once energy prices “normalize” sometime in 2016, upward pressure will be applied to both the CPI and PCE deflator likely resulting in higher prices for businesses and consumers, it is expected that the Federal Reserve to act on an overheating U.S. economy by increasing the overnight interest rate.

Since “lift off” in mid-December 2015, it is expected that the Federal Reserve will continue to raise the overnight interest rate two to four more times throughout 2016. The Federal Reserve has made it clear that any future interest rate hike will be data dependent. For these interest rate hikes to happen, the CPI and PCE deflator will need to approach the Federal Reserve's 2% target and employment will need to improve or at least retain recent positive trends.

While the outlook in the U.S. remains optimistic, fears of a continued slowdown in the rest of the world could have a negative impact on the U.S. economy. While the rest of the world continues to take steps to increase growth, the U.S. continues to churn along in a positive direction. In Customers' market area, management sees continued moderate (2.0% to 3.0%) growth in 2016, the housing market continuing to improve and unemployment improving or at least remaining at current levels during the year. Management is seeing improvement in loan demand in Customers' commercial and industrial, multi-family and commercial real estate loan portfolios. There continues to be some uncertainty in the political and external environments in 2016 as the presidential election looms, and it is likely that these challenging conditions will continue over the next few years. Overall, Customers' management is optimistic that 2016 will show a continuation of the improving economic environment experienced in 2015.

Results of Operations

The following discussion of Customers Bancorp's consolidated results of operations should be read in conjunction with its consolidated financial statements, including the accompanying notes. Also see "CRITICAL ACCOUNTING POLICIES" and "NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION" for information concerning certain significant accounting policies and estimates applied in determining reported results of operations.

For the years ended December 31, 2015 and 2014

Net income available to common shareholders increased $12.9 million , or 29.8% , to $56.1 million for the year ended December 31, 2015 , compared to $43.2 million for the year ended December 31, 2014 . The increased net income resulted from increases in net interest income of $44.4 million and non-interest income of $2.6 million , partly offset by increases in provision for loan losses of $5.8 million , non-interest expense of $16.0 million , tax expense of $9.7 million , and the accrual of preferred stock dividends of $2.5 million.

Net interest income increased $44.4 million , or 29.2% , for the year ended December 31, 2015 to $196.3 million , compared to $151.9 million for the year ended December 31, 2014. The increase in net interest income was driven by an increase in the average balance of loans and securities of $1.6 billion, from $5.0 billion in 2014 to $6.7 billion in 2015, offset in part by a decline in the net interest margin (tax equivalent) of 6 basis points (from 2.87 % in 2014 to 2.81 % in 2015). The net margin decrease was largely a result of the growth in the lower yielding mortgage warehouse portfolio.

The provision for loan losses increased $5.8 million to $20.6 million for the year ended December 31, 2015, compared to $14.7 million for the same period in 2014 . The increase in the provision for loan losses during 2015 was primarily attributable to a provision expense of $9.0 million for the fraudulent loan identified by Customers in July 2015. $5.3 million of the loan was charged off in third quarter 2015 and the residual balance of $3.7 million was charged off in fourth quarter 2015. Customers will continue its efforts to collect the loan balance and is optimistic about a future recovery.

Non-interest income increased $2.6 million , or 10.3% during the year ended December 31, 2015 to $27.7 million , compared to $25.1 million for the year ended December 31, 2014 . The increase resulted primarily from a benefit received on a bank-owned life insurance policy of $2.4 million, higher mortgage warehouse transactional fees driven by increased transaction volume and an increase in the gain on sale of loans, offset in part by gains realized from sales of investment securities of $3.2 million in 2014 compared to a loss of $0.1 million in 2015.

Non-interest expense increased $16.0 million , or 16.2%, during the year ended December 31, 2015 to $114.9 million , compared to $98.9 million during the year ended December 31, 2014 . The increases in salaries and employee benefits of $12.4 million , professional services of $3.3 million , and technology of $1.8 million resulted from growth of Customers' business, which has required additional team members, services, and support. These increases were offset in part by decreased assessments and regulatory fees of $1.1 million related primarily to an adjustment in the Pennsylvania shares tax expense and reduced loan workout expenses of $0.6 million resulting from lower levels of non-performing loans and recoveries of prior expenses on resolved loans during the year.

Income tax expense increased $9.7 million for the year ended December 31, 2015 to $29.9 million , compared to $20.2 million in the same period of 2014 . The increase in income tax expense was driven primarily from increased pre-tax income of $25.1 million in 2015, offset in part by the benefit received on a bank-owned life insurance policy of $2.4 million, which is not taxable.

Preferred stock dividends increased $2.5 million for 2015 due to the accrual of dividends on Customers' Series C Preferred Stock issued on May 18, 2015.

For the years ended December 31, 2014 and 2013

Net income available to common shareholders increased $10.5 million, or 32.2%, to $43.2 million for the year ended December 31, 2014, compared to $32.7 million for the year ended December 31, 2013. The increased net income resulted from increases in net interest income of $48.1 million and non-interest income of $2.4 million, partly offset by increases in provision for loan losses of $12.5 million, non-interest expense of $24.9 million, and tax expense of $2.6 million.

Net interest income increased $48.1 million, or 46.3%, during 2014 to $151.9 million, compared to $103.9 million during 2013 primarily due to an increase in the average balance of interest earnings assets of $2.0 billion (from $3.3 billion in 2013 to $5.3 billion in 2014), offset in part by a decline in the net interest margin (tax equivalent) of 27 basis points (from 3.14% in 2013 to

2.87% in 2014). The growth in average interest earning assets was principally driven by increases in multi-family and other commercial loan products. The decrease in net interest margin results from a combination of changed market conditions, including decreased market interest rates and increased competition on loans, and product mix, as secured multi-family loans yield less than other commercial products and was our primary growth area.

Provision for loan losses increased $12.5 million during 2014 to $14.7 million, compared to $2.2 million during 2013. The increase in the provision for loan losses during 2014 was primarily attributable to significant organic loan growth in the held-for-investment loan portfolio, resulting in approximately $10.1 million of provision expense during 2014, and a reduced benefit expected to be collected from the FDIC as collections on covered loans improved and the loss sharing arrangements for the non-single family loans approach their contractual maturity, resulting in approximately $4.6 million of provision expense during 2014.

Non-interest income increased $2.4 million during 2014 to $25.1 million, compared to $22.7 million during 2013. The increase in 2014 was attributed to a $2.3 million increase in gains on sales of loans as the Bank began selling excess multi-family loan originations, $1.9 million increase in gains on sales of investment securities as the Bank shortened the duration of its investment portfolio, a $1.2 million increase in bank owned life insurance income as the number of insured team members increased, and a $0.9 million increase in mortgage loan and banking income as the Bank continues to develop that business, offset primarily by a decrease in the mortgage warehouse transactional fees of $4.7 million.

Non-interest expense increased $24.9 million during 2014 to $98.9 million, compared to $74.0 million during 2013. Expenses increased in 2014 principally for salaries and employee benefits as staffing levels grew to support the growing business (up $10.9 million), assessments for FDIC insurance and Pennsylvania shares tax increased as the Bank grew (up $6.2 million), professional services related to loan workout, litigation and other general regulatory matters (up $2.2 million), occupancy expense (up $2.2 million) as our need for space grew, other real estate owned resolution expenses as we work through problem properties (up $2.2 million), and technology, communication and bank operations expense (up $1.5 million) as a result of our growth. The increase was offset in by a provision for loss contingency recorded in 2013 of $2.0 million.

Income tax expense increased $2.6 million during 2014 to $20.2 million, compared to $17.6 million during 2013. The increased income tax expense was driven primarily from increased taxable income in 2014 (up $13.1 million to $63.4 million), offset in part by a $1.5 million benefit that resulted from a return to provision and deferred tax analysis performed in third quarter 2014.

NET INTEREST INCOME

Net interest income (the difference between the interest earned on loans, investments and interest-earning deposits with banks, and interest paid on deposits, borrowed funds and subordinated debt) is the primary source of Customers' earnings. The following table summarizes the Customers' net interest income and related spread and margin for the periods indicated.

	For the Years Ended December 31,								
	2015			2014			2013		
(amounts in thousands)	**Average balance**	**Interest income or expense**	**Average yield or cost**	Average balance	Interest income or expense	Average yield or cost	Average balance	Interest income or expense	Average yield or cost
Assets									
Interest-earning deposits	**$ 271,201**	**$ 718**	**0.26%**	$ 228,668	$ 577	0.25%	$ 190,298	$ 482	0.25%
Investment securities (A)	**427,638**	**10,405**	**2.43**	451,932	10,386	2.30	260,862	6,314	2.42
Loans held for sale	**1,589,176**	**51,553**	**3.24**	911,594	30,801	3.38	992,421	38,140	3.84
Loans receivable (B)	**4,635,887**	**182,280**	**3.93**	3,656,891	146,388	4.00	1,842,310	82,580	4.48
Other interest earning assets	**72,693**	**4,894**	**6.73**	66,669	2,275	3.41	27,095	640	2.36
Total interest-earning assets	**6,996,595**	**249,850**	**3.57**	5,315,754	190,427	3.58	3,312,986	128,156	3.87
Non-interest-earning assets	**269,454**			227,045			142,350		
Total assets	**$ 7,266,049**			$ 5,542,799			$ 3,455,336		
Liabilities									
Interest checking	**$ 123,527**	**686**	**0.56**	$ 62,840	361	0.57	45,613	191	0.42
Money market deposit accounts	**2,412,958**	**12,548**	**0.52**	1,712,896	10,391	0.61	1,106,457	7,619	0.69
Other savings accounts	**36,820**	**111**	**0.30**	40,795	172	0.42	31,741	152	0.48
Certificates of deposit	**2,087,641**	**20,637**	**0.99**	1,403,774	13,530	0.96	1,251,709	13,058	1.04
Total interest-bearing deposits	**4,660,946**	**33,982**	**0.73**	3,220,305	24,454	0.76	2,435,520	21,020	0.86
Borrowings	**1,373,359**	**19,578**	**1.43**	1,268,205	14,050	1.11	278,297	3,281	1.18
Total interest-bearing liabilities	**6,034,305**	**53,560**	**0.89**	4,488,510	38,504	0.86	2,713,817	24,301	0.90
Non-interest-bearing deposits	**692,159**			620,385			385,187		
Total deposits and borrowings	**6,726,464**		**0.80**	5,108,895		0.75	3,099,004		0.78
Other non-interest-bearing liabilities	**30,394**			17,905			11,779		
Total liabilities	**6,756,858**			5,126,800			3,110,783		
Shareholders' equity	**509,191**			415,999			344,553		
Total liabilities and shareholders' equity	**$ 7,266,049**			$ 5,542,799			$ 3,455,336		
Net interest earnings		**196,290**			151,923			103,855	
Tax-equivalent adjustment (C)		**449**			405			244	
Net interest earnings		**$ 196,739**			$ 152,328			$ 104,099	
Interest spread			**2.77%**			2.83%			3.09%
Net interest margin (D)			**2.81**			2.86			3.13
Net interest margin tax equivalent (C) (D)			**2.81**			2.87			3.14

(A) For presentation in this table, balances and the corresponding average rates for investment securities are based upon historical cost, adjusted for amortization of premiums and accretion of discounts.
(B) Includes non-accrual loans, the effect of which is to reduce the yield earned on loans, and deferred loan fees.
(C) Full tax equivalent basis, using a 35% statutory tax rate to approximate interest income as a taxable asset.
(D) Excluding an adjustment to interest income for the change in accounting estimate on purchased-credit-impaired loans of $4.5 million, net interest margin and net interest margin tax equivalent are 3.05% for the year ended December 31, 2013 .

The following table presents the dollar amount of changes in interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities. Information is provided for each category of interest-earning assets and interest-bearing liabilities with respect to (i) changes attributable to volume (i.e., changes in average balances multiplied by the prior-period average rate) and (ii) changes attributable to rate (i.e., changes in average rate multiplied by prior-period average balances). For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	2015 vs. 2014			2014 vs. 2013		
	Increase (decrease) due to change in			Increase (decrease) due to change in		
	Rate	**Volume**	**Total**	Rate	Volume	Total
(amounts in thousands)						
Interest income:						
Interest earning deposits	**$ 29**	**$ 112**	**$ 141**	$ (2)	$ 97	$ 95
Investment securities, taxable	**594**	**(575)**	**19**	(335)	4,407	4,072
Loans held for sale	**(1,279)**	**22,031**	**20,752**	(4,384)	(2,955)	(7,339)
Loans receivable	**(2,645)**	**38,537**	**35,892**	(9,683)	73,491	63,808
Other interest earning assets	**2,396**	**223**	**2,619**	382	1,253	1,635
Total interest income	**(905)**	**60,328**	**59,423**	(14,022)	76,293	62,271
Interest expense:						
Interest checking	**(12)**	**337**	**325**	84	86	170
Money market deposit accounts	**(1,640)**	**3,797**	**2,157**	(996)	3,768	2,772
Savings	**(46)**	**(15)**	**(61)**	(20)	40	20
Certificates of deposit	**355**	**6,752**	**7,107**	(1,040)	1,512	472
Total interest bearing deposits	**(1,343)**	**10,871**	**9,528**	(1,972)	5,406	3,434
Borrowings	**4,288**	**1,240**	**5,528**	(210)	10,979	10,769
Total interest expense	**2,945**	**12,111**	**15,056**	(2,182)	16,385	14,203
Net interest income	**$ (3,850)**	**$ 48,217**	**$ 44,367**	$ (11,840)	$ 59,908	$ 48,068

For the years ended December 31, 2015 and 2014

Net interest income for the year ended December 31, 2015 was $196.3 million , an increase of $44.4 million , or 29.2% , when compared to net interest income for the year ended December 31, 2014 of $151.9 million . This increase in net interest income was primarily attributable to an increase of $1.6 billion in the average balance of loans and securities.

The key measure of net interest income is net interest margin. While Customers' net interest margin decreased to 2.81 % for the year ended December 31, 2015 from 2.87 % for the year ended December 31, 2014 , the impact on net interest income was secondary to the significant increases in loan volume.

For the years ended December 31, 2014 and 2013

Net interest income for the year ended December 31, 2014 was $151.9 million, an increase of $48.1 million, or 46.3%, when compared to net interest income for the year ended December 31, 2013 of $103.9 million. This increase in net interest income was primarily attributable to an increase of $1.8 billion in average loans receivable, principally in multi-family and other commercial loans.

The key measure of net interest income is net interest margin. While the Bancorp’s net interest margin decreased to 2.87% for the year ended December 31, 2014 from 3.14% for the year ended December 31, 2013, the impact on net interest income was secondary to the significant increases in loan volume.

PROVISION FOR LOAN LOSSES

For more information about our provision and allowance for loan losses methodology and our loss experience, see “Critical Accounting Policies,” “Credit Risk” and “Asset Quality” herein and “NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION.”

Customers maintains its allowance for loan losses through a provision for loan losses charged as an expense on the consolidated statements of income. The loan portfolio is reviewed quarterly to evaluate the outstanding loans and to measure both the performance of the portfolio and the adequacy of the allowance for loan losses. The allowance for loan losses is estimated as of the end of each quarter and compared to the balance recorded in the general ledger net of charge-offs and recoveries. The allowance is adjusted to the estimated allowance for loan losses balance via a charge (or debit) to the provision for loan losses.

For the years ended December 31, 2015 and 2014

During 2015, the provision for loan losses was $20.6 million, an increase of $5.8 million from a provision of $14.7 million in 2014. The 2015 provision for loan losses included a provision expense of $9.0 million for the fraudulent loan identified by Customers in July 2015. The increase in the provision for loan losses resulting from this loan was offset in part by a $2.4 million reduction to the provision for loan losses resulting primarily from Customers' low level of historical losses on loans originated after 2009 and updating the estimated loss ratios to reflect actual industry performance rather than qualitative estimates. $5.3 million of the fraudulent loan was charged off in third quarter 2015 and the residual balance of $3.7 million was charged off in fourth quarter 2015. Customers will continue its efforts to collect the loan balance and is optimistic about a future recovery.

For the years ended December 31, 2014 and 2013

During 2014, the provision for loan losses was $14.7 million, an increase of $12.5 million from a provision of $2.2 million during 2013. The increase in the provision for loan losses during 2014 was primarily attributable to significant organic loan growth in the held-for-investment loan portfolio, resulting in approximately $10.1 million of provision expense during 2014, and a reduced benefit expected to be collected from the FDIC as collections on covered loans improved and the loss sharing arrangements for the non-single family loans approach their contractual maturity, resulting in approximately $4.7 million of provision expense during 2014.

NON-INTEREST INCOME

The chart below shows the various components of non-interest income for each of the years ended December 31, 2015 , 2014 and 2013 .

	Years Ended December 31,		
(amounts in thousands)	**2015**	2014	2013
Mortgage warehouse transactional fees	**$ 10,394**	$ 8,233	$ 12,962
Bank-owned life insurance	**7,006**	3,702	2,482
Gains on sales of loans	**4,047**	3,125	852
Deposit fees	**944**	801	675
Mortgage loan and banking income	**741**	2,048	1,142
Gain (loss) on sales of investment securities	**(85)**	3,191	1,274
Other	**4,670**	4,026	3,316
Total non-interest income	**$ 27,717**	$ 25,126	$ 22,703

For the years ended December 31, 2015 and 2014

Non-interest income increased $2.6 million , or 10.3%, during the year ended December 31, 2015 to $27.7 million compared to $25.1 million for the year ended December 31, 2014 . The increase resulted primarily from a benefit received on a bank-owned life insurance policy of $2.4 million, higher mortgage warehouse transactional fees driven by increased transaction volume and an increase in the gain on sale of loans primarily resulting from increased SBA loan sales, offset in part by gains realized from sales of investment securities of $3.2 million in 2014 compared to a loss of $0.1 million in 2015.

For the years ended December 31, 2014 and 2013

Non-interest income increased $2.4 million during 2014 to $25.1 million , compared to $22.7 million during 2013 . The increase in 2014 was attributed to the $2.3 million increase in gains on sales of loans as the Bank began selling excess multi-family loan originations, a $1.9 million increase in gains on sales of investment securities as the Bank shortened the duration of the investment portfolio, a $1.2 million increase in bank owned life insurance income as the number of insured team members increased, and a $0.9 million increase in mortgage loan and banking income as Customers continued to develop that business. These increases were offset primarily by a decrease in mortgage warehouse transactional fees of $4.7 million .

NON-INTEREST EXPENSE

The below chart shows the various components of non-interest expense for each of the years ended December 31, 2015 , 2014 , and 2013 .

	Years Ended December 31,		
	2015	2014	2013
(amounts in thousands)			
Salaries and employee benefits	**$ 58,777**	$ 46,427	$ 35,493
Professional services	**11,042**	7,748	5,548
FDIC assessments, taxes, and regulatory fees	**10,728**	11,812	5,568
Technology, communication and bank operations	**10,596**	8,798	6,607
Occupancy	**8,668**	8,068	6,552
Other real estate owned	**2,516**	3,601	1,365
Advertising and promotion	**1,475**	1,325	1,274
Loan workout	**1,127**	1,706	2,245
Loss contingency	**—**	—	2,000
Other	**10,017**	9,429	7,372
Total non-interest expense	**$ 114,946**	$ 98,914	$ 74,024

For the years ended December 31, 2015 and 2014

Non-interest expense was $114.9 million for the year ended December 31, 2015 , which was an increase of $16.0 million over non-interest expense of $98.9 million for the year ended December 31, 2014 .

Salaries and employee benefits, which represent the largest component of non-interest expense, increased $12.4 million , or 26.6% , to $58.8 million for the year ended December 31, 2015 from $46.4 million for the year ended December 31, 2014 . The primary reason for this increase was the increase in the number of team members from 422 full-time equivalents at December 31, 2014 to 517 full-time equivalents at December 31, 2015 and a full year of expense for the growth of team members in 2014 . This was directly related to the need for additional team members to support our organic growth. More specifically, the increased headcount was needed to support the growing multi-family, commercial real estate, and commercial and industrial loan portfolios and the increased deposits.

Professional services expense increased by $3.3 million to $11.0 million for the year ended December 31, 2015 from $7.7 million for the year ended December 31, 2014 due to costs incurred for BankMobile, increased professional services expense related to fees paid for the FHLB letter of credit used to collateralize municipal deposits, and other professional service expenses driven by the organic growth of the Bank.

FDIC assessments, taxes, and regulatory fees declined $1.1 million to $10.7 million for the year ended December 31, 2015 from $11.8 million for the year ended December 31, 2014 . The primary reason for this decrease was due to an adjustment that reduced the Pennsylvania shares tax expense by $2.3 million recorded in second quarter 2015 offset in part by increased deposit premiums and other regulatory and filing fees largely as a result of the Bank's organic growth.

Technology, communication and bank operations expenses increased $1.8 million to $10.6 million for the year ended December 31, 2015 from $8.8 million for the year ended December 31, 2014 . This increase was primarily attributable to costs incurred for BankMobile and other technology related expenses driven by the organic growth of the Bank.

Occupancy expense increased by $0.6 million to $8.7 million for the year ended December 31, 2015 from $8.1 million for the year ended December 31, 2014. This increase was driven by increased business activity in existing and new markets which required additional team members and facilities.

Other real estate owned expense declined $1.1 million to $2.5 million for the year ended December 31, 2015 from $3.6 million for the year ended December 31, 2014 as the level of other real estate owned declined from 2014. The decrease primarily resulted from lower valuation adjustments, reduced holding expenses, and decreased losses realized from the sale of other real estate owned.

Loan workout expense decreased by $0.6 million to $1.1 million for the year ended December 31, 2015 from $1.7 million for the year ended December 31, 2014. The decrease was attributable to lower workout costs driven by reduced levels of non-performing loans and recoveries of prior expenses incurred on two resolved loans during the year.

Other expense increased by $0.6 million to $10.0 million for the year ended December 31, 2015 from $9.4 million for the year ended December 31, 2014. Customers' experienced higher levels of miscellaneous expenses resulting from the organic growth experienced over the past year, increased staffing, and other activities associated with business development.

For the years ended December 31, 2014 and 2013

Non-interest expense was $98.9 million for the year ended December 31, 2014, which was an increase of $24.9 million over non-interest expense of $74.0 million for the year ended December 31, 2013.

Salaries and employee benefits, which represent the largest component of non-interest expense, increased $10.9 million, or 30.8%, to $46.4 million for the year ended December 31, 2014 from $35.5 million for the year ended December 31, 2013. The primary reason for this increase was due to the increase in the number of team members from 383 full-time equivalents at December 31, 2013 to 422 full-time equivalents at December 31, 2014 and a full year of expense for the growth of team members in 2013 as we increased the number of team members to support our growing commercial loan, multi-family/commercial real estate, and mortgage banking businesses and the related administrative support functions.

FDIC assessments, taxes and regulatory fees increased by $6.2 million to $11.8 million for the year ended December 31, 2014 from $5.6 million for the year ended December 31, 2013 due to increased assets subject to the FDIC assessment, higher regulatory fees and higher Pennsylvania bank shares tax expense as a result of the growth of the Bank.

Professional services expense increased $2.2 million to $7.7 million for the year ended December 31, 2014 from $5.5 million for the year ended December 31, 2013 due to higher legal and consulting expenses in 2014 related to regulatory filings and other regulatory and legal matters as well as general growth of the Bank.

Technology communication and bank operations increased $2.2 million, rising to $8.8 million for the year ended December 31, 2014 from $6.6 million for the year ended December 31, 2013 related to the increased number of employees and increased technology improvements to meet the needs of a larger Bank.

Occupancy expense increased $1.5 million, rising to $8.1 million for the year ended December 31, 2014 from $6.6 million for the year ended December 31, 2013 as a result of a full year of facilities expense from expansion into new markets during 2013.

Larger expenses classified in other expense include loan origination expenses, supplies, director fees, shareholder relations, sponsorships, and business development expenses. Generally these expenses increased as a direct result of the growth of the Bank.

INCOME TAXES

For the years ended December 31, 2015 and 2014

The income tax expense and effective tax rate include both federal and state income taxes. In 2015 , income tax expense was $29.9 million with an effective tax rate of 33.80% , compared to an expense of $20.2 million and an effective tax rate of 31.83% for 2014 . Income tax expense was driven primarily by net income before taxes of $88.5 million and $63.4 million , for the years ended December 31, 2015 and 2014, respectively. In 2015 , the effective tax rate was lower due to a non-taxable bank-owned life insurance death benefit received of $2.4 million , or a 2.73% effective tax rate reduction. In 2014 , the effective tax rate was reduced due to a tax benefit resulting from bank-owned life insurance income of $1.3 million , or a 2.04% effective tax rate reduction, and a benefit of $1.8 million, or a 2.88% effective tax rate reduction, resulting primarily from recording a $1.5 million benefit from a return to provision and deferred tax analysis completed in third quarter 2014.

For the years ended December 31, 2014 and 2013

The income tax expense and effective tax rate include both federal and state income taxes. In 2014, income tax expense was $20.2 million with an effective tax rate of 31.83%, compared to an income tax expense of $17.6 million and an effective tax rate of 35.00% for 2013. Income tax expense was driven primarily by net income before taxes of $63.4 million and $50.3 million, for the years ended December 31, 2014 and 2013, respectively. In 2014 , the effective tax rate was reduced due to a tax benefit resulting from bank-owned life insurance income of $1.3 million , or a 2.04% effective tax rate reduction, and a benefit of $1.8 million, or a 2.88% effective tax rate reduction, resulting primarily from recording a $1.5 million benefit from a return to provision and deferred tax analysis completed in third quarter 2014. In 2013, the effective tax rate was reduced due to a tax benefit resulting from bank-owned life insurance income of $0.9 million, or a 1.73% effective tax rate reduction.

For additional information regarding the Bancorp's income taxes, refer to "NOTE 15 – INCOME TAXES".

FINANCIAL CONDITION

GENERAL

Total assets were $8.4 billion at December 31, 2015. This represented a $1.6 billion , or 23.1% , increase from total assets of $6.8 billion at December 31, 2014 . The major change in our financial position occurred as the result of the growth in loans receivable, which increased by $1.1 billion , or 26.5% , to $5.4 billion at December 31, 2015 , from $4.3 billion at December 31, 2014 .

Customers continued its efforts to increase loan balances outstanding, particularly in the commercial loan portfolio. Multi-family loans increased by $0.6 billion to $2.9 billion at December 31, 2015 . Commercial loans and lines of credit to mortgage companies increased by $0.4 billion to $1.8 billion at December 31, 2015. Additionally, commercial and industrial loans, including owner-occupied commercial real estate, increased by $0.3 billion to $1.1 billion at December 31, 2015 .

Total liabilities were $7.8 billion at December 31, 2015 . This represented a $1.5 billion , or 23.0% , increase from total liabilities of $6.4 billion at December 31, 2014 . The increase in total liabilities resulted primarily from a higher level of deposits in 2015 compared to 2014 . Total deposits grew by $1.4 billion , or 30.4% , to $5.9 billion at December 31, 2015 from $4.5 billion at December 31, 2014 . Deposit growth was primarily the result of marketing efforts targeted to attract municipal and other government deposits. Transaction deposits increased by $0.7 billion , or 26.3% , to $3.6 billion at December 31, 2015 from $2.8 billion at December 31, 2014 , with non-interest bearing deposits increasing by $107 million . Certificates of deposit accounts increased by $0.6 billion , or 37.2% , to $2.3 billion at December 31, 2015 from $1.7 billion at December 31, 2014 .

The following table sets forth certain key condensed balance sheet data:

	December 31,	
(amounts in thousands)	**2015**	2014
Cash and cash equivalents	**$ 264,593**	$ 371,023
Investment securities available for sale, at fair value	**560,253**	416,685
Loans held for sale (includes $1,757,807 and $1,335,668, respectively at fair value)	**1,797,064**	1,435,459
Loans receivable	**5,453,479**	4,312,173
Total loans receivable, net of allowance for loan losses	**5,417,832**	4,281,241
Total assets	**8,401,313**	6,825,370
Total deposits	**5,909,501**	4,532,538
Federal funds purchased	**70,000**	—
FHLB advances	**1,625,300**	1,618,000
Other borrowings	**88,250**	88,250
Subordinated debt	**110,000**	110,000
Total liabilities	**7,847,411**	6,382,225
Total shareholders' equity	**553,902**	443,145
Total liabilities and shareholders' equity	**8,401,313**	6,825,370

CASH AND DUE FROM BANKS

Cash and due from banks consists mainly of vault cash and cash items in the process of collection. These balances totaled $53.6 million at December 31, 2015 . This represents a $9.2 million decrease from $62.7 million at December 31, 2014 . These balances vary from day to day, primarily due to variations in customers' deposits with the Bank.

INTEREST-EARNING DEPOSITS

Interest earning deposits consist mainly of deposits at the Federal Reserve Bank of Philadelphia. These deposits totaled $211.0 million at December 31, 2015 , which was a $97.2 million decrease from $308.3 million at December 31, 2014 . This balance varies from day to day, depending on several factors, such as variations in customers' deposits with the Bank and the payment of checks drawn on customers' accounts. The decrease in 2015 was largely driven by the investment of amounts previously held in interest-earning deposits in highly liquid mortgage-backed securities issued by U.S. government agencies.

INVESTMENT SECURITIES

The investment securities portfolio is an important source of interest income and liquidity. It consists of mortgage-backed securities (guaranteed by an agency of the United States government), domestic corporate debt, and marketable equity securities. In addition to generating revenue, the investment portfolio is maintained to manage interest rate risk, provide liquidity, provide collateral for other borrowings, and diversify the credit risk of earning assets. The portfolio is structured to maximize net interest income, given changes in the economic environment, liquidity position and balance sheet mix.

At December 31, 2015 , investment securities were $560.3 million compared to $416.7 million at December 31, 2014 . The increase was primarily the result of the investment of amounts previously held in interest-earning deposits in highly liquid mortgage-backed securities issued by U.S. government agencies.

Unrealized gains and losses on available-for-sale securities are included in other comprehensive income and reported as a separate component of shareholders' equity, net of the related tax effect.

The following table sets forth the amortized cost of the investment securities at the last two fiscal year ends:

	December 31,	
(amounts in thousands)	**2015**	2014
Available for Sale:		
Residential mortgage-backed securities (1)	**$ 299,392**	$ 376,854
Commercial real estate mortgage-backed securities (1)	**206,719**	—
Corporate notes (2)	**39,925**	15,000
Equity securities (3)	**22,514**	23,074
	$ 568,550	$ 414,928

(1) Consists entirely of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA at December 31, 2015 . Consists primarily of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA at December 31, 2014 .
(2) Includes subordinated debt issued by other bank holding companies.
(3) Consists primarily of equity securities in a foreign entity.

For financial reporting purposes, available-for-sale securities are carried at fair value.

The following table sets forth information about the maturities and weighted-average yield of the securities portfolio. Yields are not reported on a tax-equivalent basis.

	December 31, 2015						
	Amortized Cost						Fair Value
(amounts in thousands)	< 1yr	1 -5 years	5 -10 years	After 10 years	No Specific Maturity	Total	Total
Available for Sale							
Residential mortgage-backed securities	$ —	$ —	$ —	$ —	$ 299,392	$ 299,392	$ 298,104
Yield					2.65%	2.65%	—
Commercial real estate mortgage-backed securities					206,719	$ 206,719	202,870
Yield	—	—	—	—	2.80%	2.80%	—
Corporate notes	—	—	32,925	7,000	—	39,925	40,067
Yield	—	—	5.59%	5.54%	—	5.58%	—
Equity securities	—	—	—	—	22,514	22,514	19,212
Yield	—	—	—	—	—%	—%	—
Total	$ —	$ —	$ 32,925	$ 7,000	$ 528,625	$ 568,550	$ 560,253
Weighted Average Yield	—%	—%	5.59%	5.54%	2.60%	2.81%	

The mortgage-backed securities in the portfolio were issued by Fannie Mae, Freddie Mac, and Ginnie Mae and contain guarantees for the collection of principal and interest on the underlying mortgages. The corporate notes in the portfolio include subordinated notes issued by other bank holding companies.

LOANS

Existing lending relationships are primarily with small and middle market businesses and individual consumers primarily in Bucks, Berks, Chester, Montgomery, Delaware, and Philadelphia Counties, Pennsylvania; Camden and Mercer Counties, New Jersey; and Westchester County and New York City, New York; and the New England area. The loans to mortgage banking companies portfolio is nation-wide. The loan portfolio consists primarily of loans to support mortgage banking companies' funding needs, multi-family/commercial real estate, construction, and commercial and industrial loans. The Bank continues to focus on small and middle market business loans to grow its commercial lending efforts, establish a specialty lending business, and expand its consumer lending products, as outlined below:

Commercial Lending

Customers' commercial lending is divided into four groups: Business Banking, Small and Middle Market Business Banking, Multi-family and Commercial Real Estate Lending, and Mortgage Banking Lending. This grouping is designed to allow for greater resource deployment, higher standards of risk management, strong asset quality, lower interest rate risk and higher productivity levels.

The commercial lending group focuses on companies with annual revenues ranging from $1 million to $50 million, which typically have credit requirements between $0.5 million and $10 million.

The small and middle market business banking platform originates loans, including Small Business Administration loans, through the branch network sales force and a team of dedicated relationship managers. The support administration of this platform is centralized including risk management, product management, marketing, performance tracking and overall strategy. Credit and sales training has been established for Customers' sales force, ensuring that it has small business experts in place providing appropriate financial solutions to the small business owners in its communities. A division approach focuses on industries that offer high asset quality and are deposit rich to drive profitability.

In 2009, Customers launched its lending to mortgage banking businesses products, which primarily provides financing to mortgage bankers for residential mortgage originations from loan closing until sale in the secondary market. Many providers of liquidity in this segment exited the business in 2009 during a period of excessive market turmoil. Customers saw an opportunity to provide liquidity to this business segment at attractive spreads. There was also the opportunity to attract escrow deposits and to generate fee income in this business.

The goal of the mortgage banking businesses lending group is to provide liquidity to mortgage companies. These loans are primarily used by mortgage companies to fund their pipelines from closing of individual mortgage loans until their sale into the secondary market. The underlying residential loans are taken as collateral for Customers' loans. As of December 31, 2015, loans in the warehouse lending portfolio totaled $1.8 billion and are designated as held for sale.

The goal of the multi-family lending product is to build a portfolio of high-quality multi-family loans within Customers' covered markets, while cross selling other products and services. This product primarily targets refinancing existing loans with other banks using conservative underwriting and provides purchase money for new acquisitions by borrowers. The primary collateral for these loans is a first lien mortgage on the multi-family property, plus an assignment of all leases related to such property. As of December 31, 2015, Customers had multi-family loans of $2.9 billion outstanding, comprising approximately 40.7% of the total loan portfolio, compared to $2.3 billion, or approximately 40.2% of the total loan portfolio, at December 31, 2014.

As of December 31, 2015, Customers had $6.9 billion in commercial loans outstanding, composing approximately 94.6% of its total loan portfolio, which includes loans held for sale, compared to $5.3 billion, composing approximately 92.5% at December 31, 2014.

Consumer Lending

Customers provides home equity and residential mortgage loans to customers. Underwriting standards for home equity lending are conservative and lending is offered to solidify customer relationships and grow relationship revenues in the long term. This lending is important in Customers' efforts to grow total relationship revenues for its consumer households. As of December 31, 2015, the Bank had $391.7 million in consumer loans outstanding, or 5.4% of the Bank’s total loan portfolio, which includes loans held for sale. The Bank plans to expand its product offerings in real estate secured consumer lending.

Customers Bank has launched a community outreach program in Philadelphia to finance homeownership in urban communities. As part of this program, the Bank is offering an “Affordable Mortgage Product”. This community outreach program is penetrating the underserved population, especially in low-and moderate income neighborhoods. As part of this commitment, a loan production office was opened in Progress Plaza, 1501 North Broad Street, Philadelphia, PA. The program includes homebuyer seminars that prepare potential homebuyers for homeownership by teaching money management and budgeting skills, including the financial responsibilities that come with having a mortgage and owning a home. The “Affordable Mortgage Product” is offered throughout Customers Bank’s assessment areas.

The composition of loans held for sale was as follows:

	December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
(amounts in thousands)					
Commercial Loans:					
Mortgage warehouse loans at fair value	**$ 1,754,950**	$ 1,332,019	$ 740,694	$ 1,439,889	$ 174,999
Multi-family loans at lower of cost or fair value	**39,257**	99,791	—	—	—
Total commercial loans held for sale	**1,794,207**	1,431,810	740,694	1,439,889	174,999
Consumer Loans:					
Residential mortgage loans at fair value	**2,857**	3,649	6,899	—	—
Loans held for sale	**$ 1,797,064**	$ 1,435,459	$ 747,593	$ 1,439,889	$ 174,999

Because the period to submit losses for non-single family loans covered under the FDIC loss sharing agreements expired in third quarter 2015, and the balance of covered loans is not significant to Customers' total loan portfolio, the disaggregation between covered and non-covered loans is no longer presented in the disclosures that follow. Additional disaggregation of the commercial real estate loan portfolio between owner occupied and non-owner occupied is presented for 2015 and 2014. For years prior, owner occupied and non-owner occupied are presented collectively as commercial real estate loans.

The composition of loans receivable (excluding loans held for sale) was as follows:

	December 31,				
(amounts in thousands)	2015	2014	2013	2012	2011
Commercial:					
Multi-family	**$ 2,909,439**	$ 2,208,405	$ 1,064,059	$ 363,336	$ 70,945
Commercial and industrial (a)	**1,111,400**	785,669	296,595	126,333	123,784
Commercial real estate (b)	**956,255**	839,310	753,591	489,332	305,234
Construction	**87,240**	49,718	42,917	45,554	35,605
Mortgage warehouse (c)	**—**	—	—	9,565	619,318
Total commercial loans	**5,064,334**	3,883,102	2,157,162	1,034,120	1,154,886
Consumer:					
Residential real estate	**271,613**	297,395	163,920	129,960	76,111
Manufactured housing	**113,490**	126,731	139,471	153,429	104,565
Other	**3,708**	4,433	5,437	5,801	6,220
Total consumer loans	**388,811**	428,559	308,828	289,190	186,896
Total loans receivable	**5,453,145**	4,311,661	2,465,990	1,323,310	1,341,782
Deferred costs (fees) and unamortized premiums (discounts), net	**334**	512	(912)	1,157	(389)
Allowance for loan losses	**(35,647)**	(30,932)	(23,998)	(25,837)	(15,032)
Loans receivable, net of allowance	**$ 5,417,832**	$ 4,281,241	$ 2,441,080	$ 1,298,630	$ 1,326,361

(a) Includes owner occupied commercial real estate loans for 2015 and 2014.
(b) Includes non-owner occupied commercial real estate loans for 2015 and 2014. For 2013, 2012 and 2011, includes owner occupied and non-owner occupied commercial real estate loans.
(c) Beginning in third quarter 2012, certain mortgage warehouse lending transactions were documented under master repurchase agreements and classified as held for sale.

Loans to mortgage banking businesses and certain residential mortgage and multi-family loans expected to be sold are classified as loans held for sale. Loans held for sale totaled $1.8 billion and $1.4 billion at December 31, 2015 and 2014, respectively. The mortgage warehouse product line provides financing to mortgage companies nationwide from the time of loan origination until the loans are sold into the secondary market. As a mortgage warehouse lender, we provide a form of financing to mortgage bankers by purchasing for resale the underlying residential mortgages on a short-term basis under a master repurchase agreement. We are subject to the risks associated with such lending, including, but not limited to, the risks of fraud, bankruptcy and default of the mortgage banker or of the underlying residential borrower, any of which could result in credit losses. The mortgage warehouse lending employees monitor these mortgage originators by obtaining financial and other relevant information to reduce these risks during the lending period.

Loans receivable, net of the allowance for loan losses, increased by $1.1 billion to $5.4 billion at December 31, 2015 from $4.3 billion at December 31, 2014. The increase in loans receivable, net of the allowance for loan losses, was attributable to higher balances in multi-family, commercial and industrial (including owner occupied commercial real estate) and non-owner occupied commercial real estate loans, which increased $0.7 billion, $0.3 billion, and $0.1 billion, respectively, from December 31, 2014. The increase in these loan balances are the result of the Bank's successful execution of its organic growth strategy.

The following table sets forth Customers' commercial loans receivable as of December 31, 2015, in terms of contractual maturity date and interest rate characteristics:

(amounts in thousands)	Within one year	After one but within five years	After five years	Total
Commercial Loans:				
Multi-family	$ 5,322	$ 1,886,364	$ 1,017,753	$ 2,909,439
Commercial and industrial (including owner occupied commercial real estate)	147,103	489,748	474,549	1,111,400
Commercial real estate non-owner occupied	41,665	557,382	357,208	956,255
Construction	368	48,568	38,304	87,240
Total commercial loans	$ 194,458	$ 2,982,062	$ 1,887,814	$ 5,064,334
Amount of such loans with:				
Predetermined rates	$ 51,343	$ 2,466,942	$ 1,186,577	$ 3,704,862
Floating or adjustable rates	143,115	515,120	701,237	1,359,472
Total commercial loans	$ 194,458	$ 2,982,062	$ 1,887,814	$ 5,064,334

CREDIT RISK

Customers Bancorp manages credit risk by maintaining diversification in its loan portfolio, establishing and enforcing prudent underwriting standards and collection efforts, and continuous and periodic loan classification reviews. Management also considers the effect of credit risk on financial performance by reviewing quarterly and maintaining an adequate allowance for loan losses. Credit losses are charged when they are identified, and provisions are added when it is estimated that a loss has occurred, to the allowance for loan losses at least quarterly. The allowance for loan losses is estimated at least quarterly.

The provision for loan losses was $20.6 million, $14.7 million, and $2.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. The allowance for loan losses maintained for loans receivable (excludes loans held for sale as estimable credit losses are embedded in the fair values at which the loans are reported) was $35.7 million, or 0.65% of total loans receivable, at December 31, 2015 and $30.9 million, or 0.72% of total loans receivable, at December 31, 2014. The percentage of the allowance of loan losses to total loans receivable declined during 2015 primarily due to continued growth of the multi-family and commercial real estate portfolios, which have lower reserving factors due to their notably better historical loss experience than other commercial loans. Net charge-offs were $12.0 million for the year ended December 31, 2015, an increase of $8.9 million compared to $3.1 million for the year ending December 31, 2014. The increase in net charge offs was driven by the identification of a $9.0 million fraudulent loan that was charged-off in its entirety during 2015.

Customers had approximately $13.8 million and $42.2 million in loans that were covered under loss share arrangements with the FDIC as of December 31, 2015 and 2014, respectively. The period to submit losses for non-single family loans under the loss sharing agreements expired in third quarter 2015. The period to submit losses for single family loans expires in third quarter 2017. The final maturity of the FDIC loss sharing agreements occurs in third quarter 2020.

Customers Bank considers the covered loans in estimating the allowance for loan losses and considers recovery of estimated credit losses from the FDIC in the FDIC indemnification asset. Refer to “Critical Accounting Policies” herein and “NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION” for further discussion on the accounting for the FDIC loss sharing receivable balance.

The chart below depicts the Bank's allowance for loan losses, excluding the effects of the FDIC receivable, for the periods indicated.

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
(amounts in thousands)					
Beginning Balance	**$ 30,932**	$ 23,998	$ 25,837	$ 15,032	$ 15,129
Loan charge-offs: (1)					
Construction	**1,064**	895	2,096	2,507	1,179
Commercial and industrial (2)	**11,709**	1,637	1,387	522	2,543
Commercial real estate (3)	**327**	1,715	3,358	2,462	5,775
Residential real estate	**276**	667	410	649	109
Other consumer	**36**	33	87	26	55
Total Charge-offs	**13,412**	4,947	7,338	6,166	9,661
Loan recoveries (1):					
Construction	**204**	13	—	4	2
Commercial and industrial (2)	**562**	736	391	514	11
Commercial real estate (3)	—	801	42	63	94
Residential real estate	**575**	265	2	5	—
Other consumer	**92**	8	9	114	7
Total Recoveries	**1,433**	1,823	444	700	114
Total net charge-offs	**11,979**	3,124	6,894	5,466	9,547
Provision for loan losses (4)	**16,694**	10,058	5,055	16,271	9,450
Ending Balance	**$ 35,647**	$ 30,932	$ 23,998	$ 25,837	$ 15,032
Net charge-offs as a percentage of average loans receivable	**0.26%**	0.09%	0.37%	0.38%	1.20%

(1) Charge-offs and recoveries on purchased-credit-impaired loans that are accounted for in pools are recognized on a net basis when the pool matures.
(2) Includes owner occupied commercial real estate loans for 2015 and 2014.
(3) Includes non-owner occupied commercial real estate loans for 2015 and 2014. For 2013, 2012 and 2011, includes owner occupied and non-owner occupied commercial real estate loans.
(4) The provision amounts exclude the (cost)/benefit of the FDIC loss share arrangements of $(3.9) million, $(4.7) million, $2.8 million, $2.0 million, and $2.0 million, respectively.

The allowance for loan losses is based on a periodic evaluation of the loan portfolio and is maintained at a level that management considers adequate to absorb probable losses incurred as of the balance sheet date. All commercial loans are assigned credit risk ratings, based upon an assessment of the borrower, the structure of the transaction and the available collateral and/or guarantees. All loans are monitored regularly by the responsible officer, and the risk ratings are adjusted when considered appropriate. The risk assessment allows management to identify problem loans timely. Management considers a variety of factors, and recognizes the inherent risk of loss that always exists in the lending process. Management uses a disciplined methodology to estimate an appropriate level of allowance for loan losses. Refer to “Critical Accounting Policies” herein and “NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION” for further discussion on management's methodology for estimating the allowance for loan losses.

Approximately 80% of the Bank’s commercial real estate, commercial and residential construction, consumer residential and commercial and industrial loan types have real estate as collateral (collectively, “the real estate portfolio”). The Bank’s lien position on the real estate collateral will vary on a loan-by-loan basis and will change as a result of changes in the value of the collateral. Current appraisals providing current value estimates of the property are received when the Bank’s credit group determines that the facts and circumstances have significantly changed since the date of the last appraisal, including that real estate values have deteriorated. The credit committee and loan officers review loans that are fifteen or more days delinquent and all non-accrual loans on a periodic basis. In addition, loans where the loan officers have identified a "borrower of interest" are discussed to determine if additional analysis is necessary to apply the risk rating criteria properly. The risk ratings for the real estate loan portfolio are determined based upon the current information available, including but not limited to discussions with the borrower, updated financial information, economic conditions within the geographic area and other factors that may affect the cash flow of the loan. If a loan is individually evaluated for impairment, the collateral value or discounted cash flow analysis is used to determine the estimated fair value of the underlying collateral and compared, net of estimated selling costs, to the outstanding loan balance to measure a specific reserve. Appraisals used in this evaluation process are typically less than two years aged. For loans where real estate is not the primary source of collateral, updated financial information is obtained, including accounts receivable and inventory aging reports and relevant supplemental financial data to estimate the fair value of the loan and compared, net of estimated selling costs, to the outstanding loan balance to estimate the required reserve.

These impairment measurements are inherently subjective as they require material estimates, including, among others, estimates of property values in appraisals, the amounts and timing of expected future cash flows on individual loans, and general considerations for historical loss experience, economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios, all of which require judgment and may be susceptible to significant change overtime and as a result of changing economic conditions or other factors. Pursuant to ASC 450 *Contingencies* and ASC 310-40 *Troubled Debt Restructurings by Creditors,* impaired loans, consisting primarily of non-accrual and restructured loans, are considered in the methodology for determining the allowance for credit losses. Impaired loans are generally evaluated based on the expected future cash flows or the fair value of the underlying collateral (less estimated costs to sell) if principal repayment is expected to come from the sale or operation of such collateral.

The following table shows the allowance for loan losses by various loan portfolios:

	December 31,									
	2015		2014		2013		2012		2011	
(amounts in thousands)	**Allowance for loan losses**	**Percent of Loans in each category to total loans**	Allowance for loan losses	Percent of Loans in each category to total loans	Allowance for loan losses	Percent of Loans in each category to total loans	Allowance for loan losses	Percent of Loans in each category to total loans	Allowance for loan losses	Percent of Loans in each category to total loans
Construction	$ 1,074	3.0%	$ 1,047	3.4%	$ 2,385	9.9%	$ 3,991	15.4%	$ 4,656	31.0%
Commercial and industrial (a)	10,212	28.6%	9,120	29.5%	2,674	11.2%	1,477	5.7%	1,441	9.6%
Commercial real estate (b)	8,420	23.6%	9,198	29.7%	11,478	47.8%	13,645	52.9%	5,447	36.2%
Multi-family	12,016	33.7%	8,493	27.5%	4,227	17.6%	1,794	6.9%	1,583	10.5%
Residential real estate	3,298	9.3%	2,698	8.7%	2,490	10.4%	3,233	12.5%	844	5.6%
Other consumer	133	0.4%	114	0.4%	130	0.5%	154	0.6%	77	0.5%
Manufactured housing	494	1.4%	262	0.8%	614	2.6%	750	2.9%	1	—%
Mortgage warehouse	—	—%	—	—%	—	—%	71	0.3%	929	6.2%
Residual reserve	—	—%	—	—%	—	—%	722	2.8%	54	0.4%
	$ 35,647	100.0%	$ 30,932	100.0%	$ 23,998	100.0%	$ 25,837	100.0%	$ 15,032	100.0%

(a) Includes owner occupied commercial real estate loans for 2015 and 2014.
(b) Includes non-owner occupied commercial real estate loans for 2015 and 2014. For 2013, 2012 and 2011, includes owner occupied and non-owner occupied commercial real estate loans.

ASSET QUALITY

Customers divides its loan portfolio into two categories to analyze and understand loan activity and performance: loans that were originated, and loans that were acquired. Customers' originated loans were subject to the current underwriting standards that were put in place in 2009. Management believes this additional information provides a better understanding of the risk in the portfolio and the various types of reserves that are available to absorb loan losses that may arise in future periods. Credit losses from originated loans are absorbed by the allowance for loan loss reserves. Credit losses from acquired loans are absorbed by the allowance for loan losses, nonaccretable difference fair value marks, and cash reserves, as described below. The allowance for loan losses is to absorb only those losses estimated to have been incurred after acquisition, whereas the fair value mark and cash reserves absorb losses estimated to have been embedded in the acquired loans at acquisition. This schedule includes both loans held for sale and loans held for investment.

Asset Quality at December 31, 2015

Loan Type	Total Loans	Current	30-90 Days	Greater than 90 Days and Accruing	Non-accrual/ NPL (a)	OREO (b)	NPA (a)+(b)	NPL to Loan Type (%)	NPA to Loans + OREO (%)
(amounts in thousands)									
Originated Loans									
Multi-Family	2,903,814	2,903,814	—	—	—	—	—	—%	—%
Commercial & Industrial (1)	990,621	987,783	78	—	2,760	153	2,913	0.28%	0.29%
Commercial Real Estate Non-Owner Occupied	906,544	905,756	—	—	788	—	788	0.09%	0.09%
Residential	113,858	113,757	69	—	32	—	32	0.03%	0.03%
Construction	87,006	87,006	—	—	—	—	—	—%	—%
Other Consumer	712	712	—	—	—	—	—	—%	—%
Total Originated Loans	5,002,555	4,998,828	147	—	3,580	153	3,733	0.07%	0.07%
Loans Acquired									
Bank Acquisitions	206,971	190,117	5,842	6,269	4,743	4,379	9,122	2.29%	4.32%
Loan Purchases	243,619	232,692	3,898	4,581	2,448	525	2,973	1.00%	1.22%
Total Loans Acquired	450,590	422,809	9,740	10,850	7,191	4,904	12,095	1.60%	2.66%
Unearned Origination Fees	334	334	—	—	—	—	—		
Total Loans Receivable	5,453,479	5,421,971	9,887	10,850	10,771	5,057	15,828	0.20%	0.29%
Total Loans Held for Sale	1,797,064	1,797,064	—	—	—	—	—		
Total Portfolio	$ 7,250,543	$ 7,219,035	$ 9,887	$ 10,850	$ 10,771	$ 5,057	$ 15,828	0.15%	0.22%

(1) Commercial & industrial loans, including owner occupied commercial real estate.

Asset Quality at December 31, 2015 (continued)

Loan Type	Total Loans	NPL	ALL	Cash Reserve	Total Credit Reserves	Reserves to Loans (%)	Reserves to NPLs (%)
Originated Loans							
Multi-Family	2,903,814	—	12,016	—	12,016	0.41%	n/a
Commercial & Industrial	990,621	2,760	8,864	—	8,864	0.89%	321.16%
Commercial Real Estate	906,544	788	3,706	—	3,706	0.41%	470.30%
Residential	113,858	32	1,992	—	1,992	1.75%	6,225.00%
Construction	87,006	—	1,074	—	1,074	1.23%	n/a
Other Consumer	712	—	9	—	9	1.26%	n/a
Total Originated Loans	5,002,555	3,580	27,661	—	27,661	0.55%	772.65%
Loans Acquired							
Bank Acquisitions	206,971	4,743	7,492	—	7,492	3.62%	157.96%
Loan Purchases	243,619	2,448	494	1,159	1,653	0.68%	67.52%
Total Loans Acquired	450,590	7,191	7,986	1,159	9,145	2.03%	127.17%
Unearned Origination Fees	334						
Total Loans Held for Investment	5,453,479	10,771	35,647	1,159	36,806	0.67%	341.71%
Total Loans Held for Sale	1,797,064	—	—	—	—		
Total Portfolio	$ 7,250,543	$ 10,771	$ 35,647	$ 1,159	$ 36,806	0.51%	341.71%

Originated Loans

Post 2009 originated loans (excluding held-for-sale loans) totaled $5.0 billion, or 69.0%, of total loans at December 31, 2015, compared to $3.8 billion, or 66.7%, at December 31, 2014. The new management team adopted new underwriting standards that management believes better limits risks of loss. Only $3.6 million, or 0.07%, of the post 2009 loans were non-performing at December 31, 2015. Only $2.9 million, or 0.08%, of the post 2009 loans were non-performing at December 31, 2014. The post 2009 originated loans were supported by an allowance for loan losses of $27.7 million (0.55% of post 2009 originated loans) and $21.1 million (0.55% of post 2009 originated loans) at December 31, 2015 and 2014, respectively.

Loans Acquired

At December 31, 2015, Customers reported $0.5 billion of acquired loans, which was 6.2% of total loans, compared to $0.5 billion, or 8.3%, of total loans at December 31, 2014. Non-performing acquired loans totaled $7.2 million at December 31, 2015 and $8.8 million at December 31, 2014. When loans are acquired, they are recorded on the balance sheet at fair value. Acquired loans include purchased portfolios, FDIC failed-bank acquisitions, and unassisted acquisitions. Of the manufactured housing loans purchased from Tammac prior to 2012, $63.4 million were supported by a $1.2 million cash reserve at December 31, 2015, compared to $70.6 million supported by a cash reserve of $3.0 million at December 31, 2014. The cash reserve was created as part of the purchase transaction to absorb losses and is maintained in a demand deposit account at Customers. All current losses and delinquent interest are absorbed by this reserve. For the manufactured housing loans purchased in 2012, Tammac has an obligation to pay the Customers the full payoff amount of the defaulted loan, including any principal, unpaid interest, or advances on the loans, once the borrower vacates the property. At December 31, 2015, $41.9 million of these loans were outstanding, compared to $47.5 million at December 31, 2014.

Many of the acquired loans were purchased at a discount. The price paid considered management's judgment as to the credit and interest rate risk inherent in the portfolio at the time of purchase. Every quarter, management reassesses the risk and adjusts the cash flow forecast to incorporate changes in the credit outlook. Generally, a decrease in forecasted cash flows for a purchased loan will result in a provision for loan losses, and absent charge-offs, an increase in the allowance for loan losses. Acquired loans have a significantly higher percentage of non-performing loans than loans originated after September 2009. Management acquired these loans with the expectation that non-performing loan levels would be elevated, and therefore incorporated that expectation into the price paid. There is a Special Assets Group that focuses on workouts for these acquired non-performing assets. Total acquired loans were supported by reserves (allowance for loan losses and cash reserves) of $9.1 million (2.03% of total acquired loans) and $12.9 million (2.69% of total acquired loans), respectively, at December 31, 2015 and 2014.

Held-for-Sale Loans

At December 31, 2015, loans held for sale were $1.8 billion, or 24.8%, of the total loan portfolio, compared to $1.4 billion, or 25.0% of the total loan portfolio at December 31, 2014. The loans held-for-sale portfolio at December 31, 2015 included $1.8 billion of loans to mortgage banking businesses, $39.3 million of multi-family loans and $2.9 million of residential mortgage loans, compared to $1.3 billion of loans to mortgage banking businesses, $99.8 million of multi-family loans and $3.6 million of residential mortgages loans at December 31, 2014. Held-for-sale loans are carried on our balance sheet at either fair value (due to the election of the fair value option) or the lower of cost of fair value. An allowance for loan losses is not recorded on loans that are held for sale.

Customers manages its credit risk through the diversification of the loan portfolio and the application of policies and procedures designed to foster sound credit standards and monitoring practices. While various degrees of credit risk are associated with substantially all investing activities, the lending function carries the greatest degree of potential loss. At December 31, 2015 and 2014, non-performing loans to total loans were 0.15% and 0.20%, respectively. Total reserves to non-performing loans were 341.7% and 289.6%, respectively, at December 31, 2015 and 2014.

The tables below set forth non-accrual loans and non-performing assets and asset quality ratios:

	December 31,				
	2015	2014	2013	2012	2011
(amounts in thousands)					
Loans 90+ days delinquent still accruing (1)	**$ 2,805**	$ 4,388	$ 3,772	$ 1,966	$ —
Non-accrual loans	**10,771**	11,733	19,163	32,851	36,626
OREO	**5,057**	15,371	12,265	8,114	13,482
Total non-performing assets	**$ 15,828**	**$ 27,104**	**$ 31,428**	**$ 40,965**	**$ 50,108**

(1) Excludes purchased-credit-impaired loans.

	December 31,				
	2015	2014	2013	2012	2011
Non-accrual loans to total loans receivable	**0.20%**	0.27%	0.78%	2.48%	2.73%
Non-accrual loans to total loans	**0.15%**	0.20%	0.60%	1.19%	2.42%
Non-performing assets to total assets	**0.19%**	0.40%	0.76%	1.28%	2.41%
Non-accrual loans and 90+ days delinquent to total assets	**0.16%**	0.24%	0.55%	1.09%	1.76%
Allowance for loan losses to:					
Total loans receivable	**0.65%**	0.72%	0.97%	1.95%	1.12%
Non-accrual loans	**330.95%**	263.63%	125.23%	78.65%	41.04%

The table below sets forth loans that were non-performing at December 31, 2015, 2014, 2013, 2012 and 2011.

	December 31,				
	2015	2014	2013	2012	2011
(amounts in thousands)					
Commercial and industrial (1)	**$ 1,973**	$ 2,513	$ 125	$ 388	$ 2,857
Commercial real estate (2)	**2,700**	2,514	11,615	21,482	22,720
Commercial real estate non-owner occupied	**1,307**	1,460	N/A	N/A	N/A
Construction	—	2,325	5,431	7,667	8,214
Residential real estate	**2,202**	1,855	1,533	3,027	2,717
Manufactured housing	**2,449**	931	459	231	78
Other consumer	**140**	135	—	56	40
Total non-performing loans	**$ 10,771**	$ 11,733	$ 19,163	$ 32,851	$ 36,626

(1) Includes owner occupied commercial real estate loans for 2015 and 2014.
(2) Includes non-owner occupied commercial real estate loans for 2015 and 2014. For 2013, 2012 and 2011, includes owner occupied and non-owner occupied commercial real estate loans.

Customers seeks to manage credit risk through the diversification of the loan portfolio and the application of credit underwriting policies and procedures designed to foster sound credit standards and monitoring practices. While various degrees of credit risk are associated with substantially all investing activities, the lending function carries the greatest degree of potential loss.

Asset quality assurance activities include careful monitoring of borrower payment status and the periodic review of borrower current financial information to ensure ongoing financial strength and borrower cash flow viability. The Bank has established credit policies and procedures, seeks the consistent application of those policies and procedures across the organization, and adjusts policies as appropriate for changes in market conditions and applicable regulations.

Problem Loan Identification and Management

To facilitate the monitoring of credit quality within the commercial and industrial, commercial real estate, construction portfolio and residential real estate segments, and for purposes of analyzing historical loss rates used in the determination of the allowance for loan losses for the respective portfolio segment, Customers utilizes the following categories of risk ratings: pass (there are six risk ratings of pass loans), special mention, substandard, doubtful or loss. The risk rating categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass ratings, which are assigned to those borrowers who do not have an identified potential or well-defined weaknesses and for which 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 managing the loans.

Customers assigns a special mention rating to loans that have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan and our credit position. At December 31, 2015 and 2014, special mention loans were $24.5 million and $34.6 million, respectively.

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 on aggregate payment history, through the monitoring of delinquency levels and trends.

A regular reporting and review process is in place to provide for proper portfolio oversight and control, and to monitor those loans identified as problem credits by management. This process is designed to assess our progress in working toward a solution, and to assist in determining an appropriate specific allowance for possible losses. All loan work-out situations involve the active participation of management and are reported regularly to the Board. When a loan becomes delinquent 90 days or more, or earlier if considered appropriate, the loan is assigned to Customers' Special Asset Group ("SAG") for workout or other resolution.

Loan charge-offs are determined on a case-by-case basis. Loans are generally charged off when principal is likely to be unrecoverable and after appropriate collection steps have been taken. Loan charge-offs are proposed by the SAG and approved by the Board of Directors.

Loan policies and procedures are reviewed internally for possible revisions and changes on a regular basis. In addition, these policies and procedures, together with the loan portfolio, are reviewed on a periodic basis by various regulatory agencies and by our internal, external and loan review auditors, as part of their examination and audit procedures.

Troubled Debt Restructurings (TDRs)

At December 31, 2015 and 2014, there were $11.4 million and $5.0 million, respectively, in loans reported as TDRs. TDRs are considered 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 an impaired loan. Generally, Customers requires sustained performance for nine months before returning a TDR to accrual status.

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 expectation of cash flows, modifications of loans within such pools are not reported as TDRs.

TDR modifications primarily involve interest rate concessions, extensions of term, deferrals of principal, and other modifications. Other modifications typically reflect other nonstandard terms which Customers would not offer in non-troubled situations. During the years ended December 31, 2015 and 2014, loans aggregating $7.5 million and $1.1 million, respectively, were modified in troubled debt restructurings. TDR modifications of loans within the commercial and industrial category were primarily interest rate concessions, deferrals of principal and other modifications; modifications of commercial real estate loans were primarily deferrals of principal, extensions of term and other modifications; and modifications of residential real estate loans were primarily interest rate concessions and deferrals of principal. As of December 31, 2015 and 2014, there were no commitments to lend additional funds to debtors whose terms have been modified in troubled debt structuring.

There were no valuation losses at the time of the troubled debt restructuring and the TDR had no impact on the allowance for loan losses. During the twelve months ended December 31, 2015, thirty-six TDR loans defaulted with a total recorded investment of $2.5 million. During the twelve months ended December 31, 2014, six TDR loans defaulted with a total recorded investment of $0.4 million. Because these loans were included in the loan portfolio that is subject to the cash reserve, they will be removed from the loan portfolio if they become ninety days past due.

All loans modified in troubled debt restructurings are considered impaired and measured 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 loan losses. There were 3 specific allowances resulting from TDR modifications during 2015, totaling $0.2 million for 2 commercial and industrial loans, and $0.1 million for 1 commercial real estate non-owner occupied loan. There were no specific allowances resulting from TDR modifications during 2014 .

FDIC LOSS SHARING RECEIVABLE AND CLAWBACK LIABILITY

As of December 2015 and 2014, loans covered under loss sharing agreements with the FDIC were $13.8 million and $42.2 million , respectively. As part of the FDIC loss sharing arrangements, Customers also assumed a liability to be paid within 45 days subsequent to the maturity or termination of the loss sharing arrangements that is contingent upon actual losses incurred over the life of the arrangements relative to expected losses and the consideration paid upon acquisition of the failed institutions. Due to cash received on the covered assets in excess of the original cash to be received expectations of the FDIC, the Bank anticipates that it will be required to pay the FDIC at the end of its loss sharing arrangements. As of December 31, 2015, a clawback liability of $2.3 million has been recorded. To the extent actual losses on the covered assets are less than estimated losses, the clawback liability will increase. To the extent actual losses on the covered assets are more than the estimated losses, the clawback liability will decrease.

As of December 31, 2015, the Bank expected to collect $0.2 million from the FDIC for estimated losses and reimbursement of external costs, such as legal fees, real estate taxes and appraisal expenses, and estimated the clawback liability due to the FDIC in 2020 at $2.3 million . The net amount of $2.1 million is included in "Accrued interest payable and other liabilities" in the accompanying consolidated balance sheet.

ACCRUED INTEREST RECEIVABLE

Accrued interest receivable increased by $4.7 million , or 31.1% , to $19.9 million at December 31, 2015 from $15.2 million at December 31, 2014 . This increase was primarily associated with the increase in total loans of $1.5 billion to $7.3 billion at December 31, 2015 from $5.7 billion at December 31, 2014 .

PREMISES AND EQUIPMENT AND OTHER ASSETS

Our premises and equipment, net of accumulated depreciation, was $11.5 million and $10.8 million at December 31, 2015 and 2014 , respectively. Technology equipment contributed $1.2 million due to the increase of additional technology, facilities and team members. Leasehold improvements and furniture and equipment purchases contributed $1.7 million to the increase.

Customers Bank's restricted stock holdings at December 31, 2015 and 2014 were $90.8 million and $82.0 million , respectively. These consist of stock of the Federal Reserve Bank, Federal Home Loan Bank and Atlantic Central Bankers Bank, and are required as part of our relationship with these banks.

Other assets at December 31, 2015 and 2014 were $73.3 million and $52.9 million , respectively. Activity that contributed to the increase of $20.4 million included $14.9 million of deferred taxes primarily driven by increases in taxable income and changes in the value of investment securities, and $4.3 million of cash pledged for interest rate swaps.

BOLI purchases of $15.0 million during 2015 contributed to the increase in our BOLI cash surrender value of $18.5 million , to $157.2 million at December 31, 2015 from $138.7 million at December 31, 2014 . BOLI is used by the Bank as tax-free funding for employee benefits. Covered in BOLI on the balance sheet is the cash surrender value of the Supplemental Executive Retirement Plan ("SERP") balance of $2.7 million and $2.8 million at December 31, 2015 and 2014 , respectively.

DEPOSITS

The Bank offers a variety of deposit accounts, including checking, savings, money market deposit accounts ("MMDA") and time deposits. Deposits are obtained primarily from our geographic service area. Total deposits grew to $5.9 billion at December 31, 2015 , an increase of $1.4 billion , or 30.4% , from $4.5 billion at December 31, 2014 . Transaction deposits increased by $0.7 billion , or 26.3% , to $3.6 billion at December 31, 2015 from $2.8 billion at December 31, 2014 , with non-interest bearing deposits increasing by $107 million . Certificate of deposit accounts increased $0.6 billion , or 37.2% , to $2.3 billion at December 31, 2015 from $1.7 billion at December 31, 2014 .

The components of deposits were as follows at the dates indicated:

	December 31,		
(amounts in thousands)	**2015**	**2014**	**2013**
Demand, non-interest bearing	**$ 653,679**	$ 546,436	$ 478,103
Demand, interest bearing	**127,215**	71,202	58,013
Savings, including MMDA	**2,781,010**	2,203,237	1,298,468
Time, $100,000 and over	**1,624,562**	1,043,265	797,322
Time, other	**723,035**	668,398	328,016
Total deposits	**$ 5,909,501**	$ 4,532,538	$ 2,959,922

We experienced growth in retail deposits, despite lower interest rates in 2015. Non-interest bearing demand deposits totaled $0.7 billion at December 31, 2015 , up from $0.5 billion at December 31, 2014 .

Average deposit balances by type and the associated average rate paid are summarized below:

	For the Years ended December 31,					
	2015		2014		2013	
	Average Balance	**Average Rate Paid**	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
(amounts in thousands)						
Demand deposits	**$ 692,159**	**0.00%**	$ 620,385	0.00%	$ 385,175	0.00%
Interest-bearing demand deposits	**123,527**	**0.56**	62,840	0.61	45,613	0.52
Savings, including MMDA	**2,449,778**	**0.52**	1,753,691	0.42	1,138,200	0.68
Time deposits	**2,087,641**	**0.99**	1,403,774	0.96	1,251,707	1.04
Total	**$ 5,353,105**		$ 3,840,690		$ 2,820,695	

At December 31, 2015 , the scheduled maturities of time deposits greater than $100,000 were as follows:

	December 31, 2015
(amounts in thousands)	
3 months or less	**$ 289,462**
Over 3 through 6 months	**653,273**
Over 6 through 12 months	**397,203**
Over 12 months	**284,624**
Total	**$ 1,624,562**

FHLB ADVANCES and OTHER BORROWINGS

Borrowed funds from various sources are generally used to supplement deposit growth and meet other operating needs. The Bank strategically views the short term FHLB advances as funding the loans to mortgage companies national business.

Short-term debt

Short-term debt was as follows:

	December 31,					
	2015		2014		2013	
	Amount	**Rate**	Amount	Rate	Amount	Rate
(amounts in thousands)						
FHLB advances	**$ 1,365,300**	**0.48%**	$ 1,298,000	0.29%	$ 611,500	0.26%
Federal funds purchased	**70,000**	**0.56**	—	—	13,000	0.48%
Total short-term borrowings	**$ 1,435,300**		$ 1,298,000		$ 624,500	

For additional information on the Company's short-term debt, refer to "NOTE 11 – BORROWINGS."

Long-term debt

The contractual maturities of fixed-rate long-term FHLB advances are as noted below.

	December 31,			
	2015		**2014**	
	Amount	**Rate**	**Amount**	**Rate**
(amounts in thousands)				
2016	**$ —**	**—%**	$ 85,000	0.59%
2017	**205,000**	**1.18**	180,000	1.21
2018	**55,000**	**1.61**	55,000	1.61
2019	**—**	**—**	—	—
	$ 260,000		$ 320,000	

Senior notes

On June 26, 2014, Customers Bancorp, Inc. closed a private placement transaction in which it issued $25.0 million of 4.625% senior notes due 2019. Interest is paid semi-annually in arrears in June and December. The notes are unsecured obligations of the Bancorp and rank equally with all of its secured and unsecured senior indebtedness.

In July and August 2013, the Bancorp issued $63.3 million in aggregate principal amount of senior notes due 2018.

The notes bear interest at 6.375% per year which is payable on March 15, June 15, September 15, and December 15.

Subordinated debt

On June 26, 2014, Customers Bank closed a private placement transaction in which it issued $110.0 million of fixed-to-floating rate subordinated notes due 2029. The subordinated notes bear interest at an annual fixed rate of 6.125% until June 26, 2024, and interest is 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% 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.

SHAREHOLDERS’ EQUITY

Shareholders’ equity increased by $110.8 million to $553.9 million at December 31, 2015 , from $443.1 million at December 31, 2014 . The increase in equity was primarily the result of net income for 2015 of $58.6 million and the issuance of 2,300,000 shares of preferred stock, the latter resulting in a $55.6 million increase to shareholders' equity.

On May 18, 2015, Customers Bancorp issued 2,300,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, par value $1.00 per share, with a liquidation preference of $25.00 per share. Dividends on the Preferred Stock totaled $2.5 million for the year ended December 31, 2015 . For additional information regarding this offering, refer to "NOTE 12 - SHAREHOLDERS' EQUITY."

On August 24, 2015, Customers Bancorp's board of directors declared a cash dividend on its Series C Preferred Stock of $0.56875 per share. The dividend was paid on September 15, 2015 to shareholders of record on August 31, 2015.

On November 17, 2015, Customers Bancorp's board of directors declared a cash dividend on its Series C Preferred Stock of $0.4375 per share. The dividend was paid on December 15, 2015 to shareholders of record on November 30, 2015.

During 2015 all of the remaining 1.1 million shares of Class B Non-Voting Common Stock were converted into 1.1 million shares of Voting Common Stock.

During 2015 Customers issued 156,272 shares of Common Stock, 27,674 shares were issued to directors in lieu of meeting retainer fees, 98,386 shares were issued under share-based compensation arrangements, 22,601 shares under the employee stock purchase plan, and 7,611 upon exercise of outstanding warrants.

During 2014 , the Bancorp:

- declared a 10% stock dividend to all shareholders of record as of May 27, 2014. This special dividend was paid on June 30, 2014 in the form of an aggregate of 2.4 million additional shares of Common Stock;
- issued 91,457 shares of Common Stock, 52,770 shares were issued to directors in lieu of meeting retainer fees, 34,414 shares were issued under share-based compensation arrangements and 4,273 shares under the employee stock purchase plan.

During 2013 , the Bancorp:

- sold 6.2 million shares of new issue Voting Common Stock to the public at a price of $16.75 per share. The net proceeds after deducting underwriting discounts and commissions and offering expenses were $97.5 million;
- converted 3.7 million shares of Class B Non-Voting Common Stock into 3.7 million shares of Voting Common Stock;
- authorized a stock repurchase plan in which the Bancorp could acquire up to 5% of its current outstanding shares at prices not to exceed a 20% premium over the current book value. The repurchase program may be suspended, modified or

discontinued at any time, and the Bancorp has no obligation to repurchase any amount of its Common Stock under the program;
- repurchased 0.5 million shares under the stock repurchase program discussed above;
- issued 23,413 shares of Common Stock under share-based compensation arrangements;
- issued 31,904 shares of Class B Non-Voting Common Stock and 14,869 shares of Voting Common Stock upon exercise of outstanding warrants; and
- repurchased warrants to purchase 17,227 shares of voting Common Stock and 17,227 shares of Class B Non-Voting stock.

For additional details relating to changes in the Bancorp's shareholders' equity, refer to the "Consolidated Statements of Changes in Shareholders Equity" presented in Part II, Item 8. Financial Statements and Supplementary Data of this Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity for a financial institution is a measure of that institution's ability to meet depositors' needs for funds, to satisfy or fund loan commitments, and for other operating purposes. Ensuring adequate liquidity is an objective of the Asset/Liability Management process. Customers coordinates its management of liquidity with our interest rate sensitivity and capital position, and strives to maintain a strong liquidity position.

Customers' investment portfolio provides periodic cash flows through regular maturities and amortization, and can be used as collateral to secure additional liquidity funding. Our principal sources of funds are proceeds from common and preferred stock issuance, deposits, debt issuance, principal and interest payments on loans, and other funds from operations. Borrowing arrangements are maintained with the Federal Home Loan Bank and the Federal Reserve Bank of Philadelphia to meet short-term liquidity needs. As of December 31, 2015 and 2014, our borrowing capacity with the Federal Home Loan Bank was $3.7 billion and $3.2 billion, respectively, of which $1.4 billion and $1.3 billion, respectively, was used in short-term borrowings. As of December 31, 2015 and 2014, our borrowing capacity with the Federal Reserve Bank of Philadelphia was $59.2 million and $62.7 million, respectively.

Net cash flows used in operating activities were $356.6 million for the year ended December 31, 2015, compared to net cash flows used in operating activities of $542.5 million for the year ended December 31, 2014. Origination of loans held for sale in excess of the proceeds from the sales of loans contributed $422.1 million to cash flows used in operating activities during 2015. Origination of loans held for sale in excess of the proceeds from the sales of loans contributed $585.1 million to cash flows used in operating activities during 2014.

Investing activities used net cash flows of $1.3 billion for the year ended December 31, 2015, compared to the net cash flows used in investing activities of $1.9 billion for the year ended December 31, 2014. The net increase in loans was $1.3 billion for the year ended December 21, 2015 compared to a net increase of $1.8 billion for the year ended December 31, 2014.

Financing activities provided $1.5 billion for the year ended December 31, 2015 compared to $2.6 billion for the year ended December 31, 2014. For 2015, increases in cash from deposits provided $1.4 billion and net proceeds from a preferred stock issuance provided $55.6 million. For 2014, increases in cash from deposits provided $1.6 billion, net proceeds from short-term FHLB advances provided $0.6 billion and net proceeds from long-term FHLB advances provided $0.3 billion.

Overall, based on our core deposit base and available sources of borrowed funds, management believes that we have adequate resources to meet our short-term and long-term cash requirements for the foreseeable future.

CAPITAL ADEQUACY

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 Customers' 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).

The Dodd-Frank Act required the FRB to establish minimum consolidated capital requirements for bank holding companies that are as stringent as those required for insured depositary subsidiaries. In 2013, the federal banking agencies approved rules that implemented the Dodd-Frank requirements and certain other regulatory capital reforms effective January 1, 2015, that (i) introduced a new capital ratio pursuant to the prompt corrective action provisions, the common equity tier 1 capital to risk rated assets ratio, (ii) increased the adequately capitalized and well capitalized thresholds for the Tier 1 risk based capital ratios to 6% and 8% , respectively, (iii) changed the treatment of certain capital components for determining Tier 1 and Tier 2 capital, and (iv) changed the risk weighting of certain assets and off balance sheet items in determining risk weighted assets.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(amounts in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015						
Common equity Tier 1 (to risk-weighted assets)						
Customers Bancorp, Inc.	**$ 500,624**	**7.61%**	**$ 296,014**	**4.50%**	**N/A**	**N/A**
Customers Bank	**$ 565,217**	**8.62%**	**$ 294,916**	**4.50%**	**$ 425,990**	**6.50%**
Total capital (to risk-weighted assets)						
Customers Bancorp, Inc.	**$ 698,323**	**10.62%**	**$ 526,247**	**8.0%**	**N/A**	**N/A**
Customers Bank	**$ 710,864**	**10.85%**	**$ 524,295**	**8.0%**	**$ 655,369**	**10.0%**
Tier 1 capital (to risk-weighted assets)						
Customers Bancorp, Inc.	**$ 556,193**	**8.46%**	**$ 394,685**	**6.0%**	**N/A**	**N/A**
Customers Bank	**$ 565,217**	**8.62%**	**$ 393,221**	**6.0%**	**$ 524,295**	**8.0%**
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	**$ 556,193**	**7.16%**	**$ 310,812**	**4.0%**	**N/A**	**N/A**
Customers Bank	**$ 565,217**	**7.30%**	**$ 309,883**	**4.0%**	**$ 387,353**	**5.0%**
December 31, 2014						
Total capital (to risk-weighted assets)						
Customers Bancorp, Inc.	$ 578,644	11.09%	$ 417,473	8.0%	N/A	N/A
Customers Bank	$ 621,894	11.98%	$ 415,141	8.0%	$ 518,926	10.0%
Tier 1 capital (to risk-weighted assets)						
Customers Bancorp, Inc.	$ 437,712	8.39%	$ 208,737	4.0%	N/A	N/A
Customers Bank	$ 480,963	9.27%	$ 207,570	4.0%	$ 311,356	6.0%
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	$ 437,712	6.69%	$ 261,622	4.0%	N/A	N/A
Customers Bank	$ 480,963	7.39%	$ 260,462	4.0%	$ 325,577	5.0%

At December 31, 2015 and 2014, the Bank and Bancorp met all capital adequacy requirements to which they were subject.

Capital Ratios

Customers continued to build the amount of capital during 2015. In general, for the past few years, capital growth has been achieved by retained earnings and increases in capital from sales of common stock. During second quarter 2015, the Bancorp issued non-cumulative perpetual preferred stock which meets the definition of Tier 1 capital per regulatory guidelines. The net proceeds of $55.6 million is included in the Bancorp's Tier 1 capital ratios presented above.

Customers is unaware of any current recommendations by the regulatory authorities which, if they were to be implemented, would have a material effect on our liquidity, capital resources, or operations.

The maintenance of appropriate levels of capital is an important objective of our Asset and Liability Management process. Through our initial capitalization and our subsequent offerings, we believe we have continued to maintain a strong capital position. Beginning in first quarter 2015, and continuing for the remaining three quarters of 2015, Customers Bank's board of directors declared a cash dividend to its sole shareholder, the Bancorp. To date, cash dividends declared by the Bank and paid to the Bancorp, include the following:

- $4.0 million declared on March 17, 2015 and paid on March 31, 2015;
- $4.0 million declared and paid on June 30, 2015;
- $5.5 million declared and paid on September 23, 2015;
- $5.0 million declared on October 28, 2015 and paid on December 10, 2015; and
- $5.1 million declared on January 20, 2016 and payable on March 10, 2016.

Effective January 1, 2015, Customers Bancorp and Customers Bank became subject to new capital requirements as detailed earlier in this document. Management has reviewed the new requirements and both the Bank and Bancorp are compliant with the new requirements.

OFF-BALANCE SHEET ARRANGEMENTS

Customers is involved with financial instruments and other commitments with off-balance sheet risks. Financial instruments with off-balance sheet risks are incurred in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, including unused portions of lines of credit, and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the balance sheets.

With commitments to extend credit, exposures to credit loss in the event of non-performance by the other party to the financial instrument is represented by the contractual amount of those instruments. The same credit policies are used in making commitments and conditional obligations as for on-balance sheet instruments. Because they involve credit risk similar to extending a loan, these financial instruments are subject to the Bank’s Credit Policy and other underwriting standards.

As of December 31, 2015 and 2014, the following off-balance sheet commitments, financial instruments and other arrangements were outstanding:

	December 31,	
	2015	2014
(amounts in thousands)		
Commitments to fund loans	**$ 537,380**	**$ 231,294**
Unfunded commitments to fund mortgage warehouse loans	**1,302,759**	**713,619**
Unfunded commitments under lines of credit	**436,550**	**430,995**
Letters of credit	**42,002**	**36,206**
Other unused commitments	**6,360**	**7,685**

Commitments to fund loans, unfunded commitments to fund mortgage warehouse loans, unfunded commitments under lines of credit and letters of credit are agreements to extend credit to or for the benefit of a customer in the ordinary course of our business.

Commitments to fund loans and unfunded commitments under lines of credit may be obligations of ours as long as there is no violation of any condition established in the contract. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if we deem it necessary upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Mortgage warehouse loan commitments are agreements to fund the pipelines of mortgage banking businesses from closing of individual mortgage loans until their sale into the secondary market. Most of the individual mortgage loans are insured or guaranteed by the U.S. government through one of their programs such as FHA, VA, or are conventional loans eligible for sale to Fannie Mae and Freddie Mac. These commitments generally fluctuate monthly based on changes in interest rates, refinance activity, new home sales and laws and regulation.

Outstanding letters of credit written are conditional commitments issued by us to guarantee the performance of a customer to a third party. Letters of credit may obligate us to fund draws under those letters of credit whether or not a customer continues to meet the conditions of the extension of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

CONTRACTUAL OBLIGATIONS

The following table sets forth contractual obligations and other commitments representing required and potential cash outflows as of December 31, 2015. Interest on subordinated notes, FHLB long-term advances, and senior notes was calculated using then current contractual interest rates.

(amounts in thousands)	Total	Within one year	After one but within three years	After three but within five years	More than five years
Operating leases	$ 19,051	$ 3,861	$ 7,112	$ 4,820	$ 3,258
Benefit plan commitments	4,500	300	600	600	3,000
Contractual maturities of time deposits	2,347,597	1,799,310	448,765	99,522	—
Subordinated notes	110,000	—	—	—	110,000
Interest on subordinated notes	90,882	6,738	13,475	13,475	57,194
Loan commitments	2,276,689	1,975,809	96,241	91,478	113,161
FHLB long-term advances	260,000	—	260,000	—	—
Interest on FHLB long-term advances	5,873	3,304	2,569	—	—
Senior notes	88,250	—	63,250	25,000	—
Interest on senior notes	14,547	5,188	8,697	662	—
Other commitments (1)	6,360	—	6,360	—	—
Standby letters of credit	42,002	35,053	5,746	1,203	—
Total	$ 5,265,751	$ 3,829,563	$ 912,815	$ 236,760	$ 286,613

(1) Represents a commitment expiring in approximately three years that is subject to unscheduled requests for payment.

NEW ACCOUNTING PRONOUNCEMENTS

For information about the impact that recently adopted or issued accounting guidance will have on us, refer to "NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION".

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

The largest component of our net income is net interest income, and the majority of our financial instruments are interest rate sensitive assets and liabilities with various term structures and maturities. One of the primary objectives of management is to maximize net interest income while minimizing interest rate risk. Interest rate risk is derived from timing differences in the repricing of assets and liabilities, loan prepayments, deposit withdrawals, and differences in lending and funding rates. Our Asset/Liability Committee actively seeks to monitor and control the mix of interest rate sensitive assets and interest rate sensitive liabilities.

We use two complementary methods to analyze and measure interest rate sensitivity as part of the overall management of interest rate risk. They are income simulation modeling and estimates of economic value of equity. The combination of these two methods provides a reasonably comprehensive summary of the levels of interest rate risk of our exposure to time factors and changes in interest rate environments.

Income simulation modeling is used to measure our interest rate sensitivity and manage our interest rate risk. Income simulation considers not only the impact of changing market interest rates upon forecasted net interest income, but also other factors such as yield curve relationships, the volume and mix of assets and liabilities, customer preferences and general market conditions.

Through the use of income simulation modeling, we have estimated the net interest income for the year ending December 31, 2016, based upon the assets, liabilities and off-balance sheet financial instruments in existence at December 31, 2015 . We have also estimated changes to that estimated net interest income based upon interest rates rising or falling immediately (“rate shocks”). For upward rate shocks modeling a rising rate environment, current market interest rates were increased immediately by 100, 200, and 300 basis points. For downward rate shocks modeling a falling rate environment, current market rates were only decreased immediately by 100 basis points due to the limitations of the current low interest rate environment that renders the Down 200 and Down 300 rate shocks impractical. The following table reflects the estimated percentage change in estimated net interest income for the year ending December 31, 2015 , that would have resulted from a shock of the referenced changes in interest rates.

Net change in net interest income

Rate Shocks	% Change
Up 3%	(10.2)%
Up 2%	(3.4)%
Up 1%	0.1 %
Down 1%	2.4 %

The net changes in net interest income in all scenarios are within Customers Bank’s interest rate risk policy guidelines.

Economic Value of Equity (“EVE”) estimates the discounted present value of asset and liability cash flows. Discount rates are based upon market prices for comparable assets and liabilities. Upward and downward rate shocks are used to measure volatility of EVE in relation to a constant rate environment. For upward rate shocks modeling a rising rate environment, current market interest rates were increased immediately by 100, 200, and 300 basis points. For downward rate shocks modeling a falling rate environment, current market rates were only decreased immediately by 100 basis points due to the limitations of the current low interest rate environment that renders the Down 200 and Down 300 rate shocks impractical. This method of measurement primarily evaluates the longer term repricing risks and options in Customers Bank’s balance sheet.

The following table reflects the estimated EVE at risk and the ratio of EVE to EVE adjusted assets at December 31, 2015 , resulting from the referenced shocks to interest rates.

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Rate Shocks	From base
Up 3%	(34.1)%
Up 2%	(17.3)%
Up 1%	(5.8)%
Down 1%	0.2 %

The matching of assets and liabilities may also be analyzed by examining the extent to which such assets and liabilities are interest rate sensitive and by monitoring a bank's interest rate sensitivity "gap". An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest earning assets maturing or repricing within a specific time period and the amount of interest bearing liabilities maturing or repricing within that time period.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2015 that are anticipated, based upon certain assumptions, to reprice or mature in each of the future time periods shown. Except as stated below, the amount of assets and liabilities shown that reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2015 on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be repaid and/or repriced as a result of contractual amortization and anticipated prepayments of adjustable and fixed rate loans, and as a result of contractual-rate adjustments on adjustable-rate loans.

Balance Sheet Gap Analysis at December 31, 2015	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
				(dollars in thousands)			
Assets							
Interest earning deposits and federal funds sold	$ —	$ —	$ —	$ —	$ —	$ 210,548	$ 210,548
Investment securities	33,087	31,424	59,161	190,664	141,610	80,040	535,986
Loans (a)	2,898,089	153,676	241,013	1,249,367	2,402,771	264,747	7,209,663
Other interest-earning assets	—	—	—	—	—	93,580	93,580
Total interest-earning assets	2,931,176	185,100	300,174	1,440,031	2,544,381	648,915	8,049,777
Non interest-earning assets	—	—	—	—	—	316,461	316,461
Total assets	2,931,176	185,100	300,174	1,440,031	2,544,381	965,376	$ 8,366,238
Liabilities							
Other interest-bearing deposits	$ 52,674	$ 50,850	$ 96,502	$ 325,446	$ 2,269,814	$ 112,939	$ 2,908,225
Time deposits	432,304	822,460	547,332	446,818	100,734	(2,051)	2,347,597
Other borrowings	1,385,300	50,000	10,000	250,000	—	—	1,695,300
Subordinated debt	—	—	—	—	—	110,000	110,000
Total interest-bearing liabilities	1,870,278	923,310	653,834	1,022,264	2,370,548	220,888	7,061,122
Non-interest-bearing liabilities	27,413	26,322	49,542	162,403	342,017	143,517	751,214
Shareholders' equity	—	—	—	—	—	553,902	553,902
Total liabilities and shareholders' equity	1,897,691	949,632	703,376	1,184,667	2,712,565	918,307	$ 8,366,238
Interest sensitivity gap	$ 1,033,485	$ (764,532)	$ (403,202)	$ 255,364	$ (168,184)	$ 47,069	
Cumulative interest sensitivity gap		$ 268,953	$ (134,249)	$ 121,115	$ (47,069)	$ —	
Cumulative interest sensitivity gap to total assets	12.4%	3.2%	(1.6)%	1.5%	(0.6)%	(0.9)%	
Cumulative interest-earning assets to cumulative interest-bearing liabilities	154.5%	109.5%	96.2 %	102.6%	99.4 %	99.1 %	

(a) Including loans held for sale

As shown above, we have a slightly negative cumulative gap (cumulative interest sensitive assets are lower than cumulative interest sensitive liabilities) within the next year, which generally indicates that an increase in rates may lead to a decrease in net interest income, and a decrease in rates may lead to an increase in net interest income. Interest rate sensitivity gap analysis measures whether assets or liabilities may reprice but does not capture the ability to reprice or the range of potential repricing on assets or liabilities. Thus indications based on a negative or positive gap position need to be analyzed in conjunction with other interest rate risk management tools.

Management believes that the assumptions and combination of methods utilized in evaluating estimated net interest income are reasonable. However, the interest rate sensitivity of our assets, liabilities and off-balance sheet financial instruments, as well as the estimated effect of changes in interest rates on estimated net interest income, could vary substantially if different assumptions are used or actual experience differs from the assumptions used in the model.

Item 8. Financial Statements and Supplementary Data

Financial Statements for the three years ended
December 31, 2015 , 2014 and 2013

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Customers Bancorp, Inc.
Wyomissing, Pennsylvania

We have audited the accompanying consolidated balance sheets of Customers Bancorp, Inc. and Subsidiaries (the "Bancorp") as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Bancorp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Customers Bancorp, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Bancorp's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 26, 2016 expressed an unqualified opinion.

/s/ BDO USA, LLP
Philadelphia, Pennsylvania
February 26, 2016

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Customers Bancorp, Inc.
Wyomissing, Pennsylvania

We have audited Customers Bancorp, Inc. and Subsidiaries' (the "Bancorp") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Bancorp's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Responsibility for Financial Statements and Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bancorp's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Customers Bancorp, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Customers Bancorp, Inc. and Subsidiaries as of December 31, 2015 and 2014 and the related consolidated statement of income, comprehensive income, changes in shareholders' equity, and cash flow for each of the three years in the period ended December 31, 2015, and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Philadelphia, Pennsylvania
February 26, 2016

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share and per share data)

	December 31,	
	2015	2014
ASSETS		
Cash and due from banks	$ 53,550	$ 62,746
Interest earning deposits	211,043	308,277
Cash and cash equivalents	264,593	371,023
Investment securities available for sale, at fair value	560,253	416,685
Loans held for sale (includes $1,757,807 and $1,335,668, respectively at fair value)	1,797,064	1,435,459
Loans receivable	5,453,479	4,312,173
Allowance for loan losses	(35,647)	(30,932)
Total loans receivable, net of allowance for loan losses	5,417,832	4,281,241
FHLB, Federal Reserve Bank, and other restricted stock	90,841	82,002
Accrued interest receivable	19,939	15,205
FDIC loss sharing receivable	—	2,320
Bank premises and equipment, net	11,531	10,810
Bank-owned life insurance	157,211	138,676
Other real estate owned	5,057	15,371
Goodwill and other intangibles	3,651	3,664
Other assets	73,341	52,914
Total assets	$ 8,401,313	$ 6,825,370
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	$ 653,679	$ 546,436
Interest bearing	5,255,822	3,986,102
Total deposits	5,909,501	4,532,538
Federal funds purchased	70,000	—
FHLB advances	1,625,300	1,618,000
Other borrowings	88,250	88,250
Subordinated debt	110,000	110,000
Accrued interest payable and other liabilities	44,360	33,437
Total liabilities	7,847,411	6,382,225
Commitments and contingencies (NOTES 17 and 21)		
Shareholders' equity:		
Preferred stock, par value $1.00 per share; liquidation preference $25.00 per share; 100,000,000 shares authorized, 2,300,000 and 0 shares issued and outstanding as of December 31, 2015 and 2014	55,569	—
Common stock, par value $1.00 per share; 200,000,000 shares authorized; 27,432,061 and 27,277,789 shares issued as of December 31, 2015 and 2014; 26,901,801 and 26,745,529 shares outstanding as of December 31, 2015 and 2014	27,432	27,278
Additional paid in capital	362,607	355,822
Retained earnings	124,511	68,421
Accumulated other comprehensive loss, net	(7,984)	(122)
Treasury stock, at cost (530,260 shares as of December 31, 2015 and 532,260 shares as of December 31, 2014)	(8,233)	(8,254)
Total shareholders' equity	553,902	443,145
Total liabilities and shareholders' equity	$ 8,401,313	$ 6,825,370

See accompanying notes to the consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except per share data)

	For the Years Ended December 31,		
	2015	**2014**	**2013**
Interest income:			
Loans receivable, including fees	**$ 182,280**	$ 146,388	$ 82,580
Loans held for sale	**51,553**	30,801	38,140
Investment securities	**10,405**	10,386	6,314
Other	**5,612**	2,852	1,122
Total interest income	**249,850**	190,427	128,156
Interest expense:			
Deposits	**33,982**	24,454	21,020
Other borrowings	**6,096**	5,342	2,024
FHLB advances	**6,743**	5,194	1,192
Subordinated debt	**6,739**	3,514	65
Total interest expense	**53,560**	38,504	24,301
Net interest income	**196,290**	151,923	103,855
Provision for loan losses	**20,566**	14,747	2,236
Net interest income after provision for loan losses	**175,724**	137,176	101,619
Non-interest income:			
Mortgage warehouse transactional fees	**10,394**	8,233	12,962
Bank-owned life insurance	**7,006**	3,702	2,482
Gains on sales of loans	**4,047**	3,125	852
Deposit fees	**944**	801	675
Mortgage loan and banking income	**741**	2,048	1,142
Gain (loss) on sale of investment securities	**(85)**	3,191	1,274
Other	**4,670**	4,026	3,316
Total non-interest income	**27,717**	25,126	22,703
Non-interest expense:			
Salaries and employee benefits	**58,777**	46,427	35,493
Professional services	**11,042**	7,748	5,548
FDIC assessments, taxes, and regulatory fees	**10,728**	11,812	5,568
Technology, communication and bank operations	**10,596**	8,798	6,607
Occupancy	**8,668**	8,068	6,552
Other real estate owned	**2,516**	3,601	1,365
Advertising and promotion	**1,475**	1,325	1,274
Loan workout	**1,127**	1,706	2,245
Loss contingency	**—**	—	2,000
Other	**10,017**	9,429	7,372
Total non-interest expense	**114,946**	98,914	74,024
Income before income tax expense	**88,495**	63,388	50,298
Income tax expense	**29,912**	20,174	17,604
Net income	**58,583**	43,214	32,694
Preferred stock dividend	**2,493**	—	—
Net income available to common shareholders	**$ 56,090**	$ 43,214	$ 32,694
Basic earnings per common share	**$ 2.09**	$ 1.62	$ 1.34
Diluted earnings per common share	**$ 1.96**	$ 1.55	$ 1.30

See accompanying notes to the consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in thousands)

	For the Years Ended December 31,		
	2015	**2014**	**2013**
Net income	**$ 58,583**	$ 43,214	$ 32,694
Unrealized gains (losses) on securities:			
Unrealized gains (losses) on available-for-sale securities arising during the period	**(10,140)**	17,437	(12,853)
Income tax effect	**3,759**	(6,103)	4,499
Less: reclassification adjustments for losses (gains) on securities included in net income	**85**	(3,191)	(1,274)
Income tax effect	**(32)**	1,117	446
Net unrealized gains (losses) on securities	**(6,328)**	9,260	(9,182)
Unrealized losses on cash flow hedges:			
Unrealized losses on cash flow hedges arising during the period	**(2,532)**	(1,945)	—
Income tax effect	**998**	681	—
Net unrealized losses on cash flow hedges	**(1,534)**	(1,264)	—
Other comprehensive income (loss), net of income tax effect	**(7,862)**	7,996	(9,182)
Comprehensive income	**$ 50,721**	$ 51,210	$ 23,512

See accompanying notes to the consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2015 , 2014 and 2013
(amounts in thousands, except share data)

	Preferred Stock		Common Stock						
	Shares of Preferred Stock Outstanding	**Preferred Stock**	**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	—	—	—	—	—	32,694	—	—	32,694
Other comprehensive loss	—	—	—	—	—	—	(9,182)	—	(9,182)
Share-based compensation expense	—	—	—	—	3,368	—	—	—	3,368
Public offering of common stock, net of costs of $5,994	—	—	6,179,104	6,179	91,328	—	—	—	97,507
Exercise and redemption of warrants	—	—	46,773	47	217	—	—	—	264
Issuance of common stock under share-based-compensation arrangements	—	—	23,413	23	228	—	—	—	251
Repurchase of shares	—	—	(484,641)	—	—	—	—	(7,754)	(7,754)
Balance, December 31, 2013	—	—	24,224,151	24,756	307,231	71,008	(8,118)	(8,254)	386,623
Net income	—	—	—	—	—	43,214	—	—	43,214
Other comprehensive income	—	—	—	—	—	—	7,996	—	7,996
Stock dividend	—	—	2,429,375	2,429	43,364	(45,801)	—	—	(8)
Share-based compensation expense	—	—	—	—	4,209	—	—	—	4,209
Exercise of warrants	—	—	546	1	5	—	—	—	6
Issuance of common stock under share-based-compensation arrangements	—	—	91,457	92	1,013	—	—	—	1,105
Balance, December 31, 2014	—	—	26,745,529	27,278	355,822	68,421	(122)	(8,254)	443,145
Net income	—	—	—	—	—	58,583	—	—	58,583
Other comprehensive loss	—	—	—	—	—	—	(7,862)	—	(7,862)
Issuance of preferred stock, net of offering costs of $1,931	2,300,000	55,569	—	—	—	—	—	—	55,569
Preferred stock dividends	—	—	—	—	—	(2,493)	—	—	(2,493)
Share-based compensation expense	—	—	—	—	4,862	—	—	—	4,862
Exercise of warrants	—	—	7,611	8	90	—	—	—	98
Issuance of common stock under share-based-compensation arrangements	—	—	148,661	146	1,833	—	—	21	2,000
Balance, December 31, 2015	2,300,000	$ 55,569	26,901,801	$ 27,432	$ 362,607	$ 124,511	$ (7,984)	$ (8,233)	$ 553,902

See accompanying notes to the consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For the Years Ended December 31,		
	2015	**2014**	**2013**
Cash Flows from Operating Activities			
Net income	**$ 58,583**	$ 43,214	$ 32,694
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Provision for loan losses, net of change to FDIC receivable and clawback liability	**20,566**	14,747	2,236
Loss contingency	**—**	—	2,000
Provision for depreciation and amortization	**3,998**	3,604	3,129
Share-based compensation expense	**5,661**	5,237	3,368
Deferred taxes	**(10,092)**	(6,187)	2,210
Net amortization of investment securities premiums and discounts	**858**	821	475
Loss (gain) on sale of investment securities	**85**	(3,191)	(1,274)
Gain on sale of mortgages and other loans	**(4,479)**	(5,344)	(852)
Origination of loans held for sale	**(29,925,763)**	(18,138,339)	(20,670,866)
Proceeds from the sale of loans held for sale	**29,504,104**	17,553,196	21,360,465
Increase in FDIC loss sharing receivable net of clawback liability	**(2,430)**	(2,409)	(1,610)
Amortization (accretion) of fair value discounts	**832**	(273)	(912)
Net loss on sales of other real estate owned	**761**	966	732
Valuation and other adjustments to other real estate owned, net of FDIC receivable	**992**	1,979	839
Earnings on investment in bank-owned life insurance	**(7,006)**	(3,702)	(2,482)
Increase in accrued interest receivable and other assets	**(12,024)**	(16,423)	(15,091)
Increase in accrued interest payable and other liabilities	**8,706**	9,606	6,974
Net Cash (Used in) Provided by Operating Activities	**(356,648)**	(542,498)	722,035
Cash Flows from Investing Activities			
Purchases of investment securities available for sale	**(231,703)**	(164,940)	(542,110)
Proceeds from maturities, calls and principal repayments on investment securities available for sale	**76,331**	49,195	25,109
Proceeds from sales of investment securities available for sale	**806**	213,249	135,193
Net increase in loans	**(1,341,133)**	(1,814,196)	(1,008,410)
Purchase of loan portfolios	**—**	(309,927)	(164,033)
Proceeds from sale of loans held for investment	**248,060**	162,724	11,624
Net purchases of bank-owned life insurance	**(15,000)**	(30,465)	(45,465)
Proceeds from bank-owned life insurance	**3,384**	—	—
Net purchases of FHLB, Federal Reserve Bank, and other restricted stock	**(8,839)**	(39,578)	(12,261)
Reimbursements from the FDIC on loss sharing agreements	**3,917**	5,446	6,726
Purchases of bank premises and equipment	**(2,939)**	(1,419)	(3,894)
Proceeds from sales of other real estate owned	**8,890**	7,991	9,506
Net Cash Used in Investing Activities	**(1,258,226)**	(1,921,920)	(1,588,015)
Cash Flows from Financing Activities			
Net increase in deposits	**1,376,985**	1,572,648	519,179
Net increase in short-term borrowed funds from the FHLB	**(17,700)**	633,500	208,500
Net increase in federal funds purchased	**70,000**	—	—
Proceeds from long-term FHLB borrowings	**25,000**	265,000	35,000
Proceeds from issuance of long-term debt, net	**—**	133,142	60,336
Repayment of subordinated debt	**—**	(2,000)	—
Net proceeds from issuance of preferred stock	**55,569**	—	—
Preferred stock dividends paid	**(2,314)**	—	—
Exercise and redemption of warrants	**98**	6	264
Purchase of treasury stock	**—**	—	(7,754)
Net proceeds from issuance of common stock	**806**	77	97,507
Net Cash Provided by Financing Activities	**1,508,444**	2,602,373	913,032
Net (Decrease) Increase in Cash and Cash Equivalents	**(106,430)**	137,955	47,052

Cash and Cash Equivalents – Beginning	**371,023**	233,068	186,016
Cash and Cash Equivalents – Ending	**$ 264,593**	$ 371,023	$ 233,068

(continued)

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(amounts in thousands)

	For the Years Ended December 31,		
	2015	**2014**	**2013**
Supplementary Cash Flow Information			
Interest paid	**$ 51,313**	$ 37,580	$ 24,157
Income taxes paid	**38,734**	29,843	9,815
Non-cash Items:			
Transfer of loans to other real estate owned	**$ 3,467**	$ 14,042	$ 15,003
Transfer of loans from held for investment to held for sale	**—**	164,681	—
Transfer of loans from held for sale to held for investment	**30,365**	18,826	—

See accompanying notes to the consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE BUSINESS

Customers Bancorp, Inc. (the “Bancorp” or “Customers Bancorp”) is a bank holding company engaged in banking activities through its wholly owned subsidiary, Customers Bank (the “Bank”), collectively referred to as "Customers" herein. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

Customers Bancorp, Inc. and its wholly owned subsidiaries, Customers Bank and non-bank subsidiaries, 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, Providence, Rhode Island, Portsmouth, New Hampshire (Rockingham County), and Manhattan, New York. The Bank has 14 full-service branches and provides commercial banking products, primarily loans and deposits. Customers Bank provides loan and other financial products to customers through its limited purpose offices in Boston, Massachusetts, Providence, Rhode Island, Portsmouth, New Hampshire, Manhattan and Melville, New York and Philadelphia, Pennsylvania. 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. Customers Bancorp has made certain equity investments through its wholly owned subsidiaries CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd.

NOTE 2 – ACQUISITION ACTIVITY

Acquisition of Higher One, Inc.'s One Account Student Checking and Refund Management Disbursement Services Business

On December 15, 2015, Customers announced that it had entered into an Asset Purchase Agreement (the "Agreement") to acquire assets related to the One Account Student Checking and Refund Management Disbursement Services business ("Disbursements") of Higher One, Inc. ("Higher One"). Pursuant to the Agreement, Customers will acquire all assets of the Disbursements business, including all property and equipment, existing contractual relationships with vendors and educational institutions, and all intellectual property, will assume certain normal business related liabilities, and will commit to hire approximately 225 current Higher One employees primarily located in New Haven, Connecticut that manage the Disbursement business and serve the customers. Customers intends to retain these team members in New Haven. Customers will pay Higher One an aggregate of $42 million in cash in connection with the acquisition of the Disbursements business. Under the Agreement, Customers will pay Higher One $17 million in cash at closing and make cash payments of $10 million each on the first and second anniversaries of the closing. Customers also will pay Higher One $5 million in cash for Higher One's services under a transition services agreement. The transaction is subject to approval by Higher One stockholders which is expected to occur in the first quarter of 2016 with the transaction closing expected no later than July 1, 2016.

Acquisition of Loan Portfolio

In the first quarter 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.

In first quarter 2013, Customers Bank completed the purchase of certain commercial loans from Michigan-based 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 accounting and reporting policies of Customers Bancorp, Inc. and subsidiaries are in conformity with accounting principles generally accepted in the United States of America and predominant practices of the banking industry. The preparation of financial statements requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, credit deterioration and expected cash flows of purchased-credit-impaired loans, FDIC indemnification asset and related clawback liability, valuation of deferred tax assets, other-than-temporary impairment losses on securities, fair values of financial instruments, and annual goodwill impairment analysis.

Certain amounts reported in the 2014 and 2013 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications did not significantly impact Customers financial position or results of operations.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the parent company and its wholly owned subsidiaries: Customers Bank, CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd. Customers Bank includes the accounts of its wholly owned subsidiary CIC, Inc. and other subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Statements of Cash Flows

Cash and cash equivalents include cash on hand, amounts due from banks, and interest-bearing deposits with banks with a maturity date of three months or less and are recorded at cost. The carrying value of cash and cash equivalents is a reasonable estimate of its approximate fair value. Changes in the balances of cash and cash equivalents are reported in the consolidated statements of cash flows. Cash receipts from the repayment or sale of loans are classified within the statement of cash flows based on management's original intent upon origination of the loan, as prescribed by accounting guidance related to the statement of cash flows. Cash used upon initial funding of Customers' mortgage warehousing lending transactions and proceeds received when the mortgage loans are sold into the secondary market are classified as operating activities within the statement of cash flows.

Restrictions on Cash and Amounts due from Banks

Customers Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2015 and 2014 , these reserve balances were $73.2 million and $61.2 million , respectively.

Investment Securities

Customers acquires securities, largely mortgage-backed securities, to effectively utilize cash and capital and to generate earnings. Security transactions are recorded as of the trade date. Securities are classified at the time of acquisition as available for sale, held to maturity, or trading, and their designation determines their accounting as follows:

Available for sale : Investments securities classified as available for sale are those debt and equity securities that Customers intends to hold for an indefinite period of time but not necessarily to maturity. Investment securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in accumulated other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings and recorded at the trade date. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Held to maturity : Investment securities classified as held to maturity are those debt securities that Customers has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for the amortization of premiums and accretion of discounts, computed by a method which approximates the interest method over the terms of the securities. There are no securities classified as held to maturity as of December 31, 2015 or 2014 .

Trading: Investment securities classified as trading are those debt and equity securities that management intends to actively trade. These securities are carried at their current fair value, with changes in fair value reported in income. Customers does not actively trade securities.

For available-for-sale and held-to-maturity securities, management periodically assesses whether the securities are other than temporarily impaired. Other-than-temporary impairment means that management believes a security's decline in fair value below its amortized cost basis is due to factors that could include the issuer's inability to pay interest or dividends, its potential for default, and/or other factors. When a held-to-maturity or available-for-sale debt security is assessed for other-than-temporary impairment, management has to first consider (a) whether Customers intends to sell the security, and (b) whether it is more likely than not that Customers will be required to sell the security prior to recovery of its amortized cost basis.

If one of these circumstances applies to a security, an other-than-temporary impairment loss is recognized in the consolidated statements of income equal to the full amount of the decline in fair value below amortized cost. If neither of these circumstances applies to a security, but Customers does not expect to recover the entire amortized cost, an other-than-temporary impairment has occurred that must be separated into two categories: (a) the amount related to credit loss, and (b) the amount related to other factors. In assessing the level of other-than-temporary impairment attributable to credit loss, management compares the present value of cash flows expected to be collected with the amortized cost basis of the security. The portion of the total other-than-temporary impairment related to credit loss is recognized in earnings (as the difference between the fair value and the present value of the estimated cash flows), while the amount related to other factors is recognized in other comprehensive income. The total other-than-temporary impairment loss is presented in the statement of income, less the portion recognized in other comprehensive income. When a debt security becomes other-than-temporarily impaired, its amortized cost basis is reduced to reflect the portion of the total impairment related to credit loss.

For marketable equity securities, the Bancorp considers the issuer's financial condition, capital strength and near term prospects to determine whether an impairment is temporary or other-than-temporary. The Bancorp also considers the volatility of a security's price in comparison to the market as a whole and any recoveries or declines in fair value subsequent to the balance sheet date. If management determines that the impairment is other-than-temporary, the entire amount of the impairment as of the balance sheet date is recognized in earnings even if the decision to sell the security has not been made. The fair value of the security becomes the new amortized cost basis of the investment and is not adjusted for subsequent recoveries in fair value.

Loan Accounting Framework

The accounting for a loan depends on management's strategy for the loan, and on whether the loan was credit impaired at the date of acquisition. The Bank accounts for loans based on the following categories:

- Loans Held for Sale
- Loans at Fair Value
- Loans Receivable
- Purchased loans
- Loans receivable covered under Loss Sharing Agreements with the FDIC.

The following provides a detailed discussion of the accounting for loans in these categories:

Loans Held for Sale and Loans at Fair Value

Loans originated or acquired by the Bank with the intent to sell in the secondary market are carried either at the lower of cost or fair value, determined in the aggregate, or at fair value, depending upon an election made at the time the loan is made. These loans are generally sold on a non-recourse basis with servicing released. Gains and losses on the sale of loans accounted for at lower of cost or fair value are recognized in earnings based on the difference between the proceeds received and the carrying amount of the loans, inclusive of deferred origination fees and costs, if any. As a result of changes in events and circumstances or developments regarding management's view of the foreseeable future, loans not originated or acquired with the intent to sell may subsequently be designated as held for sale. These loans are transferred to the held-for-sale portfolio at the lower of amortized cost or fair value.

Loans originated or acquired by the Bank with the intent to sell for which fair value accounting is elected are marked to fair value with any difference between the proceeds received and the carrying amount of the loan recognized in earnings. No fees or costs related to such loans are deferred, so they do not affect the gain or loss calculation at the time of sale.

Certain mortgage warehouse lending transactions subject to master repurchase agreements are designated as held for sale and reported at fair value based on an election to account for the loans at fair value. Pursuant to these agreements, the Bank funds the pipelines for these mortgage lenders by sending payments directly to the closing agents for funded loans (i.e., the purchase event) and receives proceeds directly from third party investors when the loans are sold into the secondary market (i.e, the repurchase event).

An allowance for loan losses is not maintained on loans designated as held for sale or reported at fair value.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans using the level-yield method without anticipating prepayments. The Bank is generally amortizing these amounts over the contractual life of the loans.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or when management has doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is well secured. When a loan is placed on non-accrual status, unpaid accrued interest credited to income is reversed. Interest received on non-accrual loans is applied against principal until all principal has been recovered. Thereafter, payments are recognized as interest income until all unpaid amounts have been received. Generally, loans are restored to accrual status when the obligation is brought current and has performed in accordance with the contractual terms for a minimum of six months and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

Transfers of financial assets, including loan participations sold, are accounted for as sales when control over the assets has been surrendered (settlement date). Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Purchased Loans

Customers believes that the varying circumstances under which it purchases loans and the diverse credit quality of loans purchased should drive the decision as to whether loans in a portfolio should be deemed to be purchased-credit-impaired loans. Therefore, loan purchases are evaluated on a case-by-case basis to determine the appropriate accounting treatment. Loans acquired that do not have evidence of credit deterioration at the purchase date are accounted for in accordance with ASC 310-20, *Nonrefundable Fees and Other Costs,* and loans acquired with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are accounted for in accordance with ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality.*

Loans that are purchased that do not have evidence of credit deterioration

Purchased performing loans are initially recorded at fair value and include credit and interest rate marks associated with acquisition accounting adjustments. Purchase premiums or discounts are subsequently amortized as an adjustment to yield over the estimated contractual lives of the loans. There is no allowance for loan losses established at the acquisition date for acquired performing loans. An allowance for loan losses is recorded for any credit deterioration in these loans subsequent to acquisition.

Loans that are purchased that have evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected

For purchases of this type of loan, evidence of deteriorated credit quality may include past-due and non-accrual status, borrower credit scores and recent loan-to-value percentages.

The fair value of loans with evidence of credit deterioration is recorded net of a nonaccretable difference and accretable yield. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is the nonaccretable difference, which is not included in the carrying amount of acquired loans. Subsequent to acquisition, estimates of cash flows expected to be collected are updated each reporting period based on updated assumptions regarding default rates, loss severities, and other factors that are reflective of current market conditions. Subsequent decreases in expected cash flows will generally result in a provision for loan losses. Subsequent increases in expected cash flows result in a reversal of the provision for loan losses to the extent of prior charges, or a reclassification of the difference from nonaccretable to accretable with a positive impact on accretion of interest income in future periods. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of those cash flows.

Purchased-credit-impaired loans acquired in the same fiscal quarter may be aggregated into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. On a quarterly basis, the Bank re-estimates the total cash flows (both principal and interest) expected to be collected over the remaining life of each pool. These estimates incorporate assumptions regarding default rates, loss severities, the amounts and timing of prepayments and other factors that reflect then-current market conditions. If the timing and/or amounts of expected cash flows on purchased-credit-impaired loans were determined not to be reasonably estimable, no interest would be accreted and the loans would be reported as non-accrual loans; however, when the timing and amounts of expected cash flows for purchased-credit-impaired loans are reasonably estimable, interest is being accreted and the loans are being reported as performing loans.

Loans Receivable Covered Under Loss Sharing Agreements

Loans acquired in the FDIC assisted transactions in 2010 from USA Bank and ISN Bank are subject to loss sharing agreements with the FDIC and are referred to as “covered loans.” The period to submit losses under the FDIC loss sharing arrangements for non-single family loans expired in third quarter 2015. The period to submit losses under the FDIC loss sharing arrangements for single family loans expires in third quarter 2017. The final maturity of the FDIC loss sharing arrangements occurs in third quarter 2020. Outstanding balances for covered loans were $13.8 million and $42.2 million as of December 31, 2015 and 2014 , respectively.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through provisions for loan losses. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance for loan losses. The allowance for loan losses is maintained at a level considered appropriate to absorb probable incurred loan losses inherent in the loan portfolio as of the reporting date.

The Bank disaggregates its loan portfolio into groups of loans with similar risk characteristics for purposes of estimating the allowance for loan losses.

The Bank’s loan groups include multi-family, commercial and industrial, commercial real estate, construction, residential real estate, manufactured housing, consumer, and PCI loans. The Bank further disaggregates its residential real estate portfolio into two classes based upon certain risk characteristics; first mortgage loans and home equity loans and lines of credit. The remaining loan groups are also considered classes for purposes of monitoring and assessing credit quality based on certain risk characteristics. Additionally, within each loan group the acquired loans that are accounted for under ASC 310-10 are further segregated.

The total allowance for loan losses consists of an allowance for impaired loans, a general allowance for losses, and may also include residual non-specific reserve amounts. The allowance for loan losses is maintained at a level considered adequate to provide for losses that are estimated to have been incurred. Management performs a quarterly assessment of the adequacy of the allowance for loan losses, which is based on the Bank’s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower’s ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available. The Bank’s current methodology for determining the allowance for loan losses is based on historical loss rates, peer and industry data, current economic conditions, risk ratings, specific allocations on loans identified as impaired, and other qualitative adjustments.

The impaired loan component of the allowance for loan losses relates to loans for which it is probable that the Bank will be unable to collect all contractual principal and interest due. For such loans, an allowance is established when the (i) discounted cash flows, (ii) collateral value, or (iii) the impaired loan value is lower than the carrying value of the loan.

The general component of the allowance for loan losses covers groups of loans by loan class, including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity loans, home equity lines of credit and other consumer loans. These pools of loans are evaluated for loss exposure based upon loan risk ratings and industry or Customers' historical loss rates for each of these groups of loans. After determining the appropriate historical loss rate for each group of loans, management considers those current qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the historical loss experience. The overall effect of these factors is recorded as an adjustment that, as appropriate, increases or decreases the historical loss rate applied to the loan group. The qualitative factors that management considers includes the following:

- National, regional, and local economic and business conditions including review of changes in the unemployment rate.
- Volume and severity of past due loans and classified loans.
- Lending policies and procedures, including underwriting standards and historical-based loss/collection, charge-off, and recovery practices.
- Nature and volume of the portfolio including lending concentrations.
- Experience, ability, and depth of lending management and staff.

A residual reserve may be maintained to cover uncertainties that could affect management's estimate of probable losses. The residual reserve amount reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Commercial and industrial loans are underwritten after evaluating historical and projected profitability and cash flow to determine the borrower's ability to repay their obligation as agreed. Commercial and industrial loans are made primarily based on the identified cash flow of the borrower and secondarily on the underlying collateral supporting the loan facility. Accordingly, the repayment of a commercial and industrial loan depends primarily on the creditworthiness of the borrower (and any guarantors), while liquidation of collateral is a secondary and often insufficient source of repayment.

Construction loans are underwritten based upon a financial analysis of the developers and property owners and construction cost estimates, in addition to independent appraisal valuations. These loans will rely on the value associated with the project upon completion. These cost and valuation amounts used are estimates and may be inaccurate. Construction loans generally involve the disbursement of substantial funds over a short period of time with repayment substantially dependent upon the success of the completed project. Sources of repayment of these loans would be permanent financing upon completion or sales of developed property. These loans are closely monitored by onsite inspections and are considered to be of a higher risk than other real estate loans due to their ultimate repayment being sensitive to general economic conditions, availability of long-term financing, interest rate sensitivity, and governmental regulation of real property.

Commercial real estate and multi-family loans are subject to the underwriting standards and processes similar to commercial and industrial loans, in addition to those underwriting standards for real estate loans. These loans are viewed primarily as cash flow dependent and secondarily as loans secured by real estate. Repayment of these loans is generally dependent upon the successful operation of the property securing the loan or the principal business conducted on the property securing the loan. In addition, the underwriting considers the amount of the principal advanced relative to the property value. Commercial real estate and multi-family loans may be adversely affected by conditions in the real estate markets or the economy in general. Management monitors and evaluates commercial real estate and multi-family loans based on cash flow estimates, collateral and risk-rating criteria. The Bank also utilizes third-party experts to provide environmental and market valuations. Substantial effort is required to underwrite, monitor and evaluate commercial real estate and multi-family loans.

Residential real estate loans are secured by one to four dwelling units. This group is further divided into first mortgage and home equity loans. First mortgages are originated at a loan to value ratio of 80% or less. Home equity loans have additional risks as a result of typically being in a second position or lower in the event collateral is liquidated.

Manufactured housing loans represent loans that are secured by the manufactured housing unit where the borrower may or may not own the underlying real estate and therefore have a higher risk than a residential real estate loan.

Other consumer loans consist of loans to individuals originated through the Bank's retail network and are typically unsecured or secured by personal property. Consumer loans have a greater credit risk than residential loans because of the difference in the underlying collateral, if any. The application of various federal and state bankruptcy and insolvency laws may limit the amount that can be recovered on such loans.

Delinquency status and other borrower characteristics are used to monitor loans and identify credit risks, and the general reserves are established based on the expected net charge-offs, adjusted for qualitative factors. Loss rates are based on the average net charge-off history, either industry or Customers, by loan group. Historical loss rates may be adjusted for significant factors that, in management's judgment, are necessary to reflect losses inherent in the portfolio. Factors that management considers in the analysis include the effects of the national and local economies; trends in the nature and volume of delinquencies, charge-offs and non-accrual loans; changes in loan mix; changes in risk management and loan administration; and changes in internal lending policies, credit standards and collection practices.

Charge-offs on commercial and industrial, construction, multi-family and commercial real estate loans are recorded when management estimates that there are insufficient cash flows to repay the loan contractual obligation based upon financial information available and valuation of the underlying collateral. Additionally, the Bank takes into account the strength of any guarantees and the ability of the borrower to provide value related to those guarantees in determining the ultimate charge-off or reserve associated with any impaired loans. Accordingly, the Bank may charge-off a loan to a value below the net appraised value if it believes that an expeditious liquidation is desirable in the circumstance and it has legitimate offers or other indications of interest to support a value that is less than the net appraised value. Alternatively, the Bank may carry a loan at a value that is in excess of the appraised value certain circumstances, such as the Bank has a guarantee from a borrower that the Bank believes has realizable value. In evaluating the strength of any guarantee, the Bank evaluates the financial wherewithal of the guarantor, the guarantor's reputation, and the guarantor's willingness and desire to work with the Bank. The Bank then conducts a review of the strength of a guarantee on a frequency established as the circumstances and conditions of the borrower warrant.

The Bank records charge-offs for residential real estate, consumer, and manufactured housing loans after 120 days of delinquency or sooner when cash flows are determined to be insufficient for repayment. The Bank may also charge-off these loans below the net appraised valuation if the Bank holds a junior mortgage position in a piece of collateral whereby the risk to acquiring control of the property through the purchase of the senior mortgage position is deemed to potentially increase the risk of loss upon liquidation due to the amount of time to ultimately market the property and the volatile market conditions. In such cases, the Bank may abandon its junior mortgage and charge-off the loan balance in full.

Estimates of cash flows expected to be collected for purchased credit impaired loans are updated each reporting period. If the Bank estimates decreases in expected cash flows to be collected after acquisition, the Bank charges the provision for loan losses and establishes an allowance for loan losses.

Credit Quality Factors

Commercial and industrial, multi-family, commercial real estate, residential real estate and construction loans are each assigned a numerical rating of risk based on an internal risk rating system. The risk rating indicates management's estimate of the credit quality and the rating is assigned at loan origination and reviewed on a periodic or "as needed" basis. Consumer and manufactured housing loans are evaluated based on the payment activity of the loan. Risk ratings are not established for home equity loans, consumer loans, manufactured housing loans, and installment loans, mainly because these portfolios consist of a larger number of homogeneous loans with smaller balances. Instead, these portfolios are evaluated for risk mainly based on aggregate payment history (through the monitoring of delinquency levels and trends). For additional information about credit quality factor ratings refer to "NOTE 8 – " LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES."

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

Impairment is measured on a loan by loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. The fair value of the collateral is measured based on the value of the collateral securing the loans, less estimated costs to sell. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Bank's collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Bank using observable market data. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business' financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivable collateral are based on financial statement balances or aging reports.

Goodwill

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired. Goodwill is recognized as an asset and is reviewed for impairment annually as of October 31 and between annual tests when events and circumstances indicate that impairment may have occurred. Impairment is a condition that exists when the carrying amount of goodwill exceeds its implied fair value. A qualitative factor test can be performed to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If the results of the qualitative review indicate that it is unlikely (less than 50% probability) that the carrying value of the reporting unit exceeds its fair value, no further evaluation needs to be performed. As part of its qualitative assessment, Customers reviewed regional and national trends in current and expected economic conditions, examining indicators such as GDP growth, interest rates and unemployment rates. Customers also considered its own historical performance, expectations of future performance and other trends specific to the banking industry. Based on its qualitative assessment, Customers determined that there was no impairment on the goodwill balance. There was $ 3.7 million of goodwill at December 31, 2015 and 2014 .

FHLB, Federal Reserve Bank, and other restricted stock

FHLB, Federal Reserve Bank, and other restricted stock represents required investment in the capital stock of the Federal Home Loan Bank ("FHLB"), the Federal Reserve Bank and Atlantic Central Bankers Bank and is carried at cost. Total restricted stock as of December 31, 2015 and 2014 was $90.8 million and $82.0 million , respectively, which included $78.9 million and $71.6 million , respectively of FHLB stock.

Other Real Estate Owned

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of its carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in earnings. Certain other real estate owned that was acquired from USA Bank and ISN Bank or through the foreclosure of loans of those banks is subject to loss sharing agreements with the FDIC. As of December 31, 2015 and 2014, other real estate owned subject to Loss Sharing Agreements with the FDIC was $0.5 million and $9.4 million , respectively.

FDIC Loss Sharing Receivable and Clawback Liability

The FDIC loss sharing receivable is measured separately from the related covered assets because it is not contractually embedded in the assets and is not transferable if the assets are sold. The FDIC loss sharing receivable was initially recorded at fair value, based on the discounted value of expected future cash flows under the loss share agreements. The difference between the present value and the undiscounted cash flows the Bank expects to collect from the FDIC is accreted into interest income over the life of the FDIC loss sharing receivable.

The FDIC loss sharing receivable is reviewed quarterly and adjusted for changes in expected cash flows based on recent performance and expectations for future performance of the covered portfolio. These adjustments are measured on the same basis as the related covered loans and covered other real estate owned. Increases in estimated cash flows on the covered assets will reduce the FDIC loss sharing receivable and decreases in estimated cash flows on the covered assets will increase the FDIC loss sharing receivable. Increases to the FDIC loss sharing receivable resulting from reduced cash flow estimates on the covered loans are recorded as a reduction to the provision for loan losses and decreases to the FDIC loss sharing receivable are recorded either as an increase to the provision for loan losses (to the extent an increase in the FDIC receivable balance was previously recorded as a reduction to the provision for loan losses) or recognized over the life of the loss share agreements. Decreases in the valuations of covered other real estate owned are recorded net of the FDIC receivable balance resulting from the valuation allowance as an increase to other real estate owned expense (a component of non-interest expense).

The FDIC loss sharing receivable balance will be reduced through a charge to the provision for loan losses, with no offsetting reduction to the allowance for loan losses, as the period to submit losses under the FDIC loss sharing agreements approaches expiration and the estimated losses in the covered loans have not yet emerged or been realized in a final disposition event. The period to submit losses under the FDIC loss sharing agreements for non-single family loans expired in third quarter 2015. The period to submit losses under the FDIC loss sharing agreements for single family loans expires in third quarter 2017. The final maturity of the FDIC loss sharing agreements occurs in third quarter 2020.

As part of the FDIC loss sharing agreements, the Bank also assumed a potential liability to be paid within 45 days subsequent to the maturity or termination of the loss sharing agreements that is contingent upon actual losses incurred over the life of the agreements relative to expected losses and the consideration paid upon acquisition of the failed institutions. Due to cash received on the covered assets in excess of the original expectations of the FDIC, the Bank anticipates that it will be required to pay the FDIC at the end of its loss sharing agreements. As of December 31, 2015, a clawback liability of $2.3 million has been recorded. To the extent actual losses on the covered assets are less than estimated losses, the clawback liability will increase. To the extent actual losses on the covered assets are more than the estimated losses, the clawback liability will decrease.

The Bank presents the FDIC loss sharing receivable balance, net of the estimated clawback liability on the consolidated balance sheet. As of December 31, 2015, the Bank expected to collect $0.2 million from the FDIC for estimated losses and reimbursement of external costs, such as legal fees, real estate taxes and appraisal expenses, and estimated the clawback liability due to the FDIC in 2020 at $2.3 million . The net amount of $2.1 million is included in "Accrued interest payable and other liabilities" in the accompanying consolidated balance sheet.

Bank-Owned Life Insurance

Bank-owned life insurance policies insure the lives of officers of the Bank, and name the Bank as beneficiary. Non-interest income is generated tax-free (subject to certain limitations) from the increase in value of the policies’ underlying investments made by the insurance company. The Bank is capitalizing on the ability to partially offset costs associated with employee compensation and benefit programs with the bank-owned life insurance.

Bank Premises and Equipment

Bank premises and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the term of the lease or estimated useful life, unless extension of the lease term is reasonably assured.

Treasury Stock

Common stock purchased for treasury is recorded at cost.

Income Taxes

Customers accounts for income taxes under the liability method of accounting for income taxes. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. Customers determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

A tax position is recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent ; the term upon examination includes resolution of the related appeals or litigation process. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management’s judgment.

In assessing the realizability of federal or state deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and prudent, feasible and permissible as well as available tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible as well as available tax planning strategies, management believes it is more likely than not that Customers will realize the benefits of these deferred tax assets.

Share-Based Compensation

Customers Bancorp has four active share-based compensation plans. Share-based compensation accounting guidance requires that the compensation cost relating to share-based-payment transactions be recognized in earnings. The cost is measured based on the grant-date fair value of the equity instruments issued. The Black-Scholes model is used to estimate the fair value of stock options, while the market price of Customers Bancorp's common stock at the date of grant is used for restricted stock awards.

Compensation cost for all share-based awards is calculated and recognized over the employees' service period, generally defined as the vesting period. For performance based awards, compensation cost is recognized over the vesting period as long as it remains probable that the performance conditions will be met. If the service or performance conditions are not met, Customers reverses previously recorded compensation expense upon forfeiture.

In 2014, the shareholders of the Bancorp approved an employee stock purchase plan. Because the purchase price under the plan is 85% of (a 15% discount to the market price) the fair market value of a share of common stock on the first day of each quarterly subscription period, the plan is considered to be a compensatory plan under current accounting guidance. Therefore, the entire amount of the discount is recognizable compensation expense.

Derivative Instruments and Hedging

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 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.

As required by ASC 815, Customers 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. Customers may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or Customers elects not to apply hedge accounting.

Prior to first quarter 2014, none of Customers 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 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. Customers 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 Customers' variable-rate debt.

Customers purchased credit derivatives with a current notional balance of $19.3 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 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.

Comprehensive Income

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income includes changes in unrealized gains and losses on securities available for sale arising during the period and reclassification adjustments for realized gains and losses on securities available for sale included in net income. Unrealized gains and losses on securities available for sale include a component for unrealized changes in foreign currency exchange rates relating to the Bancorp's investment in certain foreign equity securities. Other comprehensive income also includes the effective portion of changes in fair value of financial derivatives designated and qualifying as cash flow hedges. Cash flow hedge amounts classified as comprehensive income are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

Earnings per Share

Basic earnings per share represents net income divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes all potentially dilutive common shares outstanding during the period. Potential common shares that may be issued related to outstanding stock options, restricted stock units, and warrants are determined using the treasury stock method.

Segment Information

Customers has one reportable segment, "Community Banking." All of Customers' activities are interrelated, and each activity is dependent and assessed based on how each of the activities supports the others. For example, lending is dependent upon the ability of Customers to fund itself with deposits and borrowings while managing interest rate and credit risk. Accordingly, all significant operating decisions are based upon analysis of Customers as one segment or unit.

Recently Issued Accounting Standards and Updates

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases.* From the lessee's perspective, the new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for a lessess. From the lessor's perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results.

The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. A modified retrospective transition approach is required for lessors for sales-type, direct financing, and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Customers is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments - Overall.* The guidance in this ASU among other things, (1) requires equity investments with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) eliminates the requirement for public businesses entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (4) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (5) requires an entity to present separately in other comprehensive income the portion of the change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (6) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (7) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2015-17, *Income Taxes* . The amendments in this ASU, which will align the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards (IFRS), require that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this ASU apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this ASU.

For public business entities, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* . To simplify the accounting for adjustments made to provisional amounts recognized in a business combination, the guidance in this ASU eliminates the requirement to retrospectively account for those adjustments and requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance in this ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and should be applied prospectively to adjustment to provisional amounts that occur after the effective date of this ASU. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In April 2015 and August 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements- Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,* respectively . The guidance in these ASUs is intended to simplify presentation of debt issuance costs, and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability consistent with debt discounts and is applicable on a retrospective basis. The guidance in these ASUs is effective for interim and annual periods beginning after December 15, 2015. The adoption of these ASUs did not have a significant impact on Customers' financial condition or results of operations.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis.* The guidance in this ASU is intended to amend the update, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this ASU affect the following areas:

1. Limited partnerships and similar legal entities.
2. Evaluating fees paid to a decision maker or a service provider as a variable interest.
3. The effect of fee arrangements on the primary beneficiary determination.
4. The effect of related parties on the primary beneficiary determination.
5. Certain investment funds.

The guidance in this ASU is effective for annual and interim periods beginning after December 15, 2015. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In January 2015, the FASB issued ASU 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20)Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* The guidance in this ASU was issued as part of the FASB's initiative to reduce complexity in accounting standards and eliminates from GAAP the concept of extraordinary items. The guidance in this update is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In November 2014, the FASB issued ASU 2014-16, *Derivatives and Hedging (Subtopic 815-10): Determining Whether the Host contract in a Hybrid Financial Instrument in the Form of a Share is More Akin to Debt or to Equity.* The guidance in this ASU requires entities that issue or invest in a hybrid financial instrument to separate an embedded derivative feature from a host contract and account for the feature as a derivative. In the case of derivatives embedded in a hybrid financial instrument that is issued in the form of a share, that criterion requires evaluating whether the nature of the host contract is more akin to debt or to equity and whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to the host contract. If the host contract is akin to equity, then equity-like features (for example, a conversion option) are considered clearly and closely related to the host contract and, thus, would not be separated from the host contract. If the host contract is akin to debt, then equity-like features are not considered clearly and closely related to the host contract. In the latter case, an entity may be required to separate the equity-like embedded derivative feature from the debt host contract if certain other criteria in Subtopic 815-15 are met. Similarly, debt-like embedded derivative features may require separate accounting from an equity-like host contract. The guidance in this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In August 2014, the FASB issued ASU 2014-14 *, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure.* The guidance in this ASU affects creditors that hold government-guaranteed mortgage loans, including those guaranteed by the FHA and the VA. It requires that a mortgage loan be derecognized and a separate other receivable be recognized upon foreclosure if the following conditions are met:

1. The loan has a government guarantee that is not separable from the loan before foreclosure.
2. At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim.
3. At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed.

Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The guidance in this ASU was effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The guidance may be applied using a prospective transition method in which a reporting entity applies the guidance to foreclosures that occur after the date of adoption, or a modified retrospective transition using a cumulative-effect adjustment (through a reclassification to a separate other receivable) as of the beginning of the annual period of adoption. Prior periods should not be adjusted. A reporting entity must apply the same method of transition as elected under ASU 2014-04. The adoption of this ASU did not have a significant impact on Customers' financial condition or results of operations.

In August 2014, the FASB issued ASU 2014-13 *, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity.* The guidance in this ASU applies to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities guidance when: (*1*) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Codification Topics; and (*2*) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The guidance in this ASU is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In June 2014, the FASB issued 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 adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* . This ASU establishes a comprehensive revenue recognition standard for virtually all industries following 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, and (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. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* . The guidance in this ASU is now effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Customers does not expect this ASU to have a significant impact on its financial condition or results of operations.

NOTE 4 – EARNINGS PER SHARE

The following are the components and results of the Bancorp's earnings per share ("EPS") calculation for the periods presented.

	For the Years Ended December 31,		
	2015	2014	2013
(amounts in thousands, except share and per share data)			
Net income available to common shareholders	**$ 56,090**	$ 43,214	$ 32,694
Weighted-average number of common shares outstanding – basic	**26,844,545**	26,719,626	24,485,078
Share-based compensation plans	**1,516,297**	968,671	464,054
Warrants	**324,097**	250,707	198,520
Weighted-average number of common shares – diluted	**28,684,939**	27,939,004	25,147,652
Basic earnings per share	**$ 2.09**	$ 1.62	$ 1.34
Diluted earnings per share	**1.96**	1.55	1.30

The following is a summary of securities that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been anti-dilutive for the periods presented.

	For the Years Ended December 31,		
	2015	2014	2013
Anti-dilutive securities:			
Share-based compensation awards	**606,095**	135,861	819,539
Warrants	**52,242**	118,745	118,745
Total anti-dilutive securities	**658,337**	254,606	938,284

NOTE 5 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT (1)

The following tables present the changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2015 and 2014 .

	Available-for-sale Securities				
(amounts in thousands)	Unrealized Gains (Losses) (2)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Loss on Cash Flow Hedge	Total
Balance, January 1, 2014	$ (8,118)	$ —	$ (8,118)	$ —	$ (8,118)
Current period:					
Other comprehensive income (loss) before reclassifications	11,334	—	11,334	(1,264)	10,070
Amounts reclassified from accumulated other comprehensive income to net income (3)	(2,074)	—	(2,074)	—	(2,074)
Net current-period other comprehensive income (loss)	9,260	—	9,260	(1,264)	7,996
Balance, December 31, 2014	1,142	—	1,142	(1,264)	(122)
Current period:					
Other comprehensive income (loss) before reclassifications	(5,797)	(584)	(6,381)	(1,534)	(7,915)
Amounts reclassified from accumulated other comprehensive income to net income (3)	53	—	53	—	53
Net current-period other comprehensive income (loss)	(5,744)	(584)	(6,328)	(1,534)	(7,862)
Balance, December 31, 2015	$ (4,602)	$ (584)	$ (5,186)	$ (2,798)	$ (7,984)

(1) All amounts are net of tax. Amounts in parentheses indicate reductions to accumulated other comprehensive income.
(2) Includes immaterial gains or losses on foreign currency items for the year ended December 31, 2014.
(3) Reclassification amounts are reported as gain or loss on sale of investment securities on the Consolidated Statements of Income.

NOTE 6 – INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities are summarized as follows:

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(amounts in thousands)				
Available for Sale:				
Mortgage-backed securities (1)	**$ 506,111**	**$ 1,453**	**$ (6,590)**	**$ 500,974**
Corporate notes (2)	**39,925**	**320**	**(178)**	**40,067**
Equity securities (3)	**22,514**	**—**	**(3,302)**	**19,212**
Total	**$ 568,550**	**$ 1,773**	**$ (10,070)**	**$ 560,253**

(1) Consists of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA.
(2) Includes subordinated debt issued by other bank holding companies.
(3) Consists primarily of equity securities issued by a foreign entity.

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(amounts in thousands)				
Available for Sale:				
Mortgage-backed securities (1)	$ 376,854	$ 2,805	$ (2,348)	$ 377,311
Corporate notes (2)	15,000	104	—	15,104
Equity securities (3)	23,074	1,197	(1)	24,270
Total	$ 414,928	$ 4,106	$ (2,349)	$ 416,685

(1) Consists primarily of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA.
(2) Includes subordinated debt issued by other bank holding companies.
(3) Consists primarily of equity securities issued by a foreign entity.

The following table shows proceeds from the sale of available-for-sale investment securities, gross gains, and gross losses on those sales of securities:

	For the Year Ended December 31,		
	2015	2014	2013
(amounts in thousands)			
Proceeds from sale of available-for-sale investment securities	**$ 806**	$ 213,249	$ 135,193
Gross gains	**$ —**	$ 3,191	$ 1,274
Gross losses	**(85)**	—	—
Net gains	**$ (85)**	$ 3,191	$ 1,274

These gains and losses were determined using the specific identification method and were included in non-interest income.

The following table shows debt investment securities by stated maturity. Investment 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:

	December 31, 2015	
	Available for Sale	
(amounts in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ —	$ —
Due after one year through five years	—	—
Due after five years through ten years	32,925	33,112
Due after ten years	7,000	6,955
Mortgage-backed securities	506,111	500,974
Total debt securities	$ 546,036	$ 541,041

Gross unrealized losses and fair value of Customers' investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position were as follows:

	December 31, 2015					
	Less than 12 months		12 months or more		Total	
(amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:						
Mortgage-backed securities (1)	$ 305,702	$ (4,384)	$ 57,357	$ (2,206)	$ 363,059	$ (6,590)
Corporate notes (2)	9,748	(178)	—	—	9,748	(178)
Equity securities (3)	19,206	(3,301)	6	(1)	19,212	(3,302)
Total	$ 334,656	$ (7,863)	$ 57,363	$ (2,207)	$ 392,019	$ (10,070)

(1) Consists of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA.
(2) Includes subordinated debt issued by other bank holding companies.
(3) Consists primarily of equity securities issued by a foreign entity.

	December 31, 2014					
	Less than 12 months		12 months or more		Total	
(amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale:						
Mortgage-backed securities (1)	$ 60,388	$ (81)	$ 80,426	$ (2,267)	$ 140,814	$ (2,348)
Equity securities (2)	—	—	5	(1)	5	(1)
Total	$ 60,388	$ (81)	$ 80,431	$ (2,268)	$ 140,819	$ (2,349)

(1) Consists primarily of mortgage-backed securities issued by government-sponsored agencies, including FHLMC, FNMA, and GNMA.
(2) Consists primarily of equity securities issued by a foreign entity.

At December 31, 2015 , there were twenty-six available-for-sale investment securities in the less-than-twelve-month category and sixteen 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 unrealized losses on the equity securities reflect decreases in market price and adverse changes in foreign currency exchange rates. Customers evaluated the financial condition and capital strength of the issuer of these securities and concluded that the decline in fair value was temporary and estimated the value could reasonably recover by way of increases in market price or positive changes in foreign currency exchange rates. Customers 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 concluded that the securities are not other-than-temporarily impaired as of December 31, 2015 .

At December 31, 2015 and 2014 , Customers Bank had pledged investment securities aggregating $299.8 million and $376.9 million fair value, respectively, as collateral against its borrowings primarily with the FHLB and an unused line of credit with another financial institution. These counterparties do not have the ability to sell or repledge these securities.

NOTE 7 – LOANS HELD FOR SALE

The composition of loans held for sale as of December 31, 2015 and 2014 was as follows:

	December 31,	
	2015	2014
(amounts in thousands)		
Commercial loans:		
Mortgage warehouse loans at fair value	**$ 1,754,950**	$ 1,332,019
Multi-family loans at lower of cost or fair value	**39,257**	99,791
Total commercial loans held for sale	**1,794,207**	1,431,810
Consumer loans:		
Residential mortgage loans at fair value	**2,857**	3,649
Total loans held for sale	**$ 1,797,064**	$ 1,435,459

Effective September 30, 2015, Customers transferred $30.4 million of multi-family loans from held for sale to loans receivable (held for investment) because the Bank no longer has the intent to sell these loans. Customers transferred these loans at their carrying value, which was lower than the estimated fair value at the time of transfer.

Effective September 30, 2014, Customers transferred $164.7 million of multi-family loans from loans receivable to held for sale because Customers was actively marketing these loans and no longer had the intent to retain these loans in its portfolio. Effective December 31, 2014, Customers transferred $18.8 million of these loans back to loans receivable because Customers no longer had the intent to sell these loans. Customers transferred these loans at their amortized cost, which was lower than the estimated fair value at the time of transfer.

NOTE 8 – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Because the period to submit losses for non-single family loans covered under the FDIC loss sharing agreements expired in third quarter 2015, and the balance of covered loans at December 31, 2015 and 2014 was insignificant to Customers' total loan portfolio, the disaggregation between covered and non-covered loans is no longer presented in the disclosures that follow. Additional disaggregation of the commercial real estate loan portfolio between owner occupied and non-owner occupied is presented. Prior period amounts have been reclassified to conform with the current period presentation.

The following table presents loans receivable as of December 31, 2015 and 2014 .

(amounts in thousands)	December 31, 2015	December 31, 2014
Commercial:		
Multi-family	$ 2,909,439	$ 2,208,405
Commercial and industrial (including owner occupied commercial real estate)	1,111,400	785,669
Commercial real estate non-owner occupied	956,255	839,310
Construction	87,240	49,718
Total commercial loans	5,064,334	3,883,102
Consumer:		
Residential real estate	271,613	297,395
Manufactured housing	113,490	126,731
Other	3,708	4,433
Total consumer loans	388,811	428,559
Total loans receivable	5,453,145	4,311,661
Deferred costs and unamortized premiums, net	334	512
Allowance for loan losses	(35,647)	(30,932)
Loans receivable, net of allowance for loan losses	$ 5,417,832	$ 4,281,241

The following tables summarize loans receivable by loan type and performance status as of December 31, 2015 and 2014 :

	December 31, 2015						
(amounts in thousands)	30-89 Days Past Due (1)	90 Or More Days Past Due (1)	Total Past Due Still Accruing (1)	Non-Accrual	Current (2)	Purchased-Credit-Impaired Loans (3)	Total Loans (4)
Multi-family	$ —	$ —	$ —	$ —	$ 2,905,789	$ 3,650	$ 2,909,439
Commercial and industrial	39	—	39	1,973	799,595	1,552	803,159
Commercial real estate - owner occupied	268	—	268	2,700	292,312	12,961	308,241
Commercial real estate - non-owner occupied	1,997	—	1,997	1,307	940,895	12,056	956,255
Construction	—	—	—	—	87,006	234	87,240
Residential real estate	2,986	—	2,986	2,202	257,984	8,441	271,613
Manufactured housing (5)	3,752	2,805	6,557	2,449	101,132	3,352	113,490
Other consumer	107	—	107	140	3,227	234	3,708
Total	$ 9,149	$ 2,805	$ 11,954	$ 10,771	$ 5,387,940	$ 42,480	$ 5,453,145

(amounts in thousands)	December 31, 2014 30-89 Days Past Due (1)	90 Or More Days Past Due (1)	Total Past Due Still Accruing (1)	Non-Accrual	Current (2)	Purchased-Credit-Impaired Loans (3)	Total Loans (4)
Multi-family	$ —	$ —	$ —	$ —	$ 2,204,059	$ 4,346	$ 2,208,405
Commercial and industrial	884	—	884	2,513	543,245	3,293	549,935
Commercial real estate - owner occupied	—	—	—	2,514	217,187	16,033	235,734
Commercial real estate - non-owner occupied	—	—	—	1,460	822,046	15,804	839,310
Construction	—	—	—	2,325	44,483	2,910	49,718
Residential real estate	1,226	—	1,226	1,855	284,347	9,967	297,395
Manufactured housing (5)	6,324	4,388	10,712	931	111,072	4,016	126,731
Other consumer	147	—	147	135	3,903	248	4,433
Total	$ 8,581	$ 4,388	$ 12,969	$ 11,733	$ 4,230,342	$ 56,617	$ 4,311,661

(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, unamortized premiums and discounts, and the allowance for loan losses.
(5) Manufactured housing loans purchased in 2010 are supported by 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.

Allowance for Loan Losses and the FDIC Loss Sharing Receivable and Clawback Liability

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, which is recorded as a reduction 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 Bank 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 balance (with a related charge to the provision for loan losses). Increases in expected cash flows on 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. Decreases in the valuations of other real estate owned covered by the loss sharing agreements are recorded net of the estimated FDIC receivable as an increase to other real estate owned expense (a component of non-interest expense).

The FDIC loss sharing receivable balance will be reduced through a charge to the provision for loan losses, with no offsetting reduction to the allowance for loan losses, as the period to submit losses under the FDIC loss sharing arrangements approaches expiration and the estimated losses in the covered loans have not yet emerged or been realized in a final disposition event. The period to submit losses under the FDIC loss sharing arrangements for non-single family loans expired in third quarter 2015. The period to submit losses under the FDIC loss sharing arrangements for single family loans expires in third quarter 2017. The final maturity of the FDIC loss sharing arrangements occurs in third quarter 2020. As of December 2015 and 2014, loans covered under loss sharing agreements with the FDIC were $13.8 million and $42.2 million , respectively.

As part of the FDIC loss sharing arrangements, Customers also assumed a liability to be paid within 45 days subsequent to the maturity or termination of the loss sharing arrangements that is contingent upon actual losses incurred over the life of the arrangements relative to expected losses and the consideration paid upon acquisition of the failed institutions. Due to cash received on the covered assets in excess of the original expectations of the FDIC, the Bank anticipates that it will be required to pay the FDIC at the end of its loss sharing arrangements. As of December 31, 2015, a clawback liability of $2.3 million has been recorded. To the extent actual losses on the covered assets are less than estimated losses, the clawback liability will increase. To the extent actual losses on the covered assets are more than the estimated losses, the clawback liability will decrease.

As of December 31, 2015, Customers expects to collect $0.2 million from the FDIC for estimated losses and reimbursement of external costs, such as legal fees, real estate taxes and appraisal expenses, and estimated the clawback liability due to the FDIC in 2020 at $2.3 million . The net amount of $2.1 million is included in "Accrued interest payable and other liabilities" in the accompanying consolidated balance sheet.

The following table presents changes in the allowance for loans losses and the FDIC loss sharing receivable, including the effect of the estimated clawback liability for the years ended December 31, 2015 , 2014 and 2013 .

	Allowance for Loan Losses For The Year Ended December 31,		
	2015	2014	2013
(amounts in thousands)			
Beginning Balance	$ 30,932	$ 23,998	$ 25,837
Provision for loan losses (1)	16,694	10,058	5,055
Charge-offs	(13,412)	(4,947)	(7,338)
Recoveries	1,433	1,823	444
Ending Balance	$ 35,647	$ 30,932	$ 23,998

	FDIC Loss Sharing Receivable For The Year Ended December 31,		
	2015	2014	2013
(amounts in thousands)			
Beginning Balance	$ 2,320	$ 10,046	$ 12,343
Increased (decreased) estimated cash flows (2)	(3,872)	(4,689)	2,819
Increased estimated cash flows from covered OREO (a)	3,138	—	—
Other activity, net (b)	248	2,409	1,610
Cash receipts from FDIC	(3,917)	(5,446)	(6,726)
Ending Balance	$ (2,083)	$ 2,320	$ 10,046
(1) Provision for loan losses	$ 16,694	$ 10,058	$ 5,055
(2) Effect attributable to FDIC loss share arrangements	3,872	4,689	(2,819)
Net amount reported as provision for loan losses	$ 20,566	$ 14,747	$ 2,236

(a) Recorded as a reduction to Other Real Estate Owned expense (a component of non-interest expense).
(b) Includes external costs, such as legal fees, real estate taxes and appraisal expenses, that qualify for reimbursement under loss share arrangements.

Loans Individually Evaluated for Impairment

The following tables present the recorded investment (net of charge-offs), unpaid principal balance, and related allowance by loan type for loans that are individually evaluated for impairment as of December 31, 2015 and 2014 and the average recorded investment and interest income recognized for the years ended December 31, 2015 and 2014. Purchased-credit-impaired loans are considered to be performing and are not included in the tables below.

(amounts in thousands)	December 31, 2015 Recorded Investment Net of Charge Offs	December 31, 2015 Unpaid Principal Balance	December 31, 2015 Related Allowance	Year Ended December 31, 2015 Average Recorded Investment	Year Ended December 31, 2015 Interest Income Recognized
With no related allowance recorded:					
Multi-family	$ 661	$ 661	$ —	$ 267	$ 24
Commercial and industrial	12,056	13,028	—	8,543	891
Commercial real estate - owner occupied	8,317	8,317	—	6,526	454
Commercial real estate - non-owner occupied	4,276	4,276	—	6,605	648
Construction	—	—	—	749	—
Other consumer	48	48	—	42	1
Residential real estate	4,331	4,331	—	2,254	86
Manufactured housing	8,300	8,300	—	5,433	368
With an allowance recorded:					
Commercial and industrial	5,565	5,914	1,990	9,331	191
Commercial real estate - owner occupied	12	12	1	15	1
Commercial real estate - non-owner occupied	555	555	148	817	12
Construction	—	—	—	—	—
Other consumer	92	92	50	83	—
Residential real estate	395	395	84	426	2
Total	$ 44,608	$ 45,929	$ 2,273	$ 41,091	$ 2,678

(amounts in thousands)	December 31, 2014 Recorded Investment Net of Charge Offs	December 31, 2014 Unpaid Principal Balance	December 31, 2014 Related Allowance	Year Ended December 31, 2014 Average Recorded Investment	Year Ended December 31, 2014 Interest Income Recognized
With no related allowance recorded:					
Commercial and industrial	$ 14,600	$ 16,122	$ —	$ 13,329	$ 674
Commercial real estate - owner occupied	12,599	12,744	—	10,204	504
Commercial real estate - non-owner occupied	5,602	5,602		7,770	383
Construction	2,325	2,325	—	2,415	41
Other consumer	21	21	—	26	—
Residential real estate	3,675	5,917	—	4,145	87
Manufactured housing	2,588	2,588	—	2,588	128
With an allowance recorded:					
Commercial and industrial	1,923	1,923	857	1,725	28
Commercial real estate - owner occupied	750	750	95	1,184	22
Commercial real estate - non-owner occupied	571	571	170	902	17
Construction	—	—	—	851	—
Other consumer	114	114	32	82	1
Residential real estate	365	365	188	296	1
Total	$ 45,133	$ 49,042	$ 1,342	$ 45,517	$ 1,886

Troubled Debt Restructurings

At December 31, 2015 , 2014 and 2013 there were $11.4 million , $5.0 million , $4.6 million respectively, in loans categorized 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 the borrower satisfies a minimum six -month performance requirement; however, it will remain classified as impaired. Generally, the Bank requires sustained performance for nine months before returning a TDR to accrual status.

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 years ended December 31, 2015 , 2014 and 2013. There were no modifications that involved forgiveness of debt.

	December 31, 2015	
	Number of Loans	Recorded Investment
(dollars in thousands)		
Extended under forbearance	**1**	**$ 183**
Interest-rate reductions	**161**	**7,274**
Total	**162**	**$ 7,457**

	December 31, 2014	
	Number of Loans	Recorded Investment
(dollars in thousands)		
Extended under forbearance	11	$ 460
Interest rate reductions	10	620
Total	21	$ 1,080

	December 31, 2013	
	Number of Loans	Recorded Investment
(dollars in thousands)		
Extended under forbearance	—	$ —
Interest rate reductions	14	1,238
Total	14	$ 1,238

The following table provides, by loan type, the number of loans modified in troubled debt restructurings and the related recorded investment during the years ended December 31, 2015, 2014 and 2013.

	December 31, 2015		
(dollars in thousands)	Number of Loans		Recorded Investment
Commercial and industrial	**3**	**$**	**791**
Commercial real estate non-owner occupied	**1**		**211**
Manufactured housing	**156**		**6,251**
Residential real estate	**2**		**204**
Total loans	**162**	**$**	**7,457**

	December 31, 2014		
(dollars in thousands)	Number of Loans		Recorded Investment
Manufactured housing	10	$	620
Home equity / other	11		460
Total loans	21	$	1,080

	December 31, 2013		
(dollars in thousands)	Number of Loans		Recorded Investment
Manufactured housing	13	$	1,206
Home equity / other	1		32
Total loans	14	$	1,238

As of December 31, 2015 , 2014 , 2013, there were no commitments to lend additional funds to debtors whose terms have been modified in TDRs.

For the years ended December 31, 2015 , 2014 and 2013 , the recorded investment of loans determined to be TDRs was $7.5 million , $1.1 million and $1.2 million respectively, both before and after restructuring. During the year ending December 31, 2015 , thirty-six TDR loans defaulted with a recorded investment of $2.5 million . During the year ending December 31, 2014 , six TDR loans defaulted with a recorded investment of $0.4 million . During the year ended December 31, 2013, five TDR loans defaulted with a recorded investment of $0.4 million . For the year ended 2015, $1.8 million of the $2.5 million defaulted loans are subject to a cash reserve.

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 three specific allowances resulting from TDR modifications during 2015, totaling $0.2 million for 2 commercial and industrial loans, and $0.1 million for one commercial real estate non-owner occupied loan. There were no specific allowances resulting from TDR modifications during 2014 or 2013.

Credit Quality Indicators

Commercial and industrial, commercial real estate, multi-family, residential real estate and construction loans are based on an internally assigned risk rating system which are assigned at loan origination and reviewed on a periodic or “as needed” basis. Other consumer and manufactured housing loans are evaluated based on the payment activity of the loan.

To facilitate the monitoring of credit quality within commercial and industrial, commercial real estate, construction, multi-family and residential real estate loans, 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 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. Certain consumer loans are not assigned a risk rating. 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 managing the 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, are virtually immune to local economies, and are in stable growing industries. The management team 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; and 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, bust 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 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.

"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*

Doubtful ratings are assigned 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 certain consumer loans, including home equity loans, manufactured housing, and installment loans, mainly because these portfolios consist of a larger number of homogeneous 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.

The following table presents the credit ratings as of December 31, 2015 and 2014 for the loans receivable portfolio.

	December 31, 2015								
	Multi-family	**Commercial and Industrial**	**Commercial Real Estate Owner Occupied**	**Commercial Real Estate Non-Owner Occupied**	**Construction**	**Residential Real Estate**	**Manufactured Housing**	**Other Consumer**	**Total**
(amounts in thousands)									
Pass/Satisfactory	**$ 2,907,362**	**$ 784,892**	**$ 295,762**	**$ 950,886**	**$ 87,240**	**$ 268,210**	**$ —**	**$ —**	**$ 5,294,352**
Special Mention	**661**	**14,052**	**7,840**	**1,671**	**—**	**282**	**—**	**—**	**24,506**
Substandard	**1,416**	**4,215**	**4,639**	**3,698**	**—**	**3,121**	**—**	**—**	**17,089**
Performing (1)	**—**	**—**	**—**	**—**	**—**	**—**	**104,484**	**3,461**	**107,945**
Non-performing (2)	**—**	**—**	**—**	**—**	**—**	**—**	**9,006**	**247**	**9,253**
Total	**$ 2,909,439**	**$ 803,159**	**$ 308,241**	**$ 956,255**	**$ 87,240**	**$ 271,613**	**$ 113,490**	**$ 3,708**	**$ 5,453,145**

	December 31, 2014								
	Multi-family	**Commercial and Industrial**	**Commercial Real Estate Owner Occupied**	**Commercial Real Estate Non-Owner Occupied**	**Construction**	**Residential Real Estate**	**Manufactured Housing**	**Other Consumer**	**Total**
(amounts in thousands)									
Pass/Satisfactory	$ 2,206,776	$ 531,790	$ 217,356	$ 829,238	$ 44,642	$ 294,225	$ —	$ —	$ 4,124,027
Special Mention	—	14,565	13,056	6,694	—	243	—	—	34,558
Substandard	1,629	3,580	5,322	3,378	5,076	2,927	—	—	21,912
Performing (1)	—	—	—	—	—	—	115,088	4,151	119,239
Non-performing (2)	—	—	—	—	—	—	11,643	282	11,925
Total	$ 2,208,405	$ 549,935	$ 235,734	$ 839,310	$ 49,718	$ 297,395	$ 126,731	$ 4,433	$ 4,311,661

(1) Includes consumer and other installment loans not subject to risk ratings.

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(2) Includes loans that are past due and still accruing interest and loans on non-accrual status.

As of December 31, 2015, the Bank had $1.2 million of residential real estate held in other real estate owned. As of December 31, 2015, the Bank initiated foreclosure proceedings on $0.6 million in loans secured by residential real estate.

During second quarter 2015, the Bank refined its methodology for estimating the general allowance for loan losses. Previously, the general allowance for the portion of the loan portfolio originated after December 31, 2009 ("Post 2009 loan portfolio") was based generally on qualitative factors due to insufficient historical loss data on the portfolio. During second quarter 2015, the Bank began using objectively verifiable industry and peer loss data to estimate probable incurred losses as of the balance sheet date for the Post 2009 loan portfolio until sufficient internal loss history is available. The same methodology was also adopted for the portion of the loan portfolio originated on or before December 31, 2009 ("Legacy loan portfolio") that had no loss history over the past two years.

The changes in the allowance for loan losses for the years ended December 31, 2015 and 2014 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.

Twelve months ended December 31, 2015	**Multi-family**	**Commercial and Industrial**	**Commercial Real Estate Owner Occupied**	**Commercial Real Estate Non-Owner Occupied**	**Construction**	**Residential Real Estate**	**Manufactured Housing**	**Other Consumer**	**Total**
(amounts in thousands)									
Beginning Balance, January 1, 2015	$ 8,493	$ 4,784	$ 4,336	$ 9,198	$ 1,047	$ 2,698	$ 262	$ 114	$ 30,932
Charge-offs	—	(11,331)	(378)	(327)	(1,064)	(276)	—	(36)	(13,412)
Recoveries	—	548	14	0	204	575	—	92	1,433
Provision for loan losses	3,523	14,863	(2,624)	(451)	887	301	232	(37)	16,694
Ending Balance, December 31, 2015	$ 12,016	$ 8,864	$ 1,348	$ 8,420	$ 1,074	$ 3,298	$ 494	$ 133	$ 35,647
Loans:									
Individually evaluated for impairment	$ 661	$ 17,621	$ 8,329	$ 4,831	$ —	$ 4,726	$ 8,300	$ 140	$ 44,608
Collectively evaluated for impairment	2,905,128	783,986	286,951	939,368	87,006	258,446	101,838	3,334	5,366,057
Loans acquired with credit deterioration	3,650	1,552	12,961	12,056	234	8,441	3,352	234	42,480
	$ 2,909,439	$ 803,159	$ 308,241	$ 956,255	$ 87,240	$ 271,613	$ 113,490	$ 3,708	$ 5,453,145
Allowance for loan losses:									
Individually evaluated for impairment	$ —	$ 1,990	$ 1	$ 148	$ —	$ 84	$ —	$ 50	$ 2,273
Collectively evaluated for impairment	12,016	6,650	1,347	3,858	1,074	2,141	98	28	27,212
Loans acquired with credit deterioration	—	224	—	4,414	—	1,073	396	55	6,162
	$ 12,016	$ 8,864	$ 1,348	$ 8,420	$ 1,074	$ 3,298	$ 494	$ 133	$ 35,647

Twelve months ended December 31, 2014	Multi-family	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Construction	Residential Real Estate	Manufactured Housing	Other Consumer	Total
(amounts in thousands)									
Beginning Balance, January 1, 2014	$ 4,227	$ 2,674	$ 2,517	$ 8,961	$ 2,385	$ 2,490	$ 614	$ 130	$ 23,998
Charge-offs	—	(1,155)	(482)	(1,715)	(895)	(667)	—	(33)	(4,947)
Recoveries	—	511	225	801	13	265	—	8	1,823
Provision for loan losses	4,266	2,754	2,076	1,151	(456)	610	(352)	9	10,058
Ending Balance, December 31, 2014	$ 8,493	$ 4,784	$ 4,336	$ 9,198	$ 1,047	$ 2,698	$ 262	$ 114	$ 30,932
Loans:									
Individually evaluated for impairment	$ —	$ 16,523	$ 13,349	$ 6,173	$ 2,325	$ 4,040	$ 2,588	$ 135	$ 45,133
Collectively evaluated for impairment	2,204,059	530,119	206,352	817,333	44,483	283,388	120,127	4,050	4,209,911
Loans acquired with credit deterioration	4,346	3,293	16,033	15,804	2,910	9,967	4,016	248	56,617
	$ 2,208,405	$ 549,935	$ 235,734	$ 839,310	$ 49,718	$ 297,395	$ 126,731	$ 4,433	$ 4,311,661
Allowance for loan losses:									
Individually evaluated for impairment	$ —	$ 857	$ 95	$ 170	$ —	$ 188	$ —	$ 32	$ 1,342
Collectively evaluated for impairment	8,493	3,765	1,757	6,580	424	1,436	92	28	22,575
Loans acquired with credit deterioration	—	162	2,484	2,448	623	1,074	170	54	7,015
	$ 8,493	$ 4,784	$ 4,336	$ 9,198	$ 1,047	$ 2,698	$ 262	$ 114	$ 30,932

The 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 December 31, 2015 and 2014, funds available for reimbursement, if necessary, were $1.2 million and $3.0 million , respectively. Each quarter, these funds are evaluated to determine if they would be sufficient to absorb probable losses within the manufactured housing portfolio.
The changes in accretable yield related to purchased-credit-impaired loans for the three and nine months ended September 30, 2015 and 2014 were as follows:

The changes in accretable yield related to purchased-credit-impaired loans for the years ended December 31, 2015, 2014 and 2013 were as follows:

	December 31,		
	2015	2014	2013
(amounts in thousands)			
Accretable yield balance, beginning of period	**$ 17,606**	$ 22,557	$ 32,174
Accretion to interest income	**(2,299)**	(3,201)	(6,213)
Reclassification from nonaccretable difference and disposals, net	**(2,360)**	(1,750)	(3,404)
Accretable yield balance, end of period	**$ 12,947**	$ 17,606	$ 22,557

NOTE 9 – BANK PREMISES AND EQUIPMENT

The components of bank premises and equipment as of December 31, 2015 and 2014 were as follows:

		December 31,	
	Expected Useful Life	**2015**	**2014**
(amounts in thousands)			
Leasehold improvements	3 to 25 years	**$ 12,531**	$ 11,680
Furniture, fixtures and equipment	5 to 10 years	**5,312**	4,504
IT equipment	3 to 5 years	**5,909**	4,696
Automobiles	5 to 10 years	**206**	174
		23,958	21,054
Accumulated depreciation		**(12,427)**	(10,244)
Total		**$ 11,531**	$ 10,810

Future minimum rental commitments under non-cancelable leases were as follows:

(amounts in thousands)	**December 31, 2015**
2016	**$ 3,861**
2017	**3,662**
2018	**3,450**
2019	**2,826**
2020	**1,994**
Subsequent to 2020	**3,258**
Total minimum payments	**$ 19,051**

Rent expense was approximately $3.8 million , $3.3 million and $2.5 million for the years ended December 31, 2015 , 2014 and 2013 , respectively. Customers' leases are for land and branch or office space. A majority of the leases provide for the payment of taxes, maintenance, insurance and certain other expenses applicable to the leased premises. Many of the leases contain extension provisions and escalation clauses. These leases are generally renewable and may, in certain cases, contain renewal provisions and options to expand and contract space and terminate the leases at predetermined contractual dates. In addition, escalation clauses may exist, which are tied to a predetermined rate or may change based on a specified percentage increase or the Consumer Price Index.

NOTE 10 – DEPOSITS

The components of deposits at December 31, 2015 and 2014 were as follows:

(amounts in thousands)	December 31, 2015	2014
Demand, non-interest bearing	**$ 653,679**	$ 546,436
Demand, interest bearing	**127,215**	71,202
Savings, including money market deposit accounts	**2,781,010**	2,203,237
Time, $100,000 and over	**1,624,562**	1,043,265
Time, other	**723,035**	668,398
Total deposits	**$ 5,909,501**	$ 4,532,538

Time deposits scheduled maturities at December 31, 2015 were as follows:

(amounts in thousands)	December 31, 2015
2016	**$ 1,799,310**
2017	**312,813**
2018	**135,952**
2019	**53,591**
2020	**45,931**
Total time deposits	**$ 2,347,597**

The aggregate amount of demand deposit overdrafts that were reclassified as loans were $0.6 million at December 31, 2015 , compared to $0.8 million as of December 31, 2014 . Time deposits greater than $250,000 totaled $920.5 million and $365.4 million at December 31, 2015 and 2014, respectively.

Included in the savings balances above were $815.7 million and $632.7 million of brokered money market deposits as of December 31, 2015 and 2014 , respectively. Also, included in time, other balances above were $612.8 million and $483.2 million of brokered time deposits, respectively, as of December 31, 2015 and 2014 .

NOTE 11 – BORROWINGS

Short-term debt

Short-term debt at December 31, 2015 and 2014 was as follows:

	December 31,			
	2015		2014	
(amounts in thousands)	Amount	Rate	Amount	Rate
FHLB advances	**$ 1,365,300**	**0.48%**	$ 1,298,000	0.29%
Federal funds purchased	**70,000**	**0.56**	—	—
Total short-term debt	**$ 1,435,300**		$ 1,298,000	

The following is a summary of additional information relating to Customers' short-term debt:

	December 31,		
(amounts in thousands)	**2015**	2014	2013
FHLB advances:			
Maximum outstanding at any month end	**$ 1,365,300**	$ 1,383,000	$ 769,750
Average balance during the year	**844,835**	898,396	120,309
Weighted-average interest rate during the year	**0.60%**	0.46%	0.55%
Federal funds purchased:			
Maximum outstanding at any month end	**85,000**	35,000	125,000
Average balance during the year	**41,397**	13,312	32,351
Weighted-average interest rate during the year	**0.35%**	0.31%	0.31%

At December 31, 2015 and 2014 , the Bank had aggregate availability under federal funds lines totaling $175 million and $95.0 million , respectively.

Long-term debt

FHLB advances

The contractual maturities of long-term advances from the FHLB were as follows:

	December 31,			
	2015		**2014**	
(amounts in thousands)	**Amount**	**Rate**	**Amount**	**Rate**
2016	**$ —**	**—%**	$ 85,000	0.59%
2017	**205,000**	**1.18**	180,000	1.21
2018	**55,000**	**1.61**	55,000	1.61
	$ 260,000		$ 320,000	

Of the $260 million of long-term advances enumerated above, $250.0 million are fixed rate.

The Bank had a total maximum borrowing capacity with the Federal Home Loan Bank of $3.7 billion and with the Federal Reserve Bank of Philadelphia of $59.2 million at December 31, 2015 . The Bank had a total borrowing capacity with the Federal Home Loan Bank of $3.2 billion and with the Federal Reserve Bank of Philadelphia of $62.7 million at December 31, 2014 . Amounts can be borrowed as short-term or long-term. As of December 31, 2015 , advances under these arrangements were secured by certain assets, which included a blanket lien on securities of $257.1 million and qualifying loans of Customers Bank of $3.5 billion .

Senior notes

On June 26, 2014, the Bancorp closed a private placement transaction in which it issued $25.0 million of 4.625% senior notes due 2019. Interest is paid semi-annually in arrears in June and December.

In July and August 2013, the Bancorp issued $63.3 million in aggregate principal amount of senior notes due 2018. The notes bear interest at 6.375% per year which is payable on March 15, June 15, September 15, and December 15.

The notes are unsecured obligations of the Bancorp and rank equally with all of its secured and unsecured senior indebtedness.

Subordinated debt

On June 26, 2014, the Bank closed a private placement transaction in which it issued $110.0 million of fixed-to-floating rate subordinated notes due 2029. The subordinated notes bear interest at an annual fixed rate of 6.125% until June 26, 2024, and interest is 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. The Bank has the ability to call the subordinated notes, in whole or in part, at a redemption price equal to 100% 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.

NOTE 12 – SHAREHOLDERS' EQUITY

On May 18, 2015, Customers Bancorp issued 2,300,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, par value $1.00 per share, with a liquidation preference of $25.00 per share.

Customers Bancorp will pay dividends on the Series C Preferred Stock only when, as, and if declared by the board of directors or a duly authorized committee of the board and to the extent that it has lawfully available funds to pay dividends. Dividends on the Series C Preferred Stock will accrue and be payable quarterly in arrears, on the 15th day of March, June, September, and December of each year, commencing on September 15, 2015, at a fixed rate per annum equal to 7.00% from the original issue date to, but excluding, June 15, 2020, and thereafter at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 5.30% per annum.

Dividends on the Series C Preferred Stock will not be cumulative. If Customers Bancorp's board of directors or a duly authorized committee of the board does not declare a dividend on the Series C Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and Customers Bancorp will have no obligation to pay any dividend for that dividend period, whether or not the board of directors or a duly authorized committee of the board declares a dividend on the Series C Preferred Stock for any future dividend period.

The Series C Preferred Stock has no stated maturity, is not subject to any mandatory redemption, sinking fund or other similar provisions and will remain outstanding unless redeemed at Customers Bancorp's option. Customers Bancorp may redeem the Series C Preferred Stock at its option, at a redemption price equal to $25.00 per share, plus any declared and unpaid dividends (without regard to any undeclared dividends), (i) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2020 or (ii) in whole but not in part, within 90 days following the occurrence of a regulatory capital treatment event. Any redemption of the Series C Preferred Stock is subject to prior approval of the Board of Governors of the Federal Reserve System. The Series C Preferred Stock qualifies as Tier 1 capital under regulatory capital guidelines.

Except in limited circumstances, the Series C Preferred Stock does not have any voting rights.

On August 24, 2015, Customers Bancorp's board of directors declared a cash dividend on its Series C Preferred Stock of $0.56875 per share. The dividend was paid on September 15, 2015 to shareholders of record on August 31, 2015.

On November 17, 2015, Customers Bancorp's board of directors declared a cash dividend on its Series C Preferred Stock of $0.4375 per share. The dividend was paid on December 15, 2015 to shareholders of record on November 30, 2015.

In May 2014, the Bancorp announced that its Board of Directors had declared a 10% stock dividend to all shareholders of record as of May 27, 2014. This special dividend was paid on June 30, 2014 in the form of an aggregate of 2,429,375 additional shares.

In November 2013, the Bancorp announced that its Board of Directors had authorized a stock repurchase plan in which it could acquire up to 5% of its current outstanding shares at prices not to exceed a 20% premium over the current book value. The repurchase program may be suspended, modified or discontinued at any time, and the Bancorp has no obligation to repurchase any amount of its common stock under the program. There was no stock repurchased during 2015 or 2014.

At December 31, 2015 , there were warrants outstanding to purchase 627,673 shares of the Bancorp's common stock. At December 31, 2014 , there were warrants outstanding to purchase 635,274 shares of the Bancorp's common stock. The purchase prices at December 31, 2015 and 2014 ranged from $9.55 per share to $73.01 per share.

NOTE 13 – EMPLOYEE BENEFIT PLANS

401(k) Plan

Customers Bank has a 401(k) profit sharing plan whereby eligible team members may contribute amounts up to the annual IRS statutory contribution limit. Customers Bank provides a matching contribution equal to 50% of the first 6% of the contribution made by the team member. Employer contributions for the years ended December 31, 2015 , 2014 , and 2013 were $1.1 million , $1.0 million , and $0.6 million , respectively.

Supplemental Executive Retirement Plans

Customers Bank entered into a supplemental executive retirement plan (SERP) with its Chairman and Chief Executive Officer that provides annual retirement benefits for a 15 -year period upon the later of his reaching the age of 65 or when he terminates employment. The SERP is a defined-contribution type of deferred compensation arrangement that is designed to provide a target annual retirement benefit of $300,000 per year for 15 years starting at age 65 , based on an assumed constant rate of return of 7% per year. The level of retirement benefit is not guaranteed by the Bank, and the ultimate retirement benefit can be less than or greater than the target. The Bank intends to fund its obligations under the SERP with the increase in cash surrender value of a life insurance policy on the life of the Chairman and Chief Executive Officer which is owned by the Bank. The present value of the amount owed as of December 31, 2015 was $3.6 million and was included in other liabilities.

NOTE 14 – SHARE-BASED COMPENSATION PLANS

Summary

During 2010, the shareholders of Customers Bancorp approved the 2010 Stock Option Plan (“2010 Plan”), and during 2012, the shareholders of Customers Bancorp approved the 2012 Amendment and Restatement of the Customers Bancorp, Inc. Amended and Restated 2004 Incentive Equity and Deferred Compensation Plan (“2004 Plan”). The purpose of these plans is to promote the success and enhance the value of the Bancorp by linking the personal interests of the members of the Board of Directors and employees, officers, and executives of Customers to those of the shareholders of Customers and by providing such individuals with an incentive for outstanding performance in order to generate superior returns to shareholders of Customers. The 2010 Plan and 2004 Plan are intended to provide flexibility to Customers in its ability to motivate, attract, and retain the services of members of the Board of Directors, and employees, officers, and executives of Customers. Stock options and restricted stock units normally vest on the third or fifth anniversary of the grant date provided the grantee remains employed by Customers or continues to serve on the Board. With respect to certain stock options granted under the 2010 Plan, vested options shall be exercisable only when Customers' fully diluted tangible book value will have increased by 50% from the date of grant. Certain share-based awards provide for accelerated vesting if there is a change in control (as defined in the Plans). No stock options may be exercisable for more than 10 years from the date of grant.

The 2010 and 2004 Plans are administered by the Compensation Committee of the Board of Directors. The 2010 Plan provides exclusively for the grant of stock options, some or all of which may be structured to qualify as Incentive Stock Options, to employees, officers and executives. The maximum number of shares of common stock which may be issued under the 2010 Plan is 3,666,667 shares. The 2004 Plan provides for the grant of options, some or all of which may be structured to qualify as Incentive Stock Options if granted to employees, stock appreciation rights, restricted stock, restricted stock units, and unrestricted stock to employees, officers, executives, and members of the Board of Directors. The maximum number of shares of common stock which may be issued under the 2004 Plan is 2,750,000 shares. At December 31, 2015 , the aggregate number of shares of common stock available for grant under these plans was 1,812,837 shares.

On January 1, 2011, Customers initiated a Bonus Recognition and Retention Program (“BRRP”). This is a restricted stock unit plan. Employees eligible to participate in the BRRP include the Chief Executive Officer and other management and highly compensated employees as determined by the Compensation Committee at its sole discretion. Under the BRRP, a participant may elect to defer not less than 25% , nor more than 50% , of his or her bonus payable with respect to each year of participation. Shares of Voting Common Stock having a value equal to the portion of the bonus deferred by a participant are allocated to an annual deferral account, and a matching amount equal to an identical number of shares of common stock is also allocated to the annual deferral account. A participant becomes 100% vested in the annual deferral account on the fifth anniversary date of the initial funding of the account, provided he or she remains continuously employed by Customers from the date of funding to the anniversary date.

Vesting is accelerated in the event of involuntary termination other than for cause, retirement at or after age 65 , death, termination on account of disability, or a change in control of Customers. Participants were first eligible to make elections under the BRRP with respect to their bonuses for 2011 which were payable in the first quarter of 2012. The BRRP does not provide for a specific number of shares to be reserved; by its terms, the award of restricted stock units under this plan is limited by the amount of cash bonuses paid to the participants in the plan. At December 31, 2015 , restricted stock units outstanding under this plan totaled 254,821 .

Share-based compensation expense relating to stock options and restricted stock units is recognized on a straight-line basis over the vesting periods of the awards and is a component of salaries and employee benefits expense. Total share-based compensation expense for 2015 , 2014 , and 2013 was $ 5.7 million , $ 5.2 million , and $ 3.4 million , respectively. At December 31, 2015 , there was $11.2 million of unrecognized compensation cost related to all non-vested share-based compensation awards. This cost is expected to be recognized through December 2020 .

In 2014, the shareholders of Customers Bancorp approved the 2014 Employee Stock Purchase Plan (the "ESPP"). The ESPP is intended to encourage team member participation in the ownership and economic progress of Customers. This plan is intended to qualify as an employee stock purchase plan within the meaning of the Internal Revenue Code and is administered by the Compensation Committee of the Board of Directors.

Under the ESPP, team members may elect to purchase shares of Customers' common stock through payroll deduction. Since the purchase price under the plan is 85% of the fair market value of a share of common stock on the first day of each quarterly subscription period (a 15% discount to the market price), Customers' ESPP is considered to be a compensatory plan under current accounting guidance. Therefore, the entire amount of the discount is recognizable compensation expense. ESPP expense for 2015 and 2014 was $80.0 thousand and $12.0 thousand , respectively.

Stock Options

Customers estimated the fair value of each option on the date of grant using the Black-Scholes option pricing model. The risk-free interest rate was based upon the zero-coupon Treasury rates in effect on the grant date of the options. Expected volatility was based upon limited historical information because Customers' common stock has only been traded since February 2012. Expected life was management’s estimate which took into consideration the five -year vesting requirement.

During 2015, options to purchase an aggregate of 596,995 shares of Customers Bancorp voting common stock were granted to certain officers and team members. The exercise price for the options granted is equal to the closing price of Customers Bancorp's voting common stock on the date of grant. The options are subject to a five -year cliff vesting and expire after ten years. In addition to the five -year service requirement, one of the following conditions must be met in order for the options to become exercisable:

- Total shareholder returns over the five-year vesting period must be a minimum of 50% , or
- Customers Bancorp must have achieved a compound annual growth rate in diluted EPS of at least 10% over the five-year vesting period.

Customers evaluated the likelihood that at least one of these conditions would be met over the requisite service period and determined that it was more likely than not that one of the conditions would be satisfied (based upon historical performance). Accordingly, the grant-date fair value of these awards is being recognized as expense over the five-year vesting period.

The following table presents the weighted-average assumptions used and the resulting weighted-average fair value of each option granted.

	2015	2014	2013
Weighted-average risk-free interest rate	**1.90%**	2.16%	1.42%
Expected dividend yield	**—%**	—%	—%
Weighted-average expected volatility	**21.18%**	18.00%	13.77%
Weighted-average expected life (in years)	**7.00**	7.00	7.00
Weighted-average fair value of each option granted	**$ 6.42**	$ 4.52	$ 3.17

The following summarizes stock option activity for the year ended December 31, 2015 :

	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term in Years	Aggregate Intrinsic Value
	(dollars in thousands, except Weighted-average Exercise Price)			
Outstanding, January 1, 2015	3,168,067	$ 12.61		
Granted	599,745	23.36		
Exercised	(31,168)	10.53		455
Forfeited	(2,200)	17.65		
Expired	(2,683)	29.33		
Outstanding, December 31, 2015	3,731,761	$ 14.33	6.78	$ 48,086
Exercisable at December 31, 2015	707,745	$ 9.19	4.38	$ 12,760

Cash received from the exercise of options during the year ended December 31, 2015 was $0.3 million with a related tax benefit of $0.2 million .

A summary of the status of Customers' non-vested options at December 31, 2015 and changes during the year ended December 31, 2015 is as follows:

	Options	Weighted-average exercise price
Non-vested at January 1, 2015	3,154,384	$ 12.59
Granted	599,745	23.36
Vested	(725,163)	12.50
Forfeited	(2,200)	17.65
Non-vested at December 31, 2015	3,026,766	15.53

Restricted Stock Units

The fair value of restricted stock units granted under the 2004 Plan is determined based on the market price of Customers' common stock on the date of grant. The fair value of restricted stock units granted under the BRRP is measured as of the date on which such portion of the bonus would have been paid had the deferral not been elected.

In February 2012, the Compensation Committee recommended and the Board of Directors approved a restricted stock award that had two vesting requirements. The first requirement is that the recipient remains an employee or director through December 31, 2016. The second requirement is that Customers' Voting Common Stock will have traded at a price greater than $ 17.18 per share (adjusted for any stock splits or stock dividends) for at least five consecutive trading days during the five-year period ending December 31, 2016. This second requirement was satisfied during the fourth quarter of 2013. These criteria apply only to the 2012 restricted stock award.

There were 158,581 restricted stock units granted during the year ended December 31, 2015. Of the aggregate restricted stock units granted, 84,392 were granted under the Bonus Recognition and Retention Program and are subject to five -year cliff vesting. The remaining units were granted under the Bancorp's Restated and Amended 2004 Incentive Equity and Deferred Compensation Plan and are subject to either a three -year waterfall vesting (with one third of the amount vesting annually) or a three-year cliff vesting.

The table below presents the status of the restricted stock units at December 31, 2015 and changes during the year ended December 31, 2015 :

	Restricted Stock Units	Weighted-average grant-date fair value
Outstanding and unvested at January 1, 2015	788,971	$ 13.00
Granted	158,581	19.67
Vested	(65,218)	12.02
Forfeited	(9,070)	17.15
Outstanding and unvested at December 31, 2015	873,264	$ 14.24

Customers has a policy that permits its directors to elect to receive shares of Voting Common Stock in lieu of their cash retainers. During the year ended December 31, 2015 , Customers issued 27,674 shares of Voting Common Stock with a fair value of $0.7 million to the directors as compensation for their services. The fair values were determined based on the opening price of the common stock on the day the shares were issued.

NOTE 15 – INCOME TAXES

The components of income tax expense were as follows:

	For the Years Ended December 31,		
(amounts in thousands)	**2015**	2014	2013
Current	**$ 40,004**	$ 26,361	$ 15,394
Deferred	**(10,092)**	(6,187)	2,210
Total	**$ 29,912**	$ 20,174	$ 17,604

Effective tax rates differ from the federal statutory rate of 35% , which is applied to income before income tax expense, due to the following:

	For the Years Ended December 31,					
	2015		2014		2013	
(amounts in thousands)	**Amount**	**% of pretax income**	Amount	% of pretax income	Amount	% of pretax income
Federal income tax at statutory rate	**$ 30,973**	**35.00 %**	$ 22,185	35.00 %	$ 17,604	35.00 %
State income tax	**1,434**	**1.62**	1,355	2.14	353	0.70
Tax-exempt interest, net of disallowance	**(277)**	**(0.31)**	(249)	(0.39)	(148)	(0.30)
Bank-owned life insurance	**(2,422)**	**(2.73)**	(1,296)	(2.04)	(868)	(1.73)
Other	**204**	**0.22**	(1,821)	(2.88)	663	1.33
Effective income tax rate	**$ 29,912**	**33.80 %**	$ 20,174	31.83 %	$ 17,604	35.00 %

Customers accounts for income taxes under the liability method of accounting for income taxes. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. Customers determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

A tax position is recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent ; the terms examined and upon examination also include resolution of the related appeals or litigation process, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment.

At December 31, 2015 and 2014, Customers had no ASC 740-10 unrecognized tax benefits. Customers does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. Customers recognizes interest and penalties on unrecognized tax benefits in other expense.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carry-back period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance is necessary at December 31, 2015 and 2014 .

Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for tax reporting and financial statement purposes, principally because certain items are recognized in different periods for financial reporting and tax return purposes. The following represents the Bancorp's deferred tax asset and liabilities as December 31, 2015 and 2014 :

	December 31,	
(amounts in thousands)	**2015**	2014
Deferred tax assets:		
Allowance for loan losses	**$ 13,248**	$ 11,555
Net unrealized losses on securities	**3,112**	—
OREO expenses	**728**	588
Non-accrual interest	**840**	541
Net operating losses	**2,290**	1,892
Deferred compensation	**1,337**	1,361
Equity-based compensation	**5,196**	3,751
Fair value adjustments on acquisitions	**428**	—
Cash flow hedge	**1,679**	681
Incentive compensation	**2,497**	1,558
Other	**1,374**	1,120
Total deferred tax assets	**32,729**	23,047
Deferred tax liabilities:		
Fair value adjustments on acquisitions	**—**	(2,002)
Net unrealized gains on securities	**—**	(615)
Net deferred loan fees	**(2,688)**	(4,524)
Bank premises and equipment	**(875)**	(1,009)
Other	**(592)**	(1,140)
Total deferred tax liabilities	**(4,155)**	(9,290)
Net deferred tax asset	**$ 28,574**	$ 13,757

Customers had approximately $6.5 million of federal net operating loss carryovers at December 31, 2015 , that expire in 2025 through 2031 .

Customers is subject to U.S. federal income tax as well as income tax in various state and local taxing jurisdictions. Generally, Customers is no longer subject to examination by federal, state and local taxing authorities for years prior to December 31, 2012.

NOTE 16 – TRANSACTIONS WITH EXECUTIVE OFFICERS, DIRECTORS, AND PRINCIPAL SHAREHOLDERS

Customers has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families and affiliated companies (commonly referred to as related parties). The activity relating to loans to such persons was as follows:

	For the Years Ended December 31,		
	2015	2014	2013
(amounts in thousands)			
Balance – January 1	**$ 9**	$ 7,273	$ 3,272
Additions	**2,218**	5	9,280
Repayments	**(2,007)**	(7,269)	(5,279)
Balance – December 31	**$ 220**	$ 9	$ 7,273

At December 31, 2015, Customers Bank had an outstanding commitment to provide short-term commercial real estate financing, subject to certain terms and conditions, not to exceed $8.0 million , and an available line of credit of $1.8 million with one of its related parties.

Some current directors, nominees for director and executive officers of Customers and entities or organizations in which they were executive officers or the equivalent or owners of more than 10% of the equity were customers of and had transactions with or involving Customers in the ordinary course of business during the fiscal year ended December 31, 2015 . None of these transactions involved amounts in excess of 5% of the Customers' gross revenues during 2015 nor was Customers indebted to any of the foregoing persons or entities in an aggregate amount in excess of 5% of Customers' total assets at December 31, 2015 . Additional transactions with such persons and entities may be expected to take place in the ordinary course of business in the future.

At December 31, 2015 and 2014, the Bank had approximately $14.0 million and $11.7 million , respectively, in deposits from related parties, including directors and certain executive officers.

For the years ended December 31, 2015 , 2014 , and 2013 , Customers paid $27,300 , $46,900 and $45,800 to Jaxxon Promotions, Inc., a company in which a Bancorp director owns 25% interest.

NOTE 17 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Customers is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

Customers' exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. Customers uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The following financial instruments were outstanding whose contract amounts represent credit risk:

(amounts in thousands)	December 31, 2015		December 31, 2014	
Commitments to fund loans	$	**537,380**	$	231,294
Unfunded commitments to fund mortgage warehouse loans		**1,302,759**		713,619
Unfunded commitments under lines of credit		**436,550**		430,995
Letters of credit		**42,002**		36,206
Other unused commitments		**6,360**		7,685

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Mortgage warehouse loan commitments are agreements to purchase mortgage loans from mortgage bankers that agree to purchase the loans back in a short period of time. These commitments generally fluctuate monthly as existing loans are repurchased by the mortgage bankers and new loans are purchased by Customers.

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Customers evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Customers upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Outstanding letters of credit written are conditional commitments issued by Customers to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. Customers requires collateral supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liabilities as of December 31, 2015 and 2014 for guarantees under standby letters of credit issued is not material.

NOTE 18 – 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 Customers' 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 December 31, 2015 and 2014, the Bank and Bancorp met all capital adequacy requirements to which they were subject.

The Dodd-Frank Act required the FRB to establish minimum consolidated capital requirements for bank holding companies that are as stringent as those required for insured depositary subsidiaries. In 2013, the federal banking agencies approved rules that implemented the Dodd-Frank requirements and certain other regulatory capital reforms effective January 1, 2015, that (i) introduced a new capital ratio pursuant to the prompt corrective action provisions, the common equity tier 1 capital to risk rated assets ratio, (ii) increased the adequately capitalized and well capitalized thresholds for the Tier 1 risk based capital ratios to 6% and 8% , respectively, (iii) changed the treatment of certain capital components for determining Tier 1 and Tier 2 capital, and (iv) changed the risk weighting of certain assets and off balance sheet items in determining risk weighted assets.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(amounts in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2015						
Common equity Tier 1 (to risk-weighted assets)						
Customers Bancorp, Inc.	**$ 500,624**	**7.61%**	**$ 296,014**	**4.5%**	**N/A**	**N/A**
Customers Bank	**$ 565,217**	**8.62%**	**$ 294,916**	**4.5%**	**$ 425,990**	**6.5%**
Total capital (to risk-weighted assets)						
Customers Bancorp, Inc.	**$ 698,323**	**10.62%**	**$ 526,247**	**8.0%**	**N/A**	**N/A**
Customers Bank	**$ 710,864**	**10.85%**	**$ 524,295**	**8.0%**	**$ 655,369**	**10.0%**
Tier 1 capital (to risk-weighted assets)						
Customers Bancorp, Inc.	**$ 556,193**	**8.46%**	**$ 394,685**	**6.0%**	**N/A**	**N/A**
Customers Bank	**$ 565,217**	**8.62%**	**$ 393,221**	**6.0%**	**$ 524,295**	**8.0%**
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	**$ 556,193**	**7.16%**	**$ 310,812**	**4.0%**	**N/A**	**N/A**
Customers Bank	**$ 565,217**	**7.30%**	**$ 309,883**	**4.0%**	**$ 387,353**	**5.0%**
December 31, 2014						
Total capital (to risk-weighted assets)						
Customers Bancorp, Inc.	$ 578,644	11.09%	$ 417,473	8.0%	N/A	N/A
Customers Bank	$ 621,894	11.98%	$ 415,141	8.0%	$ 518,926	10.0%
Tier 1 capital (to risk-weighted assets)						
Customers Bancorp, Inc.	$ 437,712	8.39%	$ 208,737	4.0%	N/A	N/A
Customers Bank	$ 480,963	9.27%	$ 207,570	4.0%	$ 311,356	6.0%
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	$ 437,712	6.69%	$ 261,622	4.0%	N/A	N/A
Customers Bank	$ 480,963	7.39%	$ 260,462	4.0%	$ 325,577	5.0%

The new risk-based capital rules adopted effective January 1, 2015 require that banks and holding companies maintain a "capital conservation buffer" of 250 basis points in excess of the "minimum capital ratio." The minimum capital ratio is equal to the prompt corrective action adequately capitalized threshold ratio. The capital conservation buffer will be phased in over four years beginning on January 1, 2016, with a maximum buffer of 0.625% of risk weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. Failure to maintain the required capital conservation buffer will result in limitations on capital distributions and on discretionary bonuses to executive officers.

NOTE 19 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Customers uses fair value measurements to record fair value adjustments to certain assets and liabilities and to disclose the fair value of its financial instruments. FASB ASC 825, *Financial Instruments* , requires disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For Customers, as for most financial institutions, the majority of its assets and liabilities are considered to be financial instruments. However, many of these instruments lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. For fair value disclosure purposes, Customers utilized certain fair value measurement criteria under the FASB ASC 820, *Fair Value Measurements and Disclosures* , as explained below.

In accordance with ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for Customers' various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, focusing on an exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The fair value guidance also establishes a fair value hierarchy and describes the following three levels used to classify fair value measurements:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair values of Customers' financial instruments as of December 31, 2015 and 2014 :

Cash and cash equivalents:

The carrying amounts reported on the balance sheet for cash and cash equivalents approximate those assets' fair values. These assets are included as Level 1 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Investment securities:

The fair values of investment securities available for sale are determined by obtaining quoted market prices on nationally recognized and foreign securities exchanges (Level 1), matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted prices, or externally developed models that use unobservable inputs due to limited or no market activity of the instrument (Level 3). These assets are included as Level 1, 2, or 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

The carrying amount of FHLB, Federal Reserve Bank, and other restricted stock approximates fair value, and considers the limited marketability of such securities. These assets are included in Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans held for sale - Residential mortgage loans:

The Bank generally estimates the fair values of residential mortgage loans held for sale based on commitments on hand from investors within the secondary market for loans with similar characteristics. These assets are included as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans held for sale - Mortgage warehouse loans:

The fair value of mortgage warehouse loans is the amount of cash initially advanced to fund the mortgage, plus accrued interest and fees, as specified in the respective agreements. The loan is used by mortgage companies as short-term bridge financing between the funding of mortgage loans and the finalization of the sale of the loans to an investor. Changes in fair value are not expected to be recognized since at inception of the transaction the underlying loans have already been sold to an approved investor. Additionally, the interest rate is variable, and the transaction is short-term, with an average life of 19 days from purchase to sale. These assets are included as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans held for sale - Multi-family loans:

The fair values of multi-family loans held for sale are estimated using pricing indications from letters of intent with third party investors, recent sale transactions within the secondary markets for loans with similar characteristics, or non-binding indicative bids from brokers. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans receivable, net of allowance for loan losses:

The fair values of loans held for investment are estimated using discounted cash flows, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Impaired loans:

Impaired loans are those that are accounted for under ASC 450, *Contingencies* , in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties that collateralize the loans, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Other real estate owned:

The fair value of OREO is determined using appraisals, which may be discounted based on management's review and changes in market conditions. All appraisals must be performed in accordance with the Uniform Standards of Professional Appraisal Practice. Appraisals are certified to the Bank and performed by appraisers on the Bank's approved list of appraisers. Evaluations are completed by a person independent of management. The content of the appraisal depends on the complexity of the property. Appraisals are completed on a "retail value" and an "as is value". These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Deposit liabilities:

The fair values disclosed for interest and non-interest checking, passbook savings and money market deposit accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). These liabilities are included as Level 1 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits. These liabilities are included as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Federal funds purchased:

For these short-term instruments, the carrying amount is considered a reasonable estimate of fair value. These liabilities are included as Level 1 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Borrowings:

Borrowings consist of long-term and short-term FHLB advances, 5 -year senior unsecured notes, and subordinated debt. For the short-term borrowings, the carrying amount is considered a reasonable estimate of fair value and is included as Level 1.

Fair values of long-term FHLB advances are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. The prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party. Fair values of privately placed subordinated and senior unsecured debt are estimated by a third-party financial adviser using discounted cash flow analysis, based on market rates currently offered on such debt with similar credit-risk characteristics, terms and remaining maturity. These liabilities are included as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements. The $63 million senior unsecured notes issued during third quarter 2013 are traded on the New York Stock Exchange, and their price can be obtained daily. This fair value measurement is classified as Level 1.

Derivatives (Assets and Liabilities):

The fair values of interest rate swaps and credit derivatives are determined using models that incorporate readily observable market data into a market standard methodology. This methodology nets the discounted future fixed cash receipts and the discounted expected variable cash payments. The discounted variable cash payments are based on expectations of future interest rates derived from observable market interest rate curves. In addition, fair value is adjusted for the effect of nonperformance risk by incorporating credit valuation adjustments for the Bank and its counterparties. These assets and liabilities are included as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

The fair values of the residential mortgage loan commitments are derived from the estimated fair values that can be generated when the underlying mortgage loan is sold in the secondary market. The Bank uses commitments on hand from third party investors to estimate an exit price, and adjusts for the probability of the commitment being exercised based on the Bank's internal experience (i.e., pull-through rate). These assets and liabilities are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Off-balance-sheet financial instruments:

Fair values of unused commitments to lend and standby letters of credit are considered to be the same as their contractual amounts.

The following information should not be interpreted as an estimate of Customers' fair value in its entirety because fair value measurements are only provided for a limited portion of Customers' assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making these estimates, comparisons between Customers' disclosures and those of other companies may not be meaningful.

The estimated fair values of Customers' financial instruments were as follows at December 31, 2015 and 2014 .

			Fair Value Measurements at December 31, 2015		
(amounts in thousands)	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 264,593	$ 264,593	$ 264,593	$ —	$ —
Investment securities, available for sale	560,253	560,253	19,212	541,041	—
Loans held for sale	1,797,064	1,797,458	—	1,757,807	39,651
Loans receivable, net of allowance for loan losses	5,417,832	5,353,903	—	—	5,353,903
FHLB, Federal Reserve Bank and other restricted stock	90,841	90,841	—	90,841	—
Derivatives	9,295	9,295	—	9,250	45
Liabilities:					
Deposits	$ 5,909,501	$ 5,911,754	$ 3,561,905	$ 2,349,849	$ —
Federal funds purchased	70,000	70,000	70,000	—	—
FHLB advances	1,625,300	1,625,468	1,365,300	260,168	—
Other borrowings	88,250	93,804	68,867	24,937	—
Subordinated debt	110,000	110,825	—	110,825	—
Derivatives	13,932	13,932	—	13,932	—

(amounts in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurements at December 31, 2014 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 371,023	$ 371,023	$ 371,023	$ —	$ —
Investment securities, available for sale	416,685	416,685	24,270	392,415	—
Loans held for sale	1,435,459	1,436,460	—	1,335,668	100,792
Loans receivable, net of allowance for loan losses	4,281,241	4,285,537	—	—	4,285,537
FHLB and Federal Reserve Bank, and other restricted stock	82,002	82,002	—	82,002	—
Derivatives	7,552	7,552	—	7,509	43
Liabilities:					
Deposits	$ 4,532,538	$ 4,540,507	$ 2,820,875	$ 1,719,632	$ —
FHLB advances	1,618,000	1,619,858	1,298,000	321,858	—
Other borrowings	88,250	92,069	66,944	25,125	—
Subordinated debt	110,000	111,925	—	111,925	—
Derivatives	9,716	9,716	—	9,716	—

For financial assets and liabilities measured at fair value on a recurring and non-recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2015 and 2014 were as follows:

(amounts in thousands)	December 31, 2015 Fair Value Measurements at the End of the Reporting Period Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Measured at Fair Value on a Recurring Basis:				
Assets				
Available-for-sale securities:				
Mortgage-backed securities	$ —	$ 500,974	$ —	$ 500,974
Corporate notes	—	40,067	—	40,067
Equity securities	19,212	—	—	19,212
Derivatives (1)	—	9,250	45	9,295
Loans held for sale – fair value option	—	1,757,807	—	1,757,807
Total assets - recurring fair value measurements	$ 19,212	$ 2,308,098	$ 45	$ 2,327,355
Liabilities				
Derivatives (2)	$ —	$ 13,932	$ —	$ 13,932
Measured at Fair Value on a Nonrecurring Basis:				
Assets				
Impaired loans, net of specific reserves of $2,273	$ —	$ —	$ 4,346	$ 4,346
Other real estate owned	—	—	358	358
Total assets - nonrecurring fair value measurements	$ —	$ —	$ 4,704	$ 4,704

(amounts in thousands)	December 31, 2014			
	Fair Value Measurements at the End of the Reporting Period Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Measured at Fair Value on a Recurring Basis:				
Assets				
Available-for-sale securities:				
Mortgage-backed securities	$ —	$ 377,311	$ —	$ 377,311
Corporate notes	—	15,104	—	15,104
Equity securities	24,270	—	—	24,270
Derivatives (1)	—	7,509	43	7,552
Loans held for sale – fair value option	—	1,335,668	—	1,335,668
Total assets - recurring fair value measurements	$ 24,270	$ 1,735,592	$ 43	$ 1,759,905
Liabilities				
Derivatives (2)	$ —	$ 9,716	$ —	$ 9,716
Measured at Fair Value on a Nonrecurring Basis:				
Assets				
Impaired loans, net of specific reserves of $1,342	$ —	$ —	$ 2,380	$ 2,380
Other real estate owned	—	—	9,149	9,149
Total assets - nonrecurring fair value measurements	$ —	$ —	$ 11,529	$ 11,529

(1) Included in Other Assets
(2) Included in Other Liabilities

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and 2014 were as follows:

(amounts in thousands)	For the Years Ended December 31,	
	2015	2014
	Residential Mortgage Loan Commitments	
Balance at January 1,	$ 43	$ 240
Issuances	273	235
Settlements	(271)	(432)
Balance at December 31,	$ 45	$ 43

Customers' policy is to recognize transfers between fair value levels when events or circumstances warrant transfers. There were no transfers between levels during the years ended December 31, 2015 and 2014 .

The following table summarizes financial assets and financial liabilities measured at fair value as of December 31, 2015 and 2014 for which Customers utilized Level 3 inputs to measure fair value:

	Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2015	**Fair Value Estimate**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average) (3)**
(dollars in thousands)				
Impaired loans	$ 4,346	Collateral appraisal (1)	Liquidation expenses (2)	(8)%
Other real estate owned	358	Collateral appraisal (1)	Liquidation expenses (2)	(8)%
Residential mortgage loan commitments	45	Adjusted market bid	Pull-through rate	94 %

	Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2014	**Fair Value Estimate**	**Valuation Technique**	**Unobservable Input**	**Range (Weighted Average) (3)**
(dollars in thousands)				
Impaired loans	$ 2,380	Collateral appraisal (1)	Liquidation expenses (2)	(8)%
Other real estate owned	9,149	Collateral appraisal (1)	Liquidation expenses (2)	(8)%
Residential mortgage loan commitments	43	Adjusted market bid	Pull-through rate	80 %

(1) Obtained from approved independent appraisers. Appraisals are current and in compliance with credit policy. The Bank does not generally discount appraisals.
(2) Fair value is adjusted for estimated costs to sell.
(3) Presented as a percentage of the value determined by appraisal for impaired loans and other real estate owned.

NOTE 20 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objectives of Using Derivatives

Customers is exposed to certain risks arising from both its business operations and economic conditions. Customers manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and durations of its assets and liabilities. Specifically, Customers enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Customers' derivative financial instruments are used to manage differences in the amount, timing, and duration of Customers' known or expected cash receipts and its known or expected cash payments principally related to certain fixed-rate borrowings. Customers also has interest-rate derivatives resulting from a service provided to certain qualifying customers, and therefore, they are not used to manage Customers' interest-rate risk in assets or liabilities. Customers manages a matched book with respect to its derivative instruments used in this customer service in order to minimize its net risk exposure resulting from such transactions.

Cash Flow Hedges of Interest Rate Risk

Customers' objectives in using interest-rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, Customers sometimes uses interest rate swaps as part of its interest-rate-risk management strategy. Interest-rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for Customers making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of 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. During 2015 and 2014, such derivatives were used to hedge the variable cash flows associated with a forecasted issuance of debt. The ineffective portion of the change in fair value of the derivatives is to be recognized directly in earnings. During 2015 and 2014, Customers did not record any hedge ineffectiveness.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on Customers’ variable-rate debt. Customers expects to reclassify $1.7 million from accumulated other comprehensive income to interest expense during the next 12 months.

Customers is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 24 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments).

At December 31, 2015 and 2014 , Customers had one outstanding interest rate derivative with a notional amount of $ 150.0 million that was designated as a cash flow hedge of interest rate risk. The hedge expires in April 2019.

Derivatives Not Designated as Hedging Instruments

Customers executes interest rate swaps with commercial banking customers to facilitate the customer's respective risk management strategies (typically the loan customers will swap a floating rate loan to a fixed rate loan). The customer interest rate swaps are simultaneously offset by interest rate swaps that Customers executes with a third party in order to minimize interest rate risk exposure resulting from such transactions. Because the interest rate swaps associated with this program do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting third-party market swaps are recognized directly in earnings. At December 31, 2015 , Customers had 62 interest rate swaps with an aggregate notional amount of $ 461.0 million related to this program. At December 31, 2014 , Customers had 44 interest rate swaps with an aggregate notional amount of $ 251.9 million related to this program.

Customers enters into residential mortgage loan commitments in connection with its consumer mortgage banking activities to fund mortgage loans at specified rates and times in the future. These commitments are short-term in nature and generally expire in 30 to 60 days . The residential mortgage loan commitments that relate to the origination of mortgage loans that will be held for sale are considered derivative instruments under applicable accounting guidance and are reported at fair value, with changes in fair value recorded directly to earnings. At December 31, 2015 and 2014, Customers had an outstanding notional balance of residential mortgage loan commitments of $ 2.8 million and $ 3.8 million , respectively.

Customers also purchased credit derivatives to hedge the performance risk associated with one of its counterparties. These derivatives are not designated as hedging instruments and are reported at fair value, with changes in fair value reported directly in earnings. At December 31, 2015 and 2014, Customers had an outstanding notional balance of credit derivatives of $ 19.3 million and $13.4 million , respectively.

Fair Value of Derivative Instruments on the Balance Sheet

The following table presents the fair value of Customers’ derivative financial instruments as well as the classification on the balance sheet at December 31, 2015 and 2014.

	December 31, 2015			
	Derivative Assets		Derivative Liabilities	
(amounts in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other assets	$ —	Other liabilities	$ 4,477
Total		$ —		$ 4,477
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	$ 9,088	Other liabilities	$ 9,455
Credit contracts	Other assets	162	Other liabilities	—
Residential mortgage loan commitments	Other assets	45	Other liabilities	—
Total		$ 9,295		$ 9,455

(amounts in thousands)	December 31, 2014			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other assets	$ —	Other liabilities	$ 1,945
Total		$ —		$ 1,945
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	$ 7,332	Other liabilities	$ 7,771
Credit contracts	Other assets	177	Other liabilities	—
Residential mortgage loan commitments	Other assets	43	Other liabilities	—
Total		$ 7,552		$ 7,771

Effect of Derivative Instruments on Comprehensive Income

The following table presents the effect of Customers' derivative financial instruments on comprehensive income for the years ended December 31, 2015 and 2014 .

(amounts in thousands)	For the Year Ended December 31, 2015	
	Income Statement Location	Amount of income (loss) recognized in earnings
Derivatives not designated as hedging instruments:		
Interest rate swaps	Other non-interest income	$ 1,889
Credit contracts	Other non-interest income	(15)
Residential mortgage loan commitments	Mortgage loan and banking income	2
Total		$ 1,876

(amounts in thousands)	For the Year Ended December 31, 2014	
	Income Statement Location	Amount of income (loss) recognized in earnings
Derivatives not designated as hedging instruments:		
Interest rate swaps	Other non-interest income	$ 550
Credit contracts	Other non-interest income	(91)
Residential mortgage loan commitments	Mortgage loan and banking income	(197)
Total		$ 262

(amounts in thousands)	For the Year Ended December 31, 2013	
	Income Statement Location	Amount of income (loss) recognized in earnings
Derivatives not designated as hedging instruments:		
Interest rate swaps	Other non-interest income	$ 711
Residential mortgage loan commitments	Mortgage loan and banking income	240
Total		$ 951

(amounts in thousands)	For the Year Ended December 31, 2015		
	Amount of Loss Recognized in OCI on Derivatives (Effective Portion) (1)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Derivatives in cash flow hedging relationships:			
Interest rate swaps	$ (1,534)	Interest expense	$ —

(amounts in thousands)	For the Year Ended December 31, 2014		
	Amount of Loss Recognized in OCI on Derivatives (Effective Portion) (1)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Derivative in cash flow hedging relationship:			
Interest rate swaps	$ (1,264)	Interest expense	$ —

(1) Amounts presented are net of taxes

Credit-risk-related Contingent Features

By entering into derivative contracts, Customers is exposed to credit risk. The credit risk associated with derivatives executed with customers is the same as that involved in extending the related loans and is subject to the same standard credit policies. To mitigate the credit-risk exposure to major derivative dealer counterparties, Customers only enters into agreements with those counterparties that maintain credit ratings of high quality.

Agreements with major derivative dealer counterparties contain provisions whereby default on any of Customers' indebtedness would be considered a default on its derivative obligations. Customers also has entered into agreements that contain provisions under which the counterparty could require Customers to settle its obligations if Customers fails to maintain its status as a well/adequately-capitalized institution. As of December 31, 2015 , the fair value of derivatives in a net liability position (which includes accrued interest but excludes any adjustment for nonperformance-risk) related to these agreements was $ 14.3 million . In addition, Customers has collateral posting thresholds with certain of these counterparties and at December 31, 2015 , had posted $ 14.3 million of cash as collateral. Customers records cash posted as collateral as a reduction in the outstanding balance of cash and cash equivalents and an increase in the balance of other assets.

Disclosures about Offsetting Assets and Liabilities

The following tables present derivative instruments that are subject to enforceable master netting arrangements. Customers' interest rate swaps with institutional counterparties are subject to master netting arrangements and are included in the table below. Interest rate swaps with commercial banking customers and residential mortgage loan commitments are not subject to master netting arrangements and are excluded from the table below. Customers has not made a policy election to offset its derivative positions.

(amounts in thousands)	Offsetting of Financial Assets and Derivative Assets at December 31, 2015					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Description						
Interest rate swap derivatives with institutional counterparties	$ —	$ —	$ —	$ —	$ —	$ —

(amounts in thousands)	Offsetting of Financial Assets and Derivative Assets at December 31, 2014					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Description						
Interest rate swap derivatives with institutional counterparties	$ 192	$ —	$ 192	$ 192	$ —	$ —

(amounts in thousands)	Offsetting of Financial Liabilities and Derivative Liabilities at December 31, 2015					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Description						
Interest rate swap derivatives with institutional counterparties	$ 13,932	$ —	$ 13,932	$ —	$ 13,932	$ —

(amounts in thousands)	Offsetting of Financial Liabilities and Derivative Liabilities at December 31, 2014					
	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Description						
Interest rate swap derivatives with institutional counterparties	$ 9,703	$ —	$ 9,703	$ 192	$ 9,511	$ —

NOTE 21 — LOSS CONTINGENCY

During the first quarter of 2013, a suspected fraud was discovered in the Bank's held-for-sale loan portfolio. Total loans involved in this fraud initially was estimated to be $5.2 million , and management believed the range of possible loss to have been between $1.5 million and $3.2 million . Accordingly, management provided a loss contingency of $2.0 million at March 31, 2013. During the second quarter of 2013, Customers determined that an aggregate of $1.0 million of the loans were not involved in the fraud, and these loans were subsequently sold. In addition, Customers recovered $1.5 million in cash from the alleged perpetrator. Because it was determined that the remaining asset no longer met the definition of "a loan," and because Customers is pursuing restitution through the involved parties, Customers determined this to be a receivable. As a result, the remaining aggregate of $2.7 million of loans and the related $2.0 million reserve were transferred to other assets. As of December 31, 2015, the net amount of the receivable and reserve of $0.6 million remains in other assets.

NOTE 22 – CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

The following tables present the condensed financial statements for Customers Bancorp, Inc. (parent company only)

Balance Sheets

(amounts in thousands)	December 31, 2015	December 31, 2014
Assets		
Cash in subsidiary bank	**$ 54,567**	$ 16,465
Investment securities available for sale, at fair value	**5**	5
Investments in and receivables due from subsidiaries	**583,875**	509,465
Other assets	**4,190**	6,678
Total assets	**$ 642,637**	$ 532,613
Liabilities and Shareholders' equity		
Borrowings	**88,250**	88,250
Other liabilities	**485**	1,218
Total liabilities	**88,735**	89,468
Shareholders' equity	**553,902**	443,145
Total Liabilities and Shareholders' Equity	**$ 642,637**	$ 532,613

Income and Comprehensive Income Statements

(amounts in thousands)	For the Years Ended December 31, 2015	2014	2013
Operating income:			
Other	$ **18,545**	$ 90	$ 758
Total operating income	**18,545**	90	758
Operating expense:			
Interest	**5,854**	5,251	1,923
Other	**4,604**	5,611	3,395
Total operating expense	**10,458**	10,862	5,318
Income (loss) before taxes and undistributed income of subsidiaries	**8,087**	(10,772)	(4,560)
Income tax benefit	**3,516**	3,797	1,596
Income (loss) before undistributed income of subsidiaries	**11,603**	(6,975)	(2,964)
Equity in undistributed income of subsidiaries	**46,980**	50,189	35,658
Net income	**58,583**	43,214	32,694
Preferred stock dividends	**2,493**	—	—
Net income available to common shareholders	**56,090**	43,214	32,694
Comprehensive income	$ **50,721**	$ 51,210	$ 23,512

Statements of Cash Flows

(amounts in thousands)	For the Years Ended December 31, 2015	2014	2013
Cash Flows from Operating Activities:			
Net income	$ **58,583**	$ 43,214	$ 32,694
Adjustments to reconcile net income to net cash used in operating activities:			
Equity in undistributed earnings of subsidiaries, net of dividends received from Bank	**(46,980)**	(50,189)	(35,658)
(Increase) decrease in other assets	**2,488**	(1,354)	(1,465)
Increase (decrease) in other liabilities	**(112)**	1,497	(281)
Net Cash Provided By (Used in) Operating Activities	**13,979**	(6,832)	(4,710)
Cash Flows from Investing Activities:			
Purchases of investment securities available for sale	—	—	—
Payments for investments in and advances to subsidiaries	**(30,036)**	(15,032)	(177,068)
Net Cash Used in Investing Activities	**(30,036)**	(15,032)	(177,068)
Cash Flows from Financing Activities:			
Proceeds from issuance of common stock	**904**	77	97,507
Proceeds from issuance of preferred stock	**55,569**	—	—
Proceeds from issuance of long-term debt	—	25,000	60,336
Exercise and redemption of warrants	—	6	264
Payments on partial shares for stock dividend	—	(8)	—
Preferred stock dividends paid	**(2,314)**	—	—
Purchase of treasury stock	—	—	(7,754)
Net Cash Provided by Financing Activities	**54,159**	25,075	150,353
Net Increase (Decrease) in Cash and Cash Equivalents	**38,102**	3,211	(31,425)
Cash and Cash Equivalents – Beginning	**16,465**	13,254	44,679
Cash and Cash Equivalents – Ending	$ **54,567**	$ 16,465	$ 13,254

NOTE 23 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly data for the years ended December 31, 2015 and 2014. Quarterly data may not agree to full year results.

	2015			
Quarter Ended	**December 31**	**September 30**	**June 30**	**March 31**
(amounts in thousands, except per share data)				
Interest income	**$ 67,713**	**$ 63,736**	**$ 59,683**	**$ 58,718**
Interest expense	**14,245**	**13,802**	**13,125**	**12,388**
Net interest income	**53,468**	**49,934**	**46,558**	**46,330**
Provision for loan losses	**6,173**	**2,094**	**9,335**	**2,964**
Non-interest income	**9,420**	**6,171**	**6,393**	**5,733**
Non-interest expenses	**31,514**	**30,307**	**25,660**	**27,465**
Income before income taxes	**25,201**	**23,704**	**17,956**	**21,634**
Provision for income taxes	**7,415**	**8,415**	**6,400**	**7,682**
Net income	17,786	15,289	11,556	13,952
Preferred stock dividend	1,006	980	507	—
Net income available to common shareholders	**$ 16,780**	**$ 14,309**	**$ 11,049**	**$ 13,952**
Earnings per common share:				
Basic	$ 0.62	$ 0.53	$ 0.41	$ 0.52
Diluted	0.58	0.50	0.39	0.49

	2014			
Quarter Ended	**December 31**	**September 30**	**June 30**	**March 31**
(amounts in thousands, except per share data)				
Interest income	$ 57,161	$ 51,298	$ 45,092	$ 36,874
Interest expense	12,175	11,084	8,162	7,082
Net interest income	44,986	40,214	36,930	29,792
Provision for loan losses	2,459	5,035	2,886	4,368
Non-interest income	5,804	5,102	6,911	7,310
Non-interest expenses	27,864	24,679	25,205	21,169
Income before income taxes	20,467	15,602	15,750	11,565
Provision for income taxes	7,289	3,940	5,517	3,429
Net income available to common shareholders	$ 13,178	$ 11,662	$ 10,233	$ 8,136
Earnings per common share:				
Basic	$ 0.49	$ 0.44	$ 0.38	$ 0.30
Diluted	0.47	0.42	0.37	0.29

NOTE 24 – SUBSEQUENT EVENTS

On January 22, 2016, Customers announced the pricing of its public offering of 1,000,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D (the "Series D Preferred Stock") at a price of $25.00 per share. Dividends on the Series D Preferred Stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 6.50% from the original issue date to, but excluding, March 15, 2021, and thereafter at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 5.09% per annum. The offering closed on January 29, 2016, and was subject to customary closing conditions.

Customers received net proceeds before expenses of $24.2 million from the offering, after deducting offering costs. The net proceeds will be used for general corporate purposes, which may include working capital and the funding of organic growth at Customers Bank.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Customers Bancorp, Inc. (the "Customers Bancorp") is responsible for the integrity and objectivity of all information presented in this report. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles. Management believes that the consolidated financial statements of Customers Bancorp, Inc. fairly reflect the form and substance of transactions and that the financial statements fairly represent Customers Bancorp's financial position and results of operations. Management has included in Customers Bancorp's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent registered public accounting firm of BDO USA, LLP audits Customers Bancorp's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors of Customers Bancorp has an Audit Committee composed of three independent Directors. The Committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, internal control, auditing, corporate governance and financial reporting matters. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors and internal auditors have access to the Audit Committee.

Management of Customers Bancorp, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework* , management concluded that our internal control over financial reporting was effective as of December 31, 2015. The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We have established disclosure controls and procedures to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, our disclosure controls and procedures are effective.

Management's Responsibility for Financial Statements and Report on Internal Control over Financial Reporting are included in Part II, Item 8, "Financial Statements and Supplementary Data," and are incorporated by reference herein.

Our independent registered public accounting firm, BDO USA, LLP, also attested to, and reported on, the effectiveness of internal control over financial reporting as of December 31, 2015. BDO USA, LLP's attestation report, which appears in Part II, Item 8, "Financial Statements and Supplementary Data," is incorporated herein by reference.

Changes in Internal Control over Financial Reporting

During fourth quarter 2015, there have been no changes in the Bancorp's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Bancorp's internal control over financial reporting.

Item 9B. Other Information

On February 26, 2016, Customers and Steven Issa, Customers' Executive Vice President, New England President and Market Chief Lending Officer entered into an amendment to Mr. Issa's employment agreement to eliminate the provision requiring Customers to provide a tax gross-up payment to Mr. Issa in the event of a transaction involving a change in control. All of the other provisions of the employment agreement remain in full force and effect.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be included in the Proxy Statement for the 2016 annual meeting in the sections titled "Our Board of Directors and Management," and "Board Governance," and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be included in the Proxy Statement for the 2016 annual meeting in the sections titled "Director Compensation," "Executive Officer Compensation," and "Board Governance," and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in the Proxy Statement for the 2016 annual meeting in the sections titled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in the Proxy Statement for the 2016 annual meeting in the sections titled "Certain Relationships and Related Transactions" and "Board Governance" and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be included in the Proxy Statement for the 2016 annual meeting in the section titled "Proposal 2 — Ratification of Appointment of Independent Registered Public Accounting Firm," and is incorporated herein by reference.

PART IV

Item 15 Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

Consolidated financial statements are included under Item 8 of Part II of this Form 10-K.

(b) 2. Financial Statements Schedules

Financial statements schedules are omitted because the required information is either not applicable, not required or is shown in the respective financial statements or in the notes thereto.

(c) Exhibits

Exhibit No.	Description
2.1	Purchase and Assumption Agreement, dated as of July 9, 2010, by and among Customers Bank, the FDIC as Receiver of USA Bank, and the FDIC acting in its corporate capacity, incorporated by reference to Exhibit 2.3 to the Customers Bancorp Form S-1/A filed with the SEC on January 13, 2011
2.2	Purchase and Assumption Agreement, dated as of September 17, 2010, by and among Customers Bank, the FDIC as Receiver of ISN Bank, and the FDIC acting in its corporate capacity, incorporated by reference to Exhibit 2.4 to the Customers Bancorp Form S-1/A filed with the SEC on January 13, 2011
2.3	Asset Purchase Agreement dated as of December 15, 2015 by and among Customers Bancorp, Customers Bank, Higher One, Inc. and Higher One Holdings, Inc.
3.1	Amended and Restated Articles of Incorporation of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on April 30, 2012
3.2	Amended and Restated Bylaws of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.2 to the Customers Bancorp Form 8-K filed with the SEC on April 30, 2012
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on July 2, 2012
3.4	Statement with Respect to Shares relating to the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on May 18, 2015
3.5	Statement with Respect to Shares relating to the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on January 29, 2016
4.1	Specimen stock certificate of Customers Bancorp, Inc. Voting Common Stock and Class B Non-Voting Common Stock, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
4.2	Form of Warrant issued to investors in New Century Bank’s March and February 2010 private offerings, 2009 private offering, and in partial exchange for New Century Bank’s shares of 10% Series A Non-Cumulative Perpetual Convertible Preferred Stock in June 2009, incorporated by reference to Exhibit 4.8 to the Customers Bancorp Form S-1 filed with the SEC on April 22, 2010
4.3	Warrants issued to Jay S. Sidhu, June 30, 2009, incorporated by reference to Exhibit 4.9 to the Customers Bancorp Form S-1 filed with the SEC on April 22, 2010
4.4	Indenture, dated as of July 30, 2013, by and between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp 8-K filed with the SEC on July 31, 2013
4.5	First Supplemental Indenture, dated as of July 30, 2013, by and between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.2 to the Customers Bancorp 8-K filed with the SEC on July 31, 2013
4.6	6.375% Global Note in aggregate principal amount of $55,000,000, incorporated by reference to Exhibit 4.3 to the Customers Bancorp 8-K filed with the SEC on July 31, 2013
4.7	Amendment to First Supplemental Indenture, dated August 27, 2013, by and between Customers Bancorp, Inc. and Wilmington Trust Company, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp 8-K filed with the SEC on August 29, 2013
4.8	6.375% Global Note in aggregate principal amount of $8,250,000, incorporated by reference to Exhibit 4.2 to the Customers Bancorp 8-K filed with the SEC on August 29, 2013

Exhibit No.	Description
4.9	Form of Note Subscription Agreement (including form of Subordinated Note Certificate and Senior Note Certificate) incorporated by reference to Exhibit 10.1 to the Customers Bancorp 8-K filed with the SEC on June 26, 2014
10.1+	New Century Bank Management Stock Purchase Plan, incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form S-1 filed with the SEC on April 22, 2010
10.2+	Amended and Restated Customers Bancorp, Inc. 2010 Stock Option Plan, incorporated by reference to Exhibit 10.2 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.3+	Amended and Restated Employment Agreement, dated as of March 26, 2012, by and between Customers Bancorp, Inc. and Jay S. Sidhu, incorporated by reference to Exhibit 10.3 to the Customers Bancorp Form S-1 filed with the SEC on March 28, 2012
10.4+	Amended and Restated Employment Agreement, dated as of March 26, 2012, by and between Customers Bancorp, Inc. and Richard Ehst, incorporated by reference to Exhibit 10.4 to the Customers Bancorp Form S-1 filed with the SEC on March 28, 2012
10.5+	Amended and Restated Customers Bancorp, Inc. 2004 Incentive Equity and Deferred Compensation Plan, incorporated by reference to Exhibit 10.7 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.6+	Form of Restricted Stock Unit Award Agreement for Employees relating to the 2012 Special Stock Reward Program, incorporated by reference to Exhibit 10.25 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
10.7+	Amended and Restated Customers Bancorp, Inc. Bonus Recognition and Retention Plan, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.8+	Supplemental Executive Retirement Plan of Jay S. Sidhu, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form S-1/A filed with the SEC on April 18, 2011
10.9+	Form of Restricted Stock Unit Award Agreement for Directors relating to the 2012 Special Stock Reward Program, incorporated by reference to Exhibit 10.26 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
10.10+	Form of Stock Option Agreement, incorporated by reference to Exhibit 10.18 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.11+	Form of Restricted Stock Unit Agreement, incorporated by reference to Exhibit 10.17 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.12+	Change of Control Agreement, dated as of January 30, 2013, by and between Customers Bancorp, Inc. and Glenn Hedde, incorporated by reference to Exhibit 10.29 to Customers Bancorp's Form 10-K filed with the SEC on March 18, 2013
10.13+	Change of Control Agreement, dated as of January 30, 2013, by and between Customers Bancorp, Inc. and Warren Taylor, incorporated by reference to Exhibit 10.30 to Customers Bancorp's Form 10-K filed with the SEC on March 18, 2013
10.14+	Change of Control Agreement, dated as of December 22, 2012, by and between Customers Bancorp, Inc. and Ken Keiser
10.15+	Employment Agreement, dated as of August 5, 2013, by and between Customers Bancorp, Inc. and Robert Wahlman
10.16+	Employment Agreement, dated as of March 1, 2014, by and between Customers Bancorp, Inc. and Steven Issa
10.17+	Amendment to Employment Agreement, dated as of February 26, 2016, by and between Customers Bancorp, Inc. and Steven Issa
10.18	Termination and Non-Renewal Agreement, dated as of April 4, 2013, by and among Customers Bancorp, Inc., Acacia Life Insurance Company, and Ameritas Life Insurance Corp., incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on April 10, 2013

Exhibit No.	Description
10.19	At Market Issuance Sales Agreement dated as of December 23, 2015, by and among the Company, FBR Capital Markets & Co., MLV & Co. LLC and Maxim Group LLC, incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on December 23, 2015
10.20	Termination of At Market Issuance Sales Agreement dated as of January 20, 2016
21.1	List of Subsidiaries of Customers Bancorp, Inc.
23.1	Consent of BDO USA, LLP, filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files regarding (a) Balance Sheets as of December 31, 2015 and 2014, (b) Statements of Income for the years ended December 31, 2015, 2014 and 2013, (c) Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (d) Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, (e) Statements of Changes in Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013 and (f) Notes to Financial Statements for the years ended December 31, 2015, 2014 and 2013.

+ Management Contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Customers Bancorp, Inc.

February 26, 2016	By:	/s/ Jay S. Sidhu
	Name:	Jay S. Sidhu
	Title:	Chairman and Chief Executive Officer

Customers Bancorp, Inc.

February 26, 2016	By:	/s/ Robert E. Wahlman
	Name:	Robert E. Wahlman
	Title:	Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature:	Title(s):	Date:
/s/ Jay S. Sidhu Jay S. Sidhu	Chairman, Chief Executive Officer and Director (principal executive officer)	February 26, 2016
/s/ Robert E. Wahlman Robert E. Wahlman	Executive Vice President and Chief Financial Officer (principal financial officer)	February 26, 2016
/s/ Carla A. Leibold Carla A. Leibold	Senior Vice President - Chief Accounting Officer and Controller (principal accounting officer)	February 26, 2016
/s/ Daniel K. Rothermel Daniel K. Rothermel	Director	February 26, 2016
/s/ Bhanu Choudhrie Bhanu Choudhrie	Director	February 26, 2016
/s/ John R. Miller John R. Miller	Director	February 26, 2016
/s/ T. Lawrence Way T. Lawrence Way	Director	February 26, 2016
/s/ Steven J. Zuckerman Steven J. Zuckerman	Director	February 26, 2016

ASSET PURCHASE AGREEMENT

among

HIGHER ONE, INC.,

HIGHER ONE HOLDINGS, INC.,

CUSTOMERS BANK

and

CUSTOMERS BANCORP, INC.

dated as of

December 15, 2015

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this " **Agreement** "), dated as of December 15, 2015, is entered into among Higher One, Inc., a Delaware corporation (" **Seller** "), Higher One Holdings, Inc., a Delaware corporation (" **Parent** "), and Customers Bank, a bank organized in the Commonwealth of Pennsylvania (" **CB** ") and Customer's Bancorp, Inc., a Pennsylvania corporation (" **Bancorp** " and together with CB, " **Buyer** ").

RECITALS

WHEREAS, Seller is engaged, through its disbursements division, in the business of disbursing refunds for its higher education institutional clients and servicing student-oriented checking accounts for the students of those clients (excluding the eRefund Service, the " **Business** ");

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets and liabilities of the Business, subject to the terms and conditions set forth herein; and

WHEREAS, Seller is a wholly-owned subsidiary of Parent.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

The following terms have the meanings specified or referred to in this **Article I** :

" **Affiliate** " of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

" **Agreement** " has the meaning set forth in the preamble.

" **Allocation Schedule** " has the meaning set forth in **Section 2.06** .

" **Annual Financial Statements** " has the meaning set forth in **Section 4.04** .

"Assigned Contracts " has the meaning set forth in **Section 2.01(b)** .
" **Assignment and Assumption Agreement** " has the meaning set forth in **Section 3.02(a)(iii)** .

" **Assumed Liabilities** " has the meaning set forth in **Section 2.03** .

" **Bancorp** " has the meaning set forth in the preamble.

" **Benefit Plan** " has the meaning set forth in **Section 4.14(a)** .

" **Bill of Sale** " has the meaning set forth in **Section 3.02(a)(i)** .

" **Board Recommendation** " has the meaning set forth in **Section 4.03(b)** .

" **Books and Records** " has the meaning set forth in **Section 2.01(h)** .

" **Business** " has the meaning set forth in the recitals.

" **Business Day** " means any day except Saturday, Sunday or any other day on which commercial banks located in New York, New York are authorized or required by Law to be closed for business.

" **Buyer** " has the meaning set forth in the preamble.

“ **Buyer Benefit Plans** ” has the meaning set forth in **Section 6.05(c)** .

“ **Buyer Closing Certificate** ” has the meaning set forth in **Section 7.03(d)** .

“ **Closing** ” has the meaning set forth in **Section 3.01** .

“ **Closing Amount** ” has the meaning set forth in **Section 2.05(a)** .

“ **Closing Date** ” has the meaning set forth in **Section 3.01** .

“ **CB** ” has the meaning set forth in the preamble.

“ **Code** ” means the Internal Revenue Code of 1986, as amended.

“ **Confidentiality Agreement** ” means the Confidentiality Agreement, dated as of November 12, 2014, between Buyer and Seller.

“ **Contracts** ” means all legally binding written contracts, leases, mortgages, licenses, instruments, notes, commitments, undertakings, indentures and other agreements, together with all current amendments, modifications and supplements thereto.

“ **Data Room** ” means the electronic documentation site established by Intralinks on behalf of Seller containing the documents set forth in the index included in **Section 1.01(a)** of the Disclosure Schedules.

“ **Direct Claim** ” has the meaning set forth in **Section 8.05(c)** .

“ **Disclosure Schedules** ” means the Disclosure Schedules delivered by Seller and Buyer concurrently with the execution and delivery of this Agreement.

“ **Dollars or $** ” means the lawful currency of the United States.

“ **Drop Dead Date** ” has the meaning set forth in **Section 9.01(b)(i)** .

“ **Employees** ” means those Persons employed by Seller who (i) worked exclusively for the Business immediately prior to the Closing and (ii) worked for the Business immediately prior to the Closing (but not exclusively) and are set forth in **Section 1.01(b)** of the Disclosure Schedules.

“ **Encumbrance** ” means any lien, pledge, mortgage, deed of trust, security interest, charge, claim, easement, encroachment or other similar encumbrance.

“ **eRefund Service** ” means the portion of the Business that consists of disbursing refunds by means of only the Automated Clearing House (ACH) system network to a student’s existing account.

“ **ERISA** ” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“ **Escrow Agent** ” means the entity designated to serve as escrow agent under the Escrow Agreement.

“ **Escrow Agreement** ” means the Escrow Agreement among Buyer, Seller and the Escrow Agent, to be executed and delivered at the Closing in a customary form to be reasonably agreed by Buyer and Seller.

“ **Escrow Amount** ” means the sum of $20,000,000 to be deposited with the Escrow Agent and held in and distributed from escrow pursuant to the Escrow Agreement.

“ **Exchange Act** ” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“ **Excluded Assets** ” has the meaning set forth in **Section 2.02** .

“ **Excluded Liabilities** ” has the meaning set forth in **Section 2.04** .

" **Exempt Sale** " has the meaning set forth in **Section 6.11(b)** .
" **Financial Statements** " has the meaning set forth in **Section 4.04** .

" **FIRPTA Certificate** " has the meaning set forth in **Section 7.02(g)** .

" **Former Superior Proposal** " has the meaning set forth in **Section 6.11(c)** .

" **GAAP** " means United States generally accepted accounting principles in effect from time to time.

" **Governmental Authority** " means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

" **Governmental Order** " means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

" **HSR Act** " means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

" **Incentive Payment** " has the meaning set forth in **Section 2.07(a)** .

" **Incentive Period** " has the meaning set forth in **Section 2.07(a)** .

" **Incentive Revenue** " has the meaning set forth in **Section 2.07(a)** .

" **Incentive Statement** " has the meaning set forth in **Section 2.07(b)** .

" **Indemnified Party** " has the meaning set forth in **Section 8.04** .

" **Indemnifying Party** " has the meaning set forth in **Section 8.04** .

" **Independent Accountant** " has the meaning set forth in **Section 2.07(d)** .

" **Intellectual Property** " means any and all of the following in any jurisdiction throughout the world: (a) trademarks and service marks, including all applications and registrations and the goodwill connected with the use of and symbolized by the foregoing; (b) copyrights, including all applications and registrations, and works of authorship, whether or not copyrightable; (c) trade secrets and confidential know-how; (d) patents and patent applications; (e) websites and internet domain name registrations; and (f) all other intellectual property and industrial property rights and assets, and all rights, interests and protections that are associated with, similar to, or required for the exercise of, any of the foregoing.
" **Intellectual Property Agreements** " means all licenses, sublicenses and other agreements by or through which other Persons grant Seller or Seller grants any other Persons any exclusive or non-exclusive rights or interests in or to any Intellectual Property that is used in connection with the Business.

" **Intellectual Property Assets** " means all Intellectual Property that is owned by Seller and used in connection with the Business, including the Intellectual Property Registrations set forth on **Section 4.10(a)** of the Disclosure Schedules.

" **Intellectual Property Registrations** " means all Intellectual Property Assets that are subject to any issuance, registration, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including registered trademarks, domain names, and copyrights, issued and reissued patents and pending applications for any of the foregoing.

" **Interim Statement** " has the meaning set forth in **Section 4.04** .

" **Interim Statement Date** " has the meaning set forth in **Section 4.04** .

" **Interim Financial Statements** " has the meaning set forth in **Section 4.04** .

“ **Knowledge of Seller or Seller’s Knowledge** ” or any other similar knowledge qualification, means the actual knowledge of those persons listed on **Section 1.01(b)** of the Disclosure Schedules.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

“ **Lease Agreement** ” has the meaning set forth in **Section 3.02(a)(iv)** .

“ **Leased Real Property** ” has the meaning set forth in **Section 4.09(b)** .

“ **Leases** ” has the meaning set forth in **Section 4.09(b)** .

“ **License Agreement** ” has the meaning set forth in **Section 3.02(a)(v)** .

“ **Losses** ” means actual out-of-pocket losses, damages, liabilities, costs or expenses, including reasonable attorneys’ fees.

“ **Material Adverse Effect** ” means any event, occurrence, fact, condition or change that, individually or in the aggregate, together with all related events, occurrences, facts, conditions or changes, is materially adverse to (a) the business, results of operations, financial condition or assets of the Business, taken as a whole, or (b) the ability of Seller to consummate the transactions contemplated hereby; *provided, however,* that “Material Adverse Effect” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Business operates; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyer; (vi) any matter of which Buyer is aware on the date hereof; (vii) any changes in applicable Laws or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (viii) the announcement, pendency or completion of the transactions contemplated by this Agreement, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with Seller and the Business; (ix) any natural or man-made disaster or acts of God; or (x) any failure by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded).

“ **Material Contracts** ” has the meaning set forth in **Section 4.06(a)** .

“ **Notice of Exempt Sale** ” has the meaning set forth in **Section 6.11(i)** .

“ **Notice of Superior Proposal** ” has the meaning set forth in **Section 6.11(h)** .

“ **Other Transferred Employee** ” has the meaning set forth in **Section 6.05(a)** .

“ **Parent** ” has the meaning set forth in the preamble.

“ **Permits** ” means all permits, licenses, franchises, approvals, authorizations and consents required to be obtained from Governmental Authorities.

“ **Permitted Encumbrances** ” means (a) liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures; (b) mechanics’, carriers’, workmen’s, repairmen’s or other like liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar encumbrances affecting Leased Real Property; (d) liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and (e) other imperfections of title or Encumbrances, if any, that have not had, and would not have, a Material Adverse Effect.

“ **Person** ” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“ **Proxy Statement** ” has the meaning set forth in **Section 6.10(b)** .

“ **Purchase Price** ” has the meaning set forth in **Section 2.05** .

“ **Purchased Assets** ” has the meaning set forth in **Section 2.01** .

“ **Qualified Benefit Plan** ” has the meaning set forth in **Section 4.14(b)** .

“ **Release** ” means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

“ **Representative** ” means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

“ **Required Stockholders Vote** ” means the adoption of a resolution by the holders of Parent’s outstanding capital stock having a majority of the voting power associated with all shares of Parent’s outstanding capital stock approving the sale and transfer of the Purchased Assets and the Assumed Liabilities pursuant to this Agreement.

“ **Restricted Period** ” has the meaning set forth in **Section 6.02(a)** .

“ **SEC** ” means the United States Securities and Exchange Commission.

“ **Seller** ” has the meaning set forth in the preamble.

“ **Seller Acquisition Proposal** ” has the meaning set forth in **Section 6.11(b)** .

“ **Seller Acquisition Transaction** ” has the meaning set forth in **Section 6.11(b)** .

“ **Seller Closing Certificate** ” has the meaning set forth in **Section 7.02(d)** .

“ **Seller Representatives** ” has the meaning set forth in **Section 6.11(a)** .

“ **Seller Subsequent Determination** ” has the meaning set forth in **Section 6.11(g)** .

“ **Shared Contract** ” has the meaning set forth in **Section 2.09(b)** .

“ **Statement** ” has the meaning set forth in **Section 4.04** .

“ **Statement Date** ” has the meaning set forth in **Section 4.04** .

“ **Stockholders’ Meeting** ” has the meaning set forth in **Section 6.10(d)** .

“ **Superior Proposal** ” has the meaning set forth in **Section 6.11(d).**
“ **Tangible Personal Property** ” has the meaning set forth in **Section 2.01(d)** .

“ **Taxes** ” means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

“ **Tax Return** ” means any return, declaration, report, claim for refund, information return or statement or other document required to be filed with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Territory ” means the United States of America.

“ **Third Party Claim** ” has the meaning set forth in **Section 8.05(a)** .

“ **Transaction Documents** ” means this Agreement, the Escrow Agreement, the Bill of Sale, the Assignment and Assumption Agreement, the Lease Agreement, the License Agreement, the Transition Services Agreement, and the other agreements, instruments and documents required to be delivered at the Closing.

“ **Transition Services Agreement** ” has the meaning set forth in **Section 3.02(a)(vi)** .

“ **Transferred Employee** ” has the meaning set forth in **Section 6.05(a)** .

“ **TSA Expiration Date** ” has the meaning set forth in **Section 6.05(a)** .

“ **WARN Act** ” means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

ARTICLE II

PURCHASE AND SALE

Section 2.01 **Purchase and Sale of Assets.** Subject to the terms and conditions set forth herein, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of all Encumbrances other than Permitted Encumbrances, all of Seller’s right, title and interest in, to and under the following assets, properties and rights of Seller, to the extent that such assets, properties and rights exist as of the Closing Date and exclusively relate to or are exclusively utilized in connection with the Business (collectively, the “ **Purchased Assets** ”):

(a) all accounts or notes receivable of the Business;

(b) all Contracts set forth on **Section 2.01(b)** of the Disclosure Schedules, all Contracts relating exclusively to the Business entered into by Seller after the date of this Agreement in compliance with **Section 6.01** and the Intellectual Property Agreements set forth on **Section 4.10(a)** of the Disclosure Schedules (collectively, the “ **Assigned Contracts** ”);

(c) all Intellectual Property Assets;

(d) all furniture, fixtures, equipment, supplies and other tangible personal property of the Business listed on **Section 2.01(d)** of the Disclosure Schedules (the “ **Tangible Personal Property** ”);

(e) all Permits listed on **Section 2.01(e)** of the Disclosure Schedules;

(f) all prepaid expenses, credits, advance payments, security, deposits, charges, sums and fees set forth on **Section 2.01(f)** of the Disclosure Schedules;

(g) all of Seller’s rights under warranties, indemnities and all similar rights against third parties to the extent related to any other Purchased Assets;

(h) originals, or where not available or contained within records or electronic systems of Seller also used for businesses other than the Business, copies, of all books and records, including books of account, ledgers and general, financial and accounting records, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records, strategic plans, internal financial statements and marketing and promotional surveys, material and research, that exclusively relate to the Business or the Purchased Assets, other than books and records set forth in **Section 2.02(d)** (“ **Books and Records** ”); and

(i) all goodwill associated with any of the assets described in the foregoing clauses.

Section 2.02 **Excluded Assets.** Other than the Purchased Assets subject to **Section 2.01** , Buyer expressly understands and agrees that it is not purchasing or acquiring, and Seller is not selling or assigning, any other assets or properties of Seller, and all such other assets and properties shall be excluded from the Purchased Assets (the “ **Excluded Assets** ”). Excluded Assets include the following assets and properties of Seller:

(a) all cash and cash equivalents, bank accounts and securities of Seller;

(b) all Contracts that are not Assigned Contracts;

(c) all Intellectual Property other than the Intellectual Property Assets;

(d) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller, all employee-related or employee benefit-related files or records, other than personnel files of Transferred Employees or Other Transferred Employees and any other books and records which Seller is prohibited from disclosing or transferring to Buyer under applicable Law and is required by applicable Law to retain;

(e) all insurance policies of Seller and all rights to applicable claims and proceeds thereunder;

(f) subject to **Section 6.05** , all Benefit Plans and trusts or other assets attributable thereto;

(g) all Tax assets (including duty and Tax refunds, rebates and prepayments) of Seller or any of its Affiliates;

(h) all rights to any action, suit or claim of any nature available to or being pursued by Seller, whether arising by way of counterclaim or otherwise;

(i) all assets, properties and rights used by Seller in its businesses other than the Business (including all assets, properties and rights used by Seller in its data analytics and payment businesses);

(j) any assets, properties and rights specifically set forth on **Section 2.02(j)** of the Disclosure Schedules; and

(k) the rights which accrue or will accrue to Seller under the Transaction Documents.

Section 2.03 **Assumed Liabilities.** Subject to the terms and conditions set forth herein, at the Closing, Buyer shall assume and agree to pay, perform and discharge when due any and all liabilities and obligations of Seller arising out of or relating to the Business or the Purchased Assets other than the Excluded Liabilities (collectively, the " **Assumed Liabilities** "). For the avoidance of doubt, the Assumed Liabilities shall include the following:

(a) all trade accounts payable of Seller to third parties in connection with the Business that remain unpaid as of the Closing Date;

(b) all liabilities and obligations arising under or relating to the Assigned Contracts;

(c) except as specifically provided in **Section 6.05** , all liabilities and obligations of Buyer or its Affiliates relating to employee benefits, compensation or other arrangements with respect to any Transferred Employee arising on or after the Closing, or any Other Transferred Employee arising on or after the TSA Expiration Date;

(d) all liabilities and obligations for (i) Taxes relating to the operation of the Business or ownership or use of the Purchased Assets attributable to periods after the Closing Date and (ii) Taxes for which Buyer is liable pursuant to **Section 6.14** ; and
(e) any liabilities and obligations of Seller set forth on **Section 2.03(e)** of the Disclosure Schedules.

Section 2.04 **Excluded Liabilities.** Buyer shall not assume and shall not be responsible to pay, perform or discharge any of the following liabilities or obligations of Seller (collectively, the " **Excluded Liabilities** "):

(a) any liabilities or obligations of the Seller, other than the Assumed Liabilities;

(b) any liabilities or obligations for (i) Taxes relating to the operation of the Business or ownership or use of the Purchased Assets on or prior to the Closing Date and (ii) any other Taxes of Seller or any stockholders or Affiliates of Seller (other than Taxes allocated to Buyer under **Section 6.14** or Assumed Taxes);

(c) except as specifically provided in **Section 6.05** , any liabilities or obligations of Seller relating to or arising out of (i) the employment, or termination of employment, (A) of any Employee prior to the Closing, or, (B) of any Employees who are not Transferred Employees, after the Closing (except, with respect to Employees who are Other Transferred Employees, after the TSA Expiration Date), or (ii) workers' compensation claims of any Employee which relate to events occurring prior to the Closing Date;

(d) any liabilities or obligations of Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, including fees and expenses of counsel, accountants, consultants, advisers and others;

(e) any liabilities and obligations of Seller relating to the matters set forth on **Section 2.04(e)** of the Disclosure Schedules and any additional liabilities and obligations substantially similar to such matters that arise between the date hereof and the Closing Date; and

(f) any fee or payment due to Raymond James & Associates, Inc. in connection with this Agreement or the transactions contemplated hereby.

Section 2.05 **Purchase Price; Closing Payments.**

(a) The aggregate purchase price for the Purchased Assets shall be $37,000,000, payable as follows (x) $17,000,000 on the Closing Date (the " **Closing Amount** ") and (y) $10,000,000 on each of the first two anniversaries of such date, plus the amount of any Incentive Payment payable in accordance with **Section 2.07** (collectively, the " **Purchase Price** "), plus the assumption of the Assumed Liabilities. The Closing Amount shall be paid by wire transfer of immediately available funds to an account designated in writing by Seller to Buyer no later than two (2) Business Days prior to the Closing Date.

(b) The Escrow Amount shall be deposited by wire transfer of immediately available funds into an account designated by the Escrow Agent and shall be held and distributed in accordance with the terms of the Escrow Agreement. Without limiting the generality of the foregoing, the Escrow Amount shall be used in order to satisfy any and all claims made by Buyer or any other Buyer Indemnitee against Seller pursuant to **Article VIII** .

(c) The Incentive Payment, if any, shall be payable in accordance with **Section 2.07** hereof.

Section 2.06 [INTENTIONALLY OMITTED.]

Section 2.07 **Incentive Payment** .

(a) During each of the three (3) years beginning in 2017 (the " **Incentive Period** "), in the event the annual gross revenue, calculated in accordance with GAAP, generated by the Business (" **Incentive Revenue** ") exceeds $75,000,000, Buyer shall pay Seller thirty-five percent (35%) of any such excess (each such payment, an " **Incentive Payment** ").

(b) Within thirty (30) days following the end of the 2017 fiscal year of Buyer, and each of the succeeding two (2) fiscal years of Buyer during the Incentive Period, Buyer shall provide a written statement to Seller (each, an " **Incentive Statement** ") showing in reasonable detail the Incentive Revenue for the immediately preceding fiscal year and the amount of the Incentive Payment, if any, owed to Seller for such fiscal year.

(c) Promptly following the request of Seller, Buyer shall permit and cause Seller and its advisors to have reasonable access to the books, records and other documents pertaining to or used in connection with the preparation of the Incentive Statement and provide Seller with any copies thereof. Seller and its advisors may make reasonable inquiries of Buyer and its advisors regarding questions concerning each Incentive Statement arising in the course of their review thereof, and Buyer shall cause any such advisors to cooperate with and respond to such inquiries. Any information shared or provided pursuant to this Section shall be subject to the Confidentiality Agreement.

(d) Seller may deliver to Buyer a written objection notice no later than thirty (30) days following the receipt of the Incentive Statement stating its objections to the calculations set forth in the Incentive Statement. The failure of Seller to deliver such objection notice within the prescribed time period will constitute Seller's irrevocable acceptance of the Incentive Statement. If Seller provides an objection notice as described herein, then Buyer and Seller shall negotiate in good faith to resolve their disputes regarding the Incentive Statement. If Buyer and Seller are unable to resolve all disputes regarding the Incentive Statement within thirty (30) days after delivery of the objection notice, then either party may refer the dispute to a nationally recognized firm of independent certified public accountants that has not been engaged by Seller or Buyer in the past three years (the " **Independent Accountant** ") for resolution. In such case, Buyer and Seller will direct the Independent Accountant to render a written report setting forth its determination with respect to any and all items in dispute not later than thirty (30) days after acceptance of its retention. Seller and Buyer shall each submit to the Independent Accountant in writing their respective computations pertaining to the Incentive Statement and specific information, evidence and support for their respective positions as to all items in dispute. Neither Seller nor Buyer shall have or conduct any communication, either written or oral, with the Independent Accountant without the other party either being present or receiving a concurrent copy of any written communication. The findings and determinations of the Independent Accountant as set forth in its written report shall be deemed final, conclusive and binding upon the parties.

(e) Each Incentive Statement will be final and binding on Buyer and Seller for the purposes of this **Section 2.07** upon the earliest of (i) the failure of Seller to notify Buyer of a dispute within thirty (30) days of the receipt by Seller of the applicable Incentive Statement, (ii) the resolution of all disputes, by Seller and Buyer or (iii) the resolution of all disputes by the Independent Accountant, in each case in accordance with this **Section 2.07** . Within ten (10) days of such date, Buyer shall pay, by wire transfer of immediately available funds, to Seller, the Incentive Amount, if any, set forth in the applicable Incentive Statement (as finally determined).

(f) During the Incentive Period, Buyer shall conduct the Business only in the ordinary course of business, consistent with the past practices of Seller, except to the extent required by changes in applicable Laws. Without limiting the generality of the foregoing, Buyer shall only seek to transition a holder of a OneAccount to another banking product of Buyer or its Affiliates, including Bank Mobile, if (i) holder or such holder's higher education institution notifies Buyer that such holder is scheduled to graduate within three (3) months, or (ii) such holder has withdrawn from such higher education institution.

Section 2.08 **Allocation of Purchase Price.** Within sixty (60) days after the Closing Date, Buyer shall deliver a schedule allocating the Purchase Price (including the Incentive Payment and any Assumed Liabilities treated as consideration for the Purchased Assets for Tax purposes) (the " **Allocation Schedule** "). The Allocation Schedule shall be prepared in accordance with Section 1060 of the Code. The Allocation Schedule shall be deemed final unless Seller notifies Buyer in writing that Seller objects to one or more items reflected in the Allocation Schedule within thirty (30) days after delivery of the Allocation Schedule to Seller. In the event of any such objection, Seller and Buyer shall negotiate in good faith to resolve such dispute; *provided, however* , that if Seller and Buyer are unable to resolve any dispute with respect to the Allocation Schedule within thirty (30) days after the delivery of the Allocation Schedule to Seller, such dispute shall be resolved by the Independent Accountant. The fees and expenses of such accounting firm shall be borne equally by Seller and Buyer. Seller and Buyer agree to file their respective IRS Forms 8594 and all federal, state and local Tax Returns in accordance with the Allocation Schedule, as ultimately finalized.

Section 2.09 **Non-assignable Assets.**

(a) **Section 2.09(a)** of the Disclosure Schedules identifies all material Contracts of Seller that are utilized in connection with the Business on a non-exclusive basis which are therefore not included as Purchased Assets. Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this **Section 2.09** , to the extent that the sale, assignment, transfer, conveyance or delivery, or attempted sale, assignment, transfer, conveyance or delivery, to Buyer of any Purchased Asset would result in a violation of applicable Law, or would require the consent, authorization, approval or waiver of a Person who is not a party to this Agreement or an Affiliate of a party to this Agreement (including any Governmental Authority), and such consent, authorization, approval or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery, or an attempted sale, assignment, transfer, conveyance or delivery, thereof; *provided, however,* that, subject to the satisfaction or waiver of the conditions contained in **Article VII** , the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price on account thereof. Following the Closing, Seller and Buyer shall use commercially reasonable efforts, and shall cooperate with each other, to obtain any such required consent, authorization, approval or waiver, or any release, substitution or amendment required to novate all liabilities and obligations under any and all Assigned Contracts or other liabilities that constitute Assumed Liabilities or to obtain in writing the unconditional release of all parties to such arrangements, so that, in any case, Buyer shall be solely responsible for such liabilities and obligations from and after the Closing Date; *provided, however,* that neither Seller nor Buyer shall be required to pay any consideration therefor, unless the agreement being assigned requires payment of a de minimis review fee or similar fee, in which case, Seller shall be responsible for such payment. Once such consent, authorization, approval, waiver, release, substitution or amendment is obtained, Seller shall sell, assign, transfer, convey and deliver to Buyer the relevant Purchased Asset to which such consent, authorization, approval, waiver, release, substitution or amendment relates for no additional consideration. Applicable sales, transfer and other similar Taxes in connection with such sale, assignment, transfer, conveyance or license shall be paid by Buyer in accordance with **Section 6.14** .

(b) To the extent that any material asset of Seller utilized in connection with the Business on a non-exclusive basis, including a Contract that is not an Assigned Contract (a " **Shared Contract** "), or any Purchased Asset and/or Assumed Liability cannot be transferred to Buyer following the Closing pursuant to this **Section 2.09** , Buyer and Seller shall provide, pursuant to the Transition Services Agreement or **Section 6.16** , or use commercially reasonable efforts to enter into such arrangements (such as subleasing, sublicensing or subcontracting) to provide, to the parties the economic and, to the extent permitted under applicable Law, operational equivalent of the transfer of such Shared Contract or Purchased Asset and/or Assumed Liability to Buyer as of the Closing and the performance by Buyer of its obligations with respect thereto; provided that Buyer acknowledges that certain human resources, travel, corporate development, commercial banking, legal, accounting, finance, vendor management, insurance and tax-related functions provided to the Business by the Seller will be taken over by Buyer at the Closing. Buyer shall, as agent or subcontractor for Seller pay, perform and discharge fully the liabilities and obligations of Seller thereunder from and after the Closing Date. To the extent permitted under applicable Law, Seller shall, at Buyer's expense, hold in trust for and pay to Buyer promptly upon receipt thereof, such Shared Contract or Purchased Asset and all income, proceeds and other monies received by Seller to the extent related to such Shared Contract or Purchased Asset in connection with the arrangements under this **Section**

2.09 , subject to the arrangements described on **Section 2.09(b)** of the Disclosure Schedules relating to certain Shared Contracts. Seller shall be permitted to set off against such amounts all direct costs associated with the retention and maintenance of such Shared Contracts or Purchased Assets. Notwithstanding anything herein to the contrary, the provisions of this **Section 2.09** shall not apply to any consent or approval required under any antitrust, competition or trade regulation Law, which consent or approval shall be governed by **Section 6.08** . Following the Closing, Seller and Buyer shall use commercially reasonable efforts, and shall cooperate with each other, to obtain the agreement of the counterparties to any Shared Contracts to enter into new, separate Shared Contracts relating to the services of the respective businesses of Buyer and Seller.

ARTICLE III

CLOSING

Section 3.01 **Closing.** Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the " **Closing** ") shall take place at the offices of Wiggin and Dana LLP, 450 Lexington Avenue, New York, NY, at 10:00 a.m. local time, a Business Day on or before July 1, 2016, and after both (x) all of the conditions to Closing set forth in **Article VII** are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), and (y) January 15, 2016 as Seller and Buyer may mutually agree upon. The date on which the Closing is to occur is herein referred to as the " **Closing Date** ".

Section 3.02 **Closing Deliverables.**

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) the Escrow Agreement duly executed by Seller;

(ii) a bill of sale in a customary form to be reasonably agreed by Buyer and Seller (the " **Bill of Sale** "), duly executed by Seller, transferring the tangible personal property included in the Purchased Assets to Buyer;

(iii) an assignment and assumption agreement in a customary form to be reasonably agreed by Buyer and Seller (the " **Assignment and Assumption Agreement** "), duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;

(iv) a lease agreement in a customary form to be reasonably agreed by Buyer and Seller (the " **Lease Agreement** "), duly executed by Seller, pursuant to which Buyer shall lease from Seller a portion of the real property owned by Seller and located at 115 Munson Street, New Haven, Connecticut;

(v) a license agreement in a customary form to be reasonably agreed by Buyer and Seller (the " **License Agreement** "), duly executed by Seller, pursuant to which Buyer shall grant Seller a perpetual, worldwide, royalty-free, fully paid-up license to use, transfer and sublicense the Intellectual Property set forth in **Section 3.02(a)(v)** of the Disclosure Schedules;

(vi) a transition services agreement substantially in the form of Exhibit A (the " **Transition Services Agreement** "), duly executed by Seller, pursuant to which Seller shall provide Buyer with certain transition services on the terms and subject to the conditions thereof;

(vii) the Seller Closing Certificate;

(viii) the FIRPTA Certificate;

(ix) the certificates of the Secretary or Assistant Secretary of Seller required by **Section 7.02(e)** and **Section 7.02(f)** ; and

(x) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Closing Amount;

(ii) the Escrow Agreement duly executed by Buyer;

(iii) the Assignment and Assumption Agreement duly executed by Buyer;

(iv) the License Agreement duly executed by Buyer;

(v) the Lease Agreement duly executed by Buyer;

(vi) the Transition Services Agreement duly executed by Buyer;

(vii) the Buyer Closing Certificate; and

(viii) the certificates of the Secretary or Assistant Secretary of Buyer required by **Section 7.03(f)** and **Section 7.03(h)** .

(c) At the Closing, Buyer shall deliver the Escrow Amount to the Escrow Agent pursuant to the Escrow Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Disclosure Schedules, Seller hereby represents and warrants to Buyer as set forth below.

Section 4.01 **Organization and Qualification of Seller.** Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all necessary corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted. Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect.

Section 4.02 **Authority of Seller.** Seller has all necessary corporate power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors’ rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). When each other Transaction Document to which Seller is or will be a party has been duly executed and delivered by Seller (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors’ rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 4.03 **No Conflicts; Consents.**

(a) The execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) result in a violation or breach of any provision of the certificate of incorporation or by-laws of Seller; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller, the Business or the Purchased Assets; or (c) except as set forth in **Section 4.03** of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any Material Contracts to which Seller is a party or by which Seller is bound; except in the cases of clauses (b) and (c), where the violation, breach, conflict, default, acceleration or failure to give notice would not have a Material Adverse Effect. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of this Agreement or any of the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, except for such filings as may be required under the HSR Act and as set forth in **Section 4.03** of the Disclosure Schedules.

(b) The board of directors of Parent has (i) determined that the sale of the Purchased Assets and the transfer of the Assumed Liabilities on the terms and subject to the conditions of this Agreement are expedient and in the best interests of Seller, (ii) approved this Agreement and the transactions contemplated hereby and (iii) subject to **Section 6.11** , resolved to recommend the approval of the asset sale contemplated by this Agreement by the stockholders of Parent (the " **Board Recommendation** ") at the Stockholders' Meeting.

Section 4.04 **Financial Statements.** Copies of the unaudited financial statements consisting of the statement of assets and liabilities of the Business as at December 31, 2014 and the related statement of income for the year then ended (the " **Annual Financial Statements** "), and unaudited financial statements consisting of the statement of assets and liabilities of the Business as at June 30 and the related statement of income for the six-month period then ended (the " **Interim Financial Statements** " and together with the Annual Financial Statements, the " **Financial Statements"** have been made available to Buyer in the Data Room. The statement of assets and liabilities of the Business as at December 31 is referred to herein as the " **Statement** " and the date thereof as the " **Statement Date** " and the statement of assets and liabilities of the Business as at June 30 is referred to herein as the " **Interim Statement** " and the date thereof as the " **Interim Statement Date** ". The Financial Statements have been extracted from the books and records of Seller. Except as disclosed in the Financial Statements or in **Section 4.04** of the Disclosure Schedule, the Financial Statements fairly present, in all material respects, the financial position and the results of operations of the Business as of the respective dates thereof for the respective periods indicated.

Section 4.05 **Absence of Certain Changes, Events and Conditions.** Except as expressly contemplated by this Agreement or as set forth on **Section 4.05** of the Disclosure Schedules, from the Interim Statement Date until the date of this Agreement, Seller has operated the Business in the ordinary course of business consistent with past practice in all material respects and there has not been, with respect to the Business, any:

(a) event, occurrence or development that, individually or in the aggregate, has had a Material Adverse Effect;

(b) imposition of any Encumbrance upon any of the Purchased Assets, except for Permitted Encumbrances;

(c) increase in the compensation of any Employees, other than as provided for in any written agreements or in the ordinary course of business;

(d) adoption of any plan of liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law; or

(e) any agreement to do any of the foregoing, or any action or omission by Seller that would result in any of the foregoing.

Section 4.06 **Material Contracts.**

(a) **Section 4.06(a)** of the Disclosure Schedules lists each of the following Contracts (x) by which any of the Purchased Assets are bound or affected or (y) to which Seller is a party or by which it is bound in connection with the Business or the Purchased Assets (together with all Leases listed in **Section 4.09(b)** of the Disclosure Schedules and all Intellectual Property Agreements listed in **Section 4.10(a)** of the Disclosure Schedules, collectively, the " **Material Contracts** "):

(i) all Contracts with third parties that are not clients of the Business involving aggregate payments allocated to the Business in excess of $50,000 annually or requiring performance by any party more than one year from the date hereof, which, in each case, cannot be cancelled without penalty or without more than one hundred eighty (180) days' notice, and which are not Shared Contracts;

(ii) all Contracts that relate to the sale of any of the Purchased Assets, other than in the ordinary course of business, for consideration in excess of $50,000;

(iii) except for agreements relating to trade receivables, all Contracts relating to indebtedness (including guarantees), in each case having an outstanding principal amount in excess of $50,000;

(iv) all Contracts between or among Seller on the one hand and any Affiliate of Seller on the other hand;

(v) all collective bargaining agreements or Contracts with any labor organization, union or association; and

(vi) all Contracts with the 50 clients or college or university systems of the Business with the largest student enrollments.

(b) Except as set forth on **Section 4.06(b)** of the Disclosure Schedules, Seller is not in breach of, or default under, any Material Contract.

Section 4.07 **Title to Tangible Personal Property.** Except as set forth in **Section 4.07** of the Disclosure Schedules, Seller has good and valid title to, or a valid leasehold interest in, all Tangible Personal Property included in the Purchased Assets, free and clear of Encumbrances except for Permitted Encumbrances.

Section 4.08 **Sufficiency of Assets.** The Purchased Assets and Transferred Employees, together with the assets and services made available to Buyer through the Transition Services Agreement, are sufficient for the continued conduct of the Business immediately after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the material rights, property and assets necessary to conduct the Business substantially as currently conducted; provided that Buyer acknowledges that certain human resources, travel, corporate development, commercial banking, legal, accounting, finance, vendor management, insurance and tax-related functions provided to the Business by the Seller will be taken over by Buyer at the Closing. Except as set forth in **Section 4.08** of the Disclosure Schedules or to the extent made available to Buyer through the Transition Services Agreement, the Excluded Assets do not include any material assets owned or used by Seller in connection with the conduct of the Business as conducted by Seller immediately prior to the Closing.

Section 4.09 **Real Property.**

(a) Seller does not own any real property exclusively used in connection with the Business.

(b) **Section 4.09(b)** of the Disclosure Schedules sets forth all material real property leased by Seller and exclusively used in connection with the Business (collectively, the " **Leased Real Property** "), and a list, as of the date of this Agreement, of all leases for each Leased Real Property (collectively, the " **Leases** ").

(c) Seller has not received any written notice of existing, pending or threatened (i) condemnation proceedings affecting the Leased Real Property, or (ii) zoning, building code or other moratorium proceedings, or similar matters which would reasonably be expected to materially and adversely affect the ability to operate the Leased Real Property as currently operated. Neither the whole nor any material portion of any Leased Real Property has been damaged or destroyed by fire or other casualty.

Section 4.10 **Intellectual Property.**

(a) **Section 4.10(a)** of the Disclosure Schedules lists (i) all Intellectual Property Registrations and (ii) all Intellectual Property Agreements. Except as set forth in **Section 4.10(a)** of the Disclosure Schedules, or as would not have a Material Adverse Effect, Seller owns or has the right to use all Intellectual Property Assets and the Intellectual Property licensed to Seller under the Intellectual Property Agreements.

(b) Except as set forth in **Section 4.10(b)** of the Disclosure Schedules, or as would not have a Material Adverse Effect, to Seller's Knowledge: (i) the conduct of the Business as currently conducted does not infringe, misappropriate, dilute or otherwise violate the Intellectual Property of any Person; and (ii) no Person is infringing, misappropriating or otherwise violating any Intellectual Property Assets. Notwithstanding anything to the contrary in this Agreement, this **Section 4.10(b)** constitutes the sole representation and warranty of Seller under this Agreement with respect to any actual or alleged infringement, misappropriation or other violation by Seller of any Intellectual Property of any other Person.

Section 4.11 **Legal Proceedings; Governmental Orders.**

(a) Except as set forth in **Section 4.11(a)** of the Disclosure Schedules, there are no actions, suits, claims, investigations or other legal proceedings pending or, to Seller's Knowledge, threatened against or by Seller relating to or affecting the Business, the Purchased Assets or the Assumed Liabilities.

(b) Except as set forth in **Section 4.11(b)** of the Disclosure Schedules, there are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against or affecting the Business or the Purchased Assets.

Section 4.12 **Compliance With Laws; Permits.**

(a) Since January 1, 2012, Seller has been in compliance in all material respects with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchase Assets, except to the extent set forth in **Section 4.12(a)** of the Disclosure Schedules or to the extent any instances of non-compliance have been corrected, resolved or otherwise restored to material compliance with such Laws.

(b) All Permits required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets have been obtained by Seller and are valid and in full force and effect, except where the failure to obtain such Permits would not have a Material Adverse Effect.

(c) None of the representations and warranties in **Section 4.12** shall be deemed to relate to employee benefits matters (which are governed by **Section 4.14**), employment matters (which are governed by **Section 4.15**) or tax matters (which are governed by **Section 4.16**).

Section 4.13 **Brokers.** Except for Raymond James & Associates, Inc., no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

Section 4.14 **Employee Benefit Matters.**

(a) **Section 4.14(a)** of the Disclosure Schedules contains a list of each material benefit, retirement, employment, consulting, compensation, incentive, bonus, stock option, restricted stock, stock appreciation right, phantom equity, change in control, severance, vacation, paid time off, welfare and fringe-benefit agreement, plan, policy and program in effect and covering one or more Employees, former employees of the Business or the beneficiaries or dependents of any such Persons, and is maintained, sponsored, contributed to, or required to be contributed to by Seller, or under which Seller has any material liability for premiums or benefits (as listed on **Section 4.14(a)** of the Disclosure Schedules, each, a " **Benefit Plan** ").

(b) Except as set forth in **Section 4.14(b)** of the Disclosure Schedules, or as would not have a Material Adverse Effect, to Seller's Knowledge, each Benefit Plan and related trust complies with all applicable Laws (including ERISA and the Code). Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code (a " **Qualified Benefit Plan** ") has received a favorable determination letter from the Internal Revenue Service, or with respect to a prototype plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan sponsor, to the effect that such Qualified Benefit Plan is so qualified and that the plan and the trust related thereto are exempt from federal income Taxes under Sections 401(a) and 501(a), respectively, of the Code.

(c) No Benefit Plan: (i) is subject to the minimum funding standards of Section 302 of ERISA or Section 412 of the Code; or (ii) is a "multi-employer plan" (as defined in Section 3(37) of ERISA). Except as would not have a Material Adverse Effect, Seller has not: (A) withdrawn from any pension plan under circumstances resulting (or expected to result) in liability; or (B) engaged in any transaction which would give rise to a liability under Section 4069 or Section 4212(c) of ERISA.

(d) Other than as required under Section 4980B of the Code or other applicable Law, no Benefit Plan provides benefits or coverage in the nature of health, life or disability insurance following retirement or other termination of employment (other than death benefits when termination occurs upon death).

(e) Except as set forth in **Section 4.14(e)** of the Disclosure Schedules, neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will: (i) result in the payment to any Employee, director or consultant of the Business of any money or other property; (ii) accelerate the vesting of or provide any additional rights or benefits (including funding of compensation or benefits through a trust or otherwise) to any Employee, director or consultant of the Business; or (iii) result in "excess parachute payments" within the meaning of Section 280G(b) of the Code.

(f) The representations and warranties set forth in this **Section 4.14** are Seller's sole and exclusive representations and warranties regarding employee benefit matters.

Section 4.15 **Employment Matters.**

(a) Seller is not a party to any collective bargaining or other agreement with a labor organization representing any of the Employees. In the past three (3) years, there has not been, nor, to Seller's Knowledge, has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor activity or dispute affecting Seller or any of the Employees.

(b) Seller is in compliance with all applicable Laws pertaining to employment and employment practices to the extent they relate to the Employees, except to the extent non-compliance would not result in a Material Adverse Effect.

(c) The representations and warranties set forth in this **Section 4.15** are Seller's sole and exclusive representations and warranties regarding employment matters.

Section 4.16 **Taxes.**

(a) Except as would not have a Material Adverse Effect, Seller has filed (taking into account any valid extensions) all Tax Returns with respect to the Business required to be filed by Seller and has paid all Taxes shown thereon as owing. Seller is not currently the beneficiary of any extension of time within which to file any Tax Return other than extensions of time to file Tax Returns obtained in the ordinary course of business.

(b) Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445-2.

(c) Except for certain representations related to Taxes in **Section 4.14** , the representations and warranties set forth in this **Section 4.16** are Seller's sole and exclusive representations and warranties regarding Tax matters.

Section 4.17 **No Other Representations and Warranties.** Except for the representations and warranties contained in this **Article IV** (including the related portions of the Disclosure Schedules), neither Seller nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of Seller, including any representation or warranty as to the accuracy or completeness of any information regarding the Business and the Purchased Assets furnished or made available to Buyer and its Representatives (including any information, documents or material made available to Buyer in the Data Room, management presentations or in any other form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of the Business, or any representation or warranty arising from statute or otherwise in law.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Except as set forth in the Disclosure Schedules, Buyer represents and warrants to Seller that the statements contained in this **Article V** are true and correct as of the date hereof.

Section 5.01 **Organization and Authority of Buyer.** Bancorp is a corporation duly organized, validly existing and in good standing under the Laws of the Commonwealth of Pennsylvania.

Section 5.02 **Authority of Buyer.** Buyer has all necessary corporate power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). When each other Transaction Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 5.03 **No Conflicts; Consents.** The execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) result in a violation or breach of any provision of the certificate of incorporation or by-laws of Buyer; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) except as set forth in **Section 5.03** of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any agreement to which Buyer is a party, except in the cases of clauses (b) and (c), where the violation, breach, conflict, default, acceleration or failure to give notice would not have a material adverse effect on Buyer's ability to consummate the transactions contemplated hereby. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, except for such filings as may be required under the HSR Act and as set forth in **Section 5.03** of the Disclosure Schedules and such consents, approvals, Permits, Governmental Orders, declarations, filings or notices which would not have a material adverse effect on Buyer's ability to consummate the transactions contemplated hereby and thereby.

Section 5.04 **Brokers.** No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer.

Section 5.05 **Sufficiency of Funds.** Buyer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and the Escrow Amount and consummate the transactions contemplated by this Agreement.

Section 5.06 **Solvency.** Immediately after giving effect to the transactions contemplated hereby, Buyer shall be solvent and shall: (a) be able to pay its debts as they become due; (b) own property that has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities); and (c) have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated hereby with the intent to hinder, delay or defraud either present or future creditors of Buyer or Seller. In connection with the transactions contemplated hereby, Buyer has not incurred, nor plans to incur, debts beyond its ability to pay as they become absolute and matured.

Section 5.07 **Legal Proceedings.** There are no actions, suits, claims, investigations or other legal proceedings pending or, to Buyer's knowledge, threatened against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

Section 5.08 **Independent Investigation.** Buyer has conducted its own independent investigation, review and analysis of the Business and the Purchased Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of Seller for such purpose. Buyer acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own investigation and the express representations and warranties of Seller set forth in **Article IV** of this Agreement (including related portions of the Disclosure Schedules); and (b) neither Seller nor any other Person has made any representation or warranty as to Seller, the Business, the Purchased Assets or this Agreement, except as expressly set forth in **Article IV** of this Agreement (including the related portions of the Disclosure Schedules).

ARTICLE VI

COVENANTS

Section 6.01 **Conduct of Business Prior to the Closing.** From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably withheld or delayed), Seller shall (a) conduct the Business in the ordinary course of business consistent with past practice; and (b) use commercially reasonable efforts to maintain and preserve intact its current Business organization, operations and franchise and to preserve the rights, franchises, goodwill and relationships of its Employees, customers, suppliers and others having relationships with the Business. Without limiting the foregoing, from the date hereof until the Closing Date, Seller shall not without the prior written consent of Buyer (which consent shall not be unreasonably withheld or delayed) enter into any Contract relating to the Business outside the ordinary course of business involving aggregate payments in excess of $250,000 per year. Without limiting the generality of the foregoing, and except as set forth in **Section 6.01** of Seller's Disclosure Schedule, during such period Seller shall not without the prior written consent of Buyer (which consent shall not be unreasonably withheld or delayed), with respect to the Business:

(a) divest, sell, lease, assign, or license to any Person or otherwise transfer (except in each case in connection with a transaction not prohibited by **Section 6.11**), or create or incur any Encumbrance (other than Permitted Encumbrances) on, any Purchased Asset;

(b) take any action or fail to take any action, individually or in a series of actions or inactions, outside the ordinary course of business consistent with past practice, that would reasonably be expected to diminish the value of the Purchased Assets in any material respect;

(c) enter into any agreement or arrangement that limits or otherwise restricts in any material respect the conduct of the Business or any successor thereto or that would reasonably be expected to, after the Closing Date, limit, restrict or curtail in any material respect the Business or Buyer or any of its Affiliates from engaging or competing in the Business, in any location or with any Person or from soliciting or engaging any clients;

(d) (i) grant or increase any severance or termination pay to (or amend any existing arrangement with) any Transferred Employee or Other Transferred Employee; (ii) increase benefits payable under any existing severance or termination pay policies or employment agreements with any Transferred Employee or Other Transferred Employee (other than annual increases made in the ordinary course of business consistent with past practice); (iii) enter into any employment, deferred compensation, or other similar agreement (or amend any such existing agreement) with any Transferred Employee or Other Transferred Employee; (iv) establish, adopt, or amend (except as required by Applicable Law) any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, stock option, restricted stock, or other benefit plan or arrangement covering any Transferred Employee or Other Transferred Employee; (v) increase compensation, bonus, or other benefits payable to any Transferred Employee or Other Transferred Employee (other than annual increases made in the ordinary course of business consistent with past practice); or (vi) hire or terminate without cause any Transferred Employee or Other Transferred Employee or transfer any Transferred Employee or Other Transferred Employee in or out of the Business, except in each case in the ordinary course of business;

(e) initiate, settle, or offer or propose to settle any proceeding against, involving or affecting the Business for an amount in excess of Two Hundred Fifty Thousand Dollars ($250,000); provided, however, the foregoing prohibition shall not apply to the matters set forth on **Schedule 2.04(e)** of the Disclosure Schedule;

(f) enter into any Contract, which would constitute an Assigned Contract if it existed as of the date hereof, except for any Contract containing terms and conditions that are substantially similar in the aggregate to the terms and conditions of reasonably similar Assigned Contracts, and any Contract involving aggregate payments less than or equal to $50,000 per year;

(g) to the extent relating to the Purchased Assets or the Business, or otherwise having a material adverse effect on the Purchased Assets or the Business: (A) fail to file any Tax Return or pay any material Taxes when due; (B) make or change any uncontested material Tax election; (C) change any annual accounting period; (D) adopt or change any material Tax accounting method or procedure, other than as required by law; (E) file any amended Tax Return; (F) enter into any closing agreement with respect to Taxes; (G) settle any material Tax claim or Tax assessment; (H) consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment; and (I) take any other similar action relating to the filing of any material Tax Return or payment of any material Tax; or

(h) agree, authorize, resolve, or commit to do any of the foregoing.

Section 6.02 **Non-competition; Non-solicitation**

(a) For a period of four (4) years commencing on the Closing Date (the " **Restricted Period** "), Seller shall not, and shall not permit any Person that is an Affiliate of Seller as of the date hereof to, directly or indirectly, (i) engage in or assist others in engaging in the Business in the Territory; (ii) have an interest in any Person that engages directly or indirectly in the Business in the Territory in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant; or (iii) cause, induce or encourage any actual or prospective client, customer, supplier or licensor of the Business (including any existing or former client or customer of Seller and any Person that becomes a client or customer of the Business after the Closing), or any other Person who has a business relationship with the Business, to terminate or modify adversely any such actual or prospective relationship; provided, however, nothing in the foregoing clauses (i), (ii) or (iii) shall limit Seller or any Affiliate of Seller from selling or providing Seller's eRefund Service (as modified from time to time) to any Person within or outside of the Territory. Notwithstanding the foregoing, Seller may own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange if Seller is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person.

(b) During the Restricted Period, Seller shall not, and shall not permit any of its Affiliates to, directly or indirectly, hire or solicit any Person who is offered employment by Buyer pursuant to **Section 6.05(a)** or is or was employed by Buyer or its Affiliates during the Restricted Period, or encourage any such employee to leave such employment or hire any such employee who has left such employment, except pursuant to a general solicitation which is not directed specifically to any such employees;

provided, that nothing in this **Section 6.02(b)** shall prevent Seller or any of its Affiliates from hiring (i) any employee whose employment has been terminated by Buyer or (ii) after 180 days from the date of termination of employment, any employee whose employment has been terminated by the employee.

(c) Seller acknowledges that a breach or threatened breach of this **Section 6.02** would give rise to irreparable harm to Buyer, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by Seller of any such obligations, Buyer shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

(d) Seller acknowledges that the restrictions contained in this **Section 6.02** are reasonable and necessary to protect the legitimate interests of Buyer and constitute a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this **Section 6.02** should ever be adjudicated to exceed the time, geographic, product or service or other limitations permitted by applicable Law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service or other limitations permitted by applicable Law. The covenants contained in this **Section 6.02** and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

(e) For the avoidance of doubt, the restrictions set forth in this **Section 6.02** shall not apply with respect to any Person that becomes an Affiliate of Seller after the date of this Agreement, but who or which is not an Affiliate of Seller as of such date.

Section 6.03 **Access to Information.** From the date hereof until the Closing, Seller shall (a) afford Buyer and its Representatives reasonable access to and the right to inspect all of the properties, assets, premises, Books and Records, Assigned Contracts and other documents and data constituting Purchased Assets; (b) furnish Buyer and its Representatives with such financial, operating and other data and information related to the Business as Buyer or any of its Representatives may reasonably request; and (c) instruct the Representatives of Seller to cooperate with Buyer in its investigation of the Business; *provided, however,* that any such investigation shall be conducted during normal business hours upon reasonable advance notice to Seller, under the supervision of Seller’s personnel and in such a manner as not to interfere with the conduct of the Business or any other businesses of Seller. All requests by Buyer for access pursuant to this **Section 6.03** shall be submitted or directed exclusively to Christopher Wolf, Executive Vice President and Chief Financial Officer, or such other individuals as Seller may designate in writing from time to time. Notwithstanding anything to the contrary in this Agreement, Seller shall not be required to disclose any information to Buyer if such disclosure would, in Seller’s sole discretion: (x) cause significant competitive harm to Seller and its businesses, including the Business, if the transactions contemplated by this Agreement are not consummated; (y) jeopardize any attorney-client or other privilege; or (z) contravene any applicable Law, fiduciary duty or binding agreement entered into prior to the date of this Agreement. Prior to the Closing, without the prior written consent of Seller, which may be withheld for any reason, Buyer shall not contact any suppliers to, or customers of, the Business and Buyer shall have no right to perform invasive or subsurface investigations of the Leased Real Property. Buyer shall, and shall cause its Representatives to, abide by the terms of the Confidentiality Agreement with respect to any access or information provided pursuant to this **Section 6.03** . The parties hereto acknowledge the current contractual relationship between Buyer and Seller relating to certain aspects of the Business. Nothing in this Agreement shall affect, alter, limit or otherwise impact the rights of the parties under the Deposit Processing Services Agreement, as amended, and any termination of this Agreement shall have no effect on such agreement.

Section 6.04 **Supplement to Disclosure Schedules.** From time to time prior to the Closing, Seller shall have the right (but not the obligation) to supplement or amend the Disclosure Schedules hereto with respect to any matter hereafter arising or of which it becomes aware after the date hereof (each a “ **Schedule Supplement** ”). Any disclosure in any such Schedule Supplement shall not be deemed to have cured any inaccuracy in or breach of any representation or warranty contained in this Agreement, including for purposes of the indemnification or termination rights contained in this Agreement or of determining whether or not the conditions set forth in **Section 7.02(a)** have been satisfied; *provided, however,* that if Buyer has the right to, but does not elect to, terminate this Agreement within ten (10) Business Days of its receipt of such Schedule Supplement, then Buyer shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter and, further, shall have irrevocably waived its right to indemnification under **Section 8.02** with respect to such matter.

Section 6.05 **Employees and Employee Benefits.**

(a) Buyer shall, or shall cause an Affiliate of Buyer to, offer employment (i) effective as of the Closing Date, to each Employee whose name is set forth in **Section 6.05(a)(i)** of the Disclosure Schedules (the Employees who accept such employment and commence employment on the Closing Date, the " **Transferred Employees** "), and (ii) effective as of the expiration of the Transition Services Agreement (the " **TSA Expiration Date** "), to each Employee whose name is set forth in **Section 6.05(a)(ii)** of the Disclosure Schedules (the Employees who accept such employment and commence employment on the TSA Expiration Date, the " **Other Transferred Employees** "). In the event any Transferred Employee is entitled to commission under a Contract that is an Assigned Contract (or subject to **Section 2.09(b)**) (regardless of whether such Assigned Contract was entered into before or after Closing), Buyer shall be responsible for paying such commission to the extent it relates to the Business. In the event an Employee of Seller who is not a Transferred Employee is entitled to commission under a Contract that is an Assigned Contract (or subject to **Section 2.09(b)**), and such commission relates to the Business, Buyer shall reimburse Seller for such commission. For the avoidance of doubt, Seller shall be responsible for any commissions due and payable to Transferred Employees relating to any business of Seller other than the Business.

(b) Except as set forth in **Section 6.05(b)** of the Disclosure Schedules, during the period commencing on the Closing Date or the TSA Expiration Date, as applicable, and ending on the date which is twelve (12) months from such date (or if earlier, the date of the Transferred Employee's or Other Transferred Employee's termination of employment with Buyer or an Affiliate of Buyer), Buyer shall, or shall cause an Affiliate of Buyer to, provide each Transferred Employee or Other Transferred Employee, as applicable, with: (i) base salary or hourly wages which are no less than the base salary or hourly wages provided by Seller immediately prior to the Closing; (ii) target bonus opportunities consistent with Buyer's annual and long term bonus programs; (iii) retirement and welfare benefits that are no less favorable in the aggregate than those provided by Buyer to its employees; and (iv) severance benefits that are no less favorable than the practice, plan or policy of Buyer.

(c) With respect to any employee benefit plan maintained by Buyer or an Affiliate of Buyer (collectively, " **Buyer Benefit Plans** ") for the benefit of any Transferred Employee or Other Transferred Employee, effective as of the Closing or the TSA Expiration Date, as applicable, Buyer shall, or shall cause its Affiliate to, recognize all service of the Transferred Employees or Other Transferred Employees with Seller, as if such service were with Buyer, for vesting, eligibility and accrual purposes; *provided, however,* such service shall not be recognized to the extent that (x) such recognition would result in a duplication of benefits or (y) such service was not recognized under the corresponding Benefit Plan.

(d) Effective as of Closing or the TSA Expiration Date, as applicable, and thereafter, Buyer shall waive any eligibility waiting periods and evidence of insurability requirements under any health plan of Buyer or an Affiliate of Buyer extended to Transferred Employees or Other Transferred Employees and their eligible dependents, and shall fully credit each Transferred Employee or Other Transferred Employee with all deductible payments, co-payments and other out-of-pocket expenses paid by such Employee under the health benefit plans of Seller prior to the Closing with respect to the plan year in which the Closing occurs for purposes of determining the extent to which any such Employee and his dependents have satisfied his, her or their deductible and/or reached an out of pocket maximum under any health benefit plan of Buyer (or Affiliate of Buyer) extended to Transferred Employees or Other Transferred Employees after the Closing or the TSA Expiration Date, as applicable.

(e) With respect to any defined contribution plan maintained by Seller as of the Closing, Buyer shall accept a rollover of account balances into its defined contribution plan, including a rollover of any loan notes outstanding as of Closing, and shall cooperate with Seller to effect such rollovers.

(f) Effective as of the Closing or the TSA Expiration Date, as applicable, the Transferred Employees and Other Transferred Employees shall cease active participation in the Benefit Plans. Seller shall remain liable for all eligible claims for benefits under the Benefit Plans that are incurred by the Employees prior to the Closing Date. For purposes of this Agreement, the following claims shall be deemed to be incurred as follows: (i) life, accidental death and dismemberment, short-term disability, and workers' compensation insurance benefits, on the event giving rise to such benefits; (ii) medical, vision, dental, and prescription drug benefits, on the date the applicable services, materials or supplies were provided; and (iii) long-term disability benefits, on the eligibility date determined by the long-term disability insurance carrier for the plan in which the applicable Employee participates.

(g) Buyer and Seller intend that the transactions contemplated by this Agreement should not result in a payment of severance under either Buyer's or Seller's severance plan or policy with respect any Employee who receives an employment offer by Buyer that is consistent with the requirements of **Section 6.05(b)** , and, accordingly, Buyer and Seller shall, prior to Closing, take all actions necessary or advisable to amend their severance policies or plans to so provide. Seller shall be liable and hold Buyer harmless for any statutory, common law, contractual or other severance with respect to any Employee, other than a Transferred Employee or Other Transferred Employee. Buyer shall be liable and hold Seller harmless for any claims relating to the employment of any Transferred Employee arising in connection with or following the Closing, or any Other Transferred Employee arising following the TSA Expiration Date.

(h) Without limiting the generality of **Section 6.05(b)** , Buyer shall include in its offer to the Employees named in **Section 6.05(h)** of the Disclosure Schedules such additional terms as are described in such section of the Disclosure Schedules.

(i) This **Section 6.05** shall be binding upon and inure solely to the benefit of each of the parties to this Agreement, and nothing in this **Section 6.05** , express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this **Section 6.05** . Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The parties hereto acknowledge and agree that the terms set forth in this **Section 6.05** shall not create any right in any Transferred Employee, Other Transferred Employee or any other Person to any continued employment with Buyer or any of its Affiliates or compensation or benefits of any nature or kind whatsoever.

Section 6.06 **Confidentiality.** Buyer acknowledges and agrees that the Confidentiality Agreement remains in full force and effect and, in addition, covenants and agrees to keep confidential, in accordance with the provisions of the Confidentiality Agreement, information provided to Buyer pursuant to this Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement and the provisions of this **Section 6.06** shall nonetheless continue in full force and effect.

Section 6.07 [INTENTIONALLY OMITTED.]

Section 6.08 **Governmental Approvals and Consents.**

(a) Each party hereto shall, as promptly as possible, use its reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement and the other Transaction Documents. Each party shall cooperate fully with the other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals. If required by the HSR Act and if the appropriate filing pursuant to the HSR Act has not been filed prior to the date hereof, each party hereto agrees to make an appropriate filing pursuant to the HSR Act with respect to the transactions contemplated by this Agreement within ten (10) Business Days after the date hereof and to supply as promptly as practicable to the appropriate Governmental Authority any additional information and documentary material that may be requested pursuant to the HSR Act.

(b) Without limiting the generality of Buyer's undertakings pursuant to this **Section 6.08** , Buyer agrees to use its reasonable best efforts and to take any and all steps necessary to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation Law that may be asserted by any Governmental Authority or any other party so as to enable the parties hereto to close the transactions contemplated by this Agreement as promptly as possible, including proposing, negotiating, committing to and effecting, by consent decree, hold separate orders, or otherwise, the sale, divestiture or disposition of any of its assets, properties or businesses or of the assets, properties or businesses to be acquired by it pursuant to this Agreement as are required to be divested in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any suit or proceeding, which would otherwise have the effect of materially delaying or preventing the consummation of the transactions contemplated by this Agreement. In addition, Buyer shall use its reasonable best efforts to defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any Governmental Order (whether temporary, preliminary or permanent) that would prevent the consummation of the Closing.

(c) All analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of either party before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the transactions contemplated hereunder (but, for the avoidance of doubt, not including any interactions between Seller or Buyer with Governmental Authorities in the ordinary course of business, any interactions, written or otherwise between Buyer and its state and federal banking regulators, any disclosure which is not permitted by Law or any disclosure containing confidential information) shall be disclosed to the other party hereunder in advance of any filing, submission or attendance, it being the intent that the parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals. Each party shall give notice to the other party with respect to any meeting, discussion, appearance or contact with any Governmental Authority or the staff or regulators of any Governmental Authority, with such notice being sufficient to provide the other party with the opportunity to attend and participate in such meeting, discussion, appearance or contact.

(d) Seller and Buyer shall use commercially reasonable efforts to give all notices to, and obtain all consents from, all third parties that are described in **Section 4.03** and **Section 5.03** of the Disclosure Schedules; *provided, however* , that Seller shall not be obligated to pay any consideration therefor to any third party from whom consent or approval is requested, except for a de minimis review fee or similar fee.

Section 6.09 **Books and Records.**

(a) In order to facilitate the resolution of any claims made against or incurred by Seller prior to the Closing, or for any other reasonable purpose, for a period of five (5) years after the Closing, Buyer shall:

(i) retain the Books and Records (including personnel files) relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of Seller; and

(ii) upon reasonable notice, afford Seller's Representatives reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such Books and Records.

(b) In order to facilitate the resolution of any claims made by or against or incurred by Buyer after the Closing, or for any other reasonable purpose, for a period of five (5) years after the Closing, Seller shall:

(i) retain the books and records (including personnel files) of Seller that are not Purchased Assets and which relate to the Business and its operations for periods prior to the Closing; and

(ii) upon reasonable notice, afford Buyer's Representatives reasonable access (including the right to make, at Buyer's expense, photocopies), during normal business hours, to such books and records.

(c) Neither Buyer nor Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this **Section 6.09** where such access would violate any Law.

Section 6.10 **Closing Conditions.**

(a) From the date hereof until the Closing, each party hereto shall use commercially reasonable efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in **Article VII** hereof.

(b) Unless this Agreement is terminated pursuant to **Article IX** , Parent shall prepare and file with the SEC a proxy statement relating to the Stockholders' Meeting (together with any amendments thereof or supplements thereto, the " **Proxy Statement** ") on or prior to January 12, 2016, provided that upon Seller's request, the parties will discuss in good faith a reasonable extension of such date. Parent, after consultation with Buyer, will use commercially reasonable efforts to respond to any comments made by the SEC with respect to the Proxy Statement as promptly as practicable following receipt of the same. Buyer shall furnish all information as Parent may reasonably request in connection with such actions and the preparation of the Proxy Statement. Subject to **Section 6.11** , as promptly as practicable after the clearance of the Proxy Statement by the SEC, Parent shall mail the Proxy Statement to its stockholders. Subject to **Section 6.11** , the Proxy Statement shall include the Board Recommendation. Parent will advise Buyer, promptly after it receives notice thereof, of any request by the SEC for amendment of the Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information. If at any time prior to the Stockholders' Meeting, any event or circumstance relating to Buyer, or its officers or directors, should be discovered by Buyer which should be set forth in an amendment or a supplement to the Proxy Statement, Buyer shall promptly inform Parent. If at any time prior to the Stockholders' Meeting, any event or circumstance relating to Parent or Seller, or their respective officers or directors, should be discovered by Parent or Seller which should be set forth in an amendment or a supplement to the Proxy Statement, Parent shall promptly inform Buyer. All documents that Parent is responsible for filing with the SEC in connection with the transactions contemplated hereby will comply as to form and substance in all material respects with the applicable requirements of the Exchange Act and other applicable Laws and will not contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) None of the written information supplied or to be supplied by Buyer or any of its Affiliates, directors, officers, employees, agents or representatives expressly for inclusion or incorporation by reference in the Proxy Statement or any other documents filed or to be filed with the SEC in connection with the transactions contemplated hereby, will, as of the time such documents (or any amendment thereof or supplement thereto) are mailed to Parent's stockholders and at the time of Stockholders' Meeting, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) Parent shall call and hold a meeting of its stockholders (the " **Stockholders' Meeting** ") as promptly as practicable following the date on which the Proxy Statement is cleared by the SEC for the purpose of obtaining the Required Stockholders Vote, provided that such meeting shall be noticed for a date that is no later than 20 days after the mailing thereof. Except as permitted by **Section 6.11** , the Proxy Statement shall include the Board Recommendation.

(e) Nothing in this **Section 6.10** shall be deemed to prevent Parent or the board of directors of Parent from taking any action they are permitted or required to take under, and in compliance with, **Section 6.11** or are required to take under applicable Law.

Section 6.11 **No Other Bids and Related Matters.**

(a) So long as this Agreement remains in effect, except as otherwise expressly permitted in this Agreement, Seller shall not, and shall cause each Seller Affiliate and their respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants, consultants, Affiliates and other agents (collectively, the "Seller Representatives") not to, directly or indirectly, (i) initiate, solicit, induce or encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes or could reasonably be expected to lead to a Seller Acquisition Proposal; (ii) respond to any inquiry relating to a Seller Acquisition Proposal; (iii) recommend or endorse a Seller Acquisition Proposal or Seller Acquisition Transaction, except in connection with a Seller Subsequent Determination permitted pursuant to **Section 6.11(g)** ; (iv) participate in any discussions or negotiations regarding any Seller Acquisition Proposal or furnish, or otherwise afford access, to any Person (other than Buyer) to any non-public information or data with respect to the Business or otherwise relating to a Seller Acquisition Proposal; (v) release any Person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which Seller is a party; or (vi) enter into any agreement, agreement in principle or letter of intent with respect to any Seller Acquisition Proposal or approve or resolve to approve any Seller Acquisition Proposal or any agreement, agreement in principle or letter of intent relating to a Seller Acquisition Proposal. In the event of any violation of the foregoing restrictions by any Seller Representative becomes known to Seller, Seller shall use best efforts both to promptly cure, to the extent practicable, any prior violation and to cause such Seller Representative to not commit any additional violations of this Section. Seller shall notify Buyer promptly if any such discussions or negotiations are sought to be initiated with Seller by any Person other than Buyer or if any such requests for information, inquiries, proposals or communications are received from any Person other than Buyer.

(b) For purposes of this Agreement, " **Seller Acquisition Proposal** " shall mean any inquiry, offer or proposal (other than an inquiry, offer or proposal from Buyer), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, a Seller Acquisition Transaction. For purposes of this Agreement, " **Seller Acquisition Transaction** " shall mean (A) an acquisition of the Business or all or substantially all of the Purchased Assets, in either case independent of the acquisition of any other business or assets of Seller, in a single transaction or series of transactions involving any merger, consolidation, purchase of assets, recapitalization, purchase or exchange or equity interests, liquidation, dissolution or similar transaction involving the Business or all or substantially all of the Purchased Assets, in either case independent of the acquisition of any other business or assets of Seller or (B) any transaction which is similar in form, substance and purpose to the transactions provided for and contemplated by this Agreement. Notwithstanding the foregoing and for the avoidance of doubt, (i) " **Seller Acquisition Transaction** " does not include (x) the acquisition of the Business or all or substantially all of the Purchased Assets together with any other business of Seller (an " **Exempt Sale** ") or (y) the acquisition of any other business of Seller independent of the acquisition of the Business or all or substantially all of the Purchased Assets, in each case whether by merger, consolidation, purchase of assets, recapitalization, purchase or exchange or equity interests, liquidation, dissolution or similar transaction, and (ii) Seller shall not be in breach of **Section 6.11(a)** by virtue of taking any actions in furtherance of an Exempt Sale, including preparing and distributing a confidential information memorandum (or similar document), even if a third party makes a Seller Acquisition Proposal in connection therewith.

(c) Notwithstanding **Section 6.11(a)** , Seller may take any of the actions described in clauses (ii), (iv), (v) and (vi) of **Section 6.11(a)** if, but only if, (i) Seller has received a bona fide unsolicited Seller Acquisition Proposal; (ii) the Parent Board of Directors determines in good faith, after consultation with and having considered the advice of its outside legal counsel and its independent financial advisor, that such Seller Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal (as defined below); (iii) Seller provides Buyer with notice of such determination within forty eight (48) hours thereafter; and (iv) prior to furnishing or affording access to any nonpublic information or data with respect to the Business or otherwise relating to such Seller Acquisition Proposal, Seller receives from such Person a confidentiality agreement with terms no less favorable to Buyer in the aggregate than those contained in the Confidentiality Agreement and provides a copy of the same to Buyer. Seller shall promptly provide to Buyer any non-public information regarding Seller or any Seller Affiliate provided to any other Person pursuant to the foregoing sentence that was not previously provided to Buyer, such additional information to be provided no later than forty-eight (48) hours after the provision of such information to such other party.

(d) For purposes of this Agreement, " **Superior Proposal** " means any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into a Seller Acquisition Transaction on terms that the Parent Board of Directors determines in its good faith judgment, after consultation with and having considered the advice of its outside legal counsel and financial advisor is more favorable to the stockholders of Parent than the transactions contemplated by this Agreement taking into account all legal, financial, regulatory and other aspects of the proposal, including the likelihood of completing the transaction.

(e) Seller shall promptly (and in any event within forty-eight (48) hours after receipt) notify Buyer in writing of (i) any Seller Acquisition Proposal received by Seller or (ii) any request for nonpublic information related to a Seller Acquisition Proposal. Such notice shall indicate the name of the Person making such Seller Acquisition Proposal or information request and the material terms and conditions of such proposal (and any written materials delivered in connection with such proposal or information request, unless (i) such materials constitute confidential information of the party making such offer or proposal under an effective confidentiality agreement, (ii) disclosure of such materials jeopardizes the attorney-client privilege, or (iii) disclosure of such materials contravenes any law, rule, regulation, order, judgment or decree.) Seller agrees that it shall keep Buyer informed, on a reasonably prompt basis (and in any event within forty-eight (48) hours of a change), of the status and terms of any such proposal, information request, negotiations or discussions (including any amendments or modifications to such proposal, offer or request).

(f) Except as provided in **Section 6.11(g)** or **Section 6.11(h)** , neither the Parent Board of Directors nor any committee thereof shall (i) withdraw, qualify or modify, or publicly propose to withdraw, qualify or modify, in a manner adverse to Buyer in connection with the transactions contemplated by this Agreement, the Board Recommendation, or make any statement, filing or release, in connection with the Stockholders' Meeting or otherwise, inconsistent with the Board Recommendation; (ii) approve or recommend, or publicly propose to approve or recommend, any Seller Acquisition Proposal; or (iii) enter into (or cause Seller or any Seller Affiliate to enter into) any letter of intent, agreement in principle, acquisition agreement or other agreement (A) related to any Seller Acquisition Transaction (other than a confidentiality agreement entered into in accordance with the provisions of **Section 6.11(b)**) or (B) requiring Seller to abandon, terminate or fail to consummate the sale of the Business to Buyer and the other transactions contemplated by this Agreement.

(g) Notwithstanding anything in this Agreement to the contrary, at any time prior to the Stockholders' Meeting, the Parent Board of Directors may approve or recommend to the stockholders of Parent a Superior Proposal and withdraw, qualify or modify the Board Recommendation in connection therewith or take any of the other actions otherwise prohibited by **Section 6.11(f)** (a " **Seller Subsequent Determination** ") after the fifth (5 th) business day following the receipt by Buyer of a notice (the " **Notice of Superior Proposal** ") from Seller advising Buyer that the Parent Board of Directors has determined that a Seller Acquisition Proposal is a Superior Proposal (it being understood that Seller shall be required to deliver a new Notice of Superior Proposal in respect of any revised Superior Proposal from such third party or its affiliates that Seller proposes to accept and the subsequent notice period shall be five (5) business days) if, but only if, (i) the Parent Board of Directors determines in good faith, after consultation with and having considered the advice of outside legal counsel and its financial advisor, that the failure to take such actions would be inconsistent with its fiduciary duties to Parent's stockholders under applicable law and (ii) at the end of such five (5) business day period, after taking into account any adjusted, modified or amended terms as may have been committed to in writing by Buyer since its receipt of such Notice of Superior Proposal (provided, however, that Buyer shall not have any obligation to propose any adjustments, modifications or amendments to the terms and conditions of this Agreement), the Parent Board of Directors has again determined in good faith that such Seller Acquisition Proposal constitutes a Superior Proposal.

(h) Notwithstanding anything in this Agreement to the contrary, at any time prior to the Stockholders' Meeting, the Parent Board of Directors may effect a Seller Subsequent Determination in connection with the receipt by Seller of a bona fide written proposal made by a third party to enter into an Exempt Sale transaction on terms that the Parent Board of Directors determines in its good faith judgment, after consultation with and having considered the advice of its outside legal counsel and financial advisor, is more favorable to the stockholders of Parent than the transactions contemplated by this Agreement, taking into account all legal, financial, regulatory and other aspects of the proposal, including the likelihood of completing the transaction, after the fifth (5 th) business day following the receipt by Buyer of a notice (the " **Notice of Exempt Sale** ") from Seller advising Buyer that the Parent Board of Directors has determined to take such action.

(i) Nothing contained in this Agreement shall prohibit the Parent Board of Directors from disclosing the fact that the Parent Board of Directors has received a Seller Acquisition Proposal and the terms of such Seller Acquisition Proposal, if the Parent Board of Directors determines, after consultation with its outside legal counsel, that (i) failure to make such disclosure would be inconsistent with its fiduciary duties under applicable Law or (ii) Parent or Seller is otherwise required to make such disclosure, including pursuant to applicable Law or the rules of any stock exchange.

Section 6.12 **Public Announcements.** Unless otherwise required by applicable Law or stock exchange requirements (based upon the reasonable advice of counsel), no party to this Agreement shall make any public announcements in respect of this

Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

Section 6.13 **Bulk Sales Laws.** The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer.

Section 6.14 **Transfer Taxes.** All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents (including any real property transfer Tax and any other similar Tax) shall be borne and paid by Buyer when due. Buyer shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Seller shall cooperate with respect thereto as necessary).

Section 6.15 **Services to be Provided by Buyer** . From the Closing Date until the one (1)-year anniversary of such date, Buyer shall provide to Seller the services set forth on **Section 6.15** of the Disclosure Schedules.

Section 6.16 **Services to be Provided by Seller** . From the Closing Date until the two (2)-year anniversary of such date, Seller shall provide consulting services to assist Buyer as reasonably needed and reasonably requested, to the extent Seller employs as of the Closing and continues to employ after the Closing personnel with applicable expertise capable of providing such services. The consulting services shall include the following: (i) assistance with relationships and contacts with educational institutions and the Department of Education, and discussions and strategies regarding work with the counterparties, (ii) strategic considerations for developing the Business, including expansion of services to additional higher education institutions, providing additional but related services to such institutions, and coordination of Buyer's Refund Disbursement solicitation efforts with Seller's CashNet solicitation efforts, (iii) strategic considerations regarding technology matters, including data security, development of Buyer data centers to replace data centers shared with CashNet, site selection for Buyer data centers and New Haven office facility, equipment selection, and vendor selection, (iv) assistance with consumer compliance matters relating to Regulation E, UDAAP, other matters, as well as overdrafts and other past activities, and (v) other general purposes.

Section 6.17 **Further Assurances.** Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

ARTICLE VII

CONDITIONS TO CLOSING

Section 7.01 **Conditions to Obligations of All Parties.** The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) The filings of Buyer and Seller pursuant to the HSR Act, if any, shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(b) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Governmental Order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.

(c) Seller shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in **Section 4.03** and all consents from the third parties set forth on **Section 7.01(c)** of the Disclosure Schedules, and Buyer shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in **Section 5.03** , in each case, in form and substance reasonably satisfactory to Buyer and Seller, and no such consent, authorization, order and approval shall have been revoked.

(d) The stockholders of Higher One Holdings, Inc., the sole stockholder of Seller, shall have approved the terms of this Agreement and the transactions contemplated hereby.

Section 7.02 **Conditions to Obligations of Buyer.** The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Seller contained in **Article IV** , other than in **Section 4.5(a)** , shall have been true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be true and correct would not have a Material Adverse Effect.

(b) Seller shall have duly performed and complied in all material respects with (i) all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date, and (ii) any order or directive of any Governmental Authority relating to the matters set forth on **Section 2.04(e)** of the Disclosure Schedules.

(c) Seller shall have delivered to Buyer duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(a)** .

(d) Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in **Section 7.02** (a) have been satisfied (the " **Seller Closing Certificate** ").

(e) Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

(f) Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying the names and signatures of the officers of Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(g) Buyer shall have received a certificate pursuant to Treasury Regulations Section 1.1445-2(b) (the " **FIRPTA Certificate** ") that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller.

(h) Seller shall have received all consents from the third parties and taken such actions as set forth on **Section 7.02(h)** of the Disclosure Schedules.

Section 7.03 **Conditions to Obligations of Seller.** The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Buyer contained in **Article V** shall be true and correct in all respects as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be true and correct would not have a material adverse effect on Buyer's ability to consummate the transactions contemplated hereby.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date.

(c) Buyer shall have delivered to Seller the Closing Amount, duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(b)** .

(d) Buyer shall have delivered the Escrow Amount to the Escrow Agent pursuant to **Section 3.02(c)** .

(e) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in **Section 7.03(a)** and **Section 7.03(b)** have been satisfied (the " **Buyer Closing Certificate** ").

(f) Seller shall have obtained all necessary consents of the lenders party to the Credit Facility described in **Section 4.03** of the Disclosure Schedule in connection with the transactions contemplated by this Agreement.

(g) Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

(h) Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying the names and signatures of the officers of Buyer authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

ARTICLE VIII

INDEMNIFICATION

Section 8.01 **Survival.** Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is twelve (12) months from the Closing Date. None of the covenants or other agreements contained in this Agreement shall survive the Closing Date other than those which by their terms contemplate performance after the Closing Date, and each such surviving covenant and agreement shall survive the Closing for the period contemplated by its terms. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of such survival period and such claims shall survive until finally resolved.

Section 8.02 **Indemnification By Seller.** Subject to the other terms and conditions of this **Article VIII** , Seller shall indemnify Buyer against, and shall hold Buyer harmless from and against, any and all Losses incurred or sustained by, or imposed upon, Buyer based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement; or

(c) any Excluded Asset or any Excluded Liability.

Section 8.03 **Indemnification By Buyer.** Subject to the other terms and conditions of this **Article VIII** , Buyer shall indemnify Seller against, and shall hold Seller harmless from and against, any and all Losses incurred or sustained by, or imposed upon, Seller based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement; or

(c) any Assumed Liability.

Section 8.04 **Certain Limitations.** The party making a claim under this **Article VIII** is referred to as the " **Indemnified Party** ", and the party against whom such claims are asserted under this **Article VIII** is referred to as the " **Indemnifying Party** ". The indemnification provided for in **Section 8.02** and **Section 8.03** shall be subject to the following limitations:

(a) The Indemnifying Party shall not be liable to the Indemnified Party for indemnification under **Section 8.02(a)** or **Section 8.03(a)** , as the case may be, until the aggregate amount of all Losses in respect of indemnification under **Section 8.02(a)** or **Section 8.03(a)** exceeds two percent (2%) of the Purchase Price (the " **Deductible** "), in which event the Indemnifying Party shall only be required to pay or be liable for Losses in excess of the Deductible. With respect to any claim as to which the Indemnified Party may be entitled to indemnification under **Section 8.02(a)** or **Section 8.03(a)** , as the case may be, the Indemnifying Party shall not be liable for any individual or series of related Losses which do not exceed $100,000 (which Losses shall not be counted toward the Deductible).

(b) The aggregate amount of all Losses for which an Indemnifying Party shall be liable pursuant to **Section 8.02(a)** or **Section 8.03(a)** , as the case may be, shall not exceed ten percent (10%) of the Purchase Price.

(c) Payments by an Indemnifying Party pursuant to **Section 8.02** or **Section 8.03** in respect of any Loss shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received or reasonably expected to be received by the Indemnified Party in respect of any such claim. The Indemnified Party shall use its commercially reasonable efforts to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement.

(d) Payments by an Indemnifying Party pursuant to **Section 8.02** or **Section 8.03** in respect of any Loss shall be reduced by an amount equal to any Tax benefit realized or reasonably expected to be realized as a result of such Loss by the Indemnified Party.

(e) In no event shall any Indemnifying Party be liable to any Indemnified Party for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement, or diminution of value or any damages based on any type of multiple.

(f) Each Indemnified Party shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss.

(g) Seller shall not be liable under this **Article VIII** for any Losses based upon or arising out of any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement if Buyer had knowledge of such inaccuracy or breach prior to the Closing.

Section 8.05 **Indemnification Procedures.**

(a) **Third Party Claims.** If any Indemnified Party receives notice of the assertion or commencement of any action, suit, claim or other legal proceeding made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a " **Third Party Claim** ") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to **Section 8.05(b)** , it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party elects not to compromise or defend such Third Party Claim or fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, the Indemnified Party may, subject to **Section 8.05(b)** , pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim. Seller and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available (subject to the provisions of **Section 6.06**) records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) **Settlement of Third Party Claims.** Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), except as provided in this **Section 8.05(b)** . If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense pursuant to **Section 8.05(a)** , it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) **Direct Claims.** Any claim by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a " **Direct Claim** ") shall be asserted by the Indemnified Party giving the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. During such period, the Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the Indemnified Party's premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

Section 8.06 **Tax Treatment of Indemnification Payments.** All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 8.07 **Exclusive Remedies.** Subject to **Section 10.11** , the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from intentional fraud on the part of a party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this **Article VIII** . In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this **Article VIII** . Nothing in this **Section 8.07** shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to **Section 10.11** or to seek any remedy on account of any intentional fraud by any party hereto.

ARTICLE IX

TERMINATION

Section 9.01 **Termination.** This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Seller and Buyer;

(b) by Buyer by written notice to Seller if:

(i) Buyer is not then in material breach of any provision of this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Article VII** and such breach, inaccuracy or failure cannot be cured by Seller by July 1, 2016 (the " **Drop Dead Date** "); or

(ii) any of the conditions set forth in **Section 7.01** or **Section 7.02** shall not have been fulfilled by the Drop Dead Date, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing.

(iii) if Seller or Parent has received a Superior Proposal, and in accordance with **Section 6.11** of this Agreement, the Parent Board of Directors has entered into any letter of intent, agreement in principle or acquisition agreement with respect to the Superior Proposal, withdrawn its recommendation of this Agreement or failed to make such recommendation at any time a recommendation is required to be made under this Agreement or modified or qualified such recommendation in a manner adverse to Buyer, or has otherwise made a determination to accept such Superior Proposal, or if Seller has effected a Seller Subsequent Determination, including after delivery of a Notice of Exempt Sale.

(c) by Seller by written notice to Buyer if:

(i) Seller is not then in material breach of any provision of this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in **Article VII** and such breach, inaccuracy or failure cannot be cured by Buyer by the Drop Dead Date; or

(ii) any of the conditions set forth in **Section 7.01** or **Section 7.03** shall not have been fulfilled by the Drop Dead Date, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(iii) prior to obtaining the Required Stockholders Vote, a Seller Subsequent Determination shall have occurred.

(d) by Buyer or Seller in the event that:

(i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited; or

(ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

Section 9.02 **Effect of Termination.** In the event of the termination of this Agreement in accordance with this Article, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

(a) as set forth in this **Article IX** , **Section 6.06** and **Article X** hereof;

(b) In the event that this Agreement is terminated by Buyer or Seller following failure of the shareholders of Parent to approve the transactions contemplated by this Agreement and, prior to the Stockholders' Meeting, any person shall have proposed or publicly announced a Seller Acquisition Proposal, Seller shall pay to Buyer the Buyer Expense Reimbursement Fee within five

(5) business days after Buyer makes written demand therefor. Such payment shall be made by wire transfer of immediately available funds.

(c) In the event that this Agreement is terminated by Buyer pursuant to Section 9.01(b)(iii) or by Seller pursuant to Section 9.01(c)(iii), Seller shall pay to Buyer the Buyer Termination Fee within five (5) business days after Buyer makes written demand therefor. Such payments shall be made by wire transfer of immediately available funds to an account designated by Buyer.

(d) For purposes of this Agreement, the " **Buyer Expense Reimbursement Fee** " shall mean the lesser of (i) the amount of Buyer's actual and documented out-of-pocket expenses incurred in connection with due diligence, negotiation and execution of this Agreement and undertaking the transactions contemplated by this Agreement (including without limitation all financial advisor, accounting, counsel and third party review firm fees), and (ii) $500,000. For purposes of this Agreement, the " **Buyer Termination Fee** " shall mean $1.5 million.

(e) that nothing herein shall relieve any party hereto from liability for any intentional breach of any provision hereof.

ARTICLE X

MISCELLANEOUS

Section 10.01 **Expenses.** Except as otherwise expressly provided herein (including **Section 6.14** and Section 9.02 hereof), all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred; *provided, however* , that Buyer shall be responsible for all filing and other similar fees payable in connection with any filings or submissions under the HSR Act.

Section 10.02 **Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the thirty (3 rd) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 10.02**):

If to Seller or Parent:	115 Munson Street New Haven, CT 06511 Attention: Christopher Wolf, Executive VP and Chief Financial Officer Facsimile: (203) 776-7796 E-mail: christopher.wolf@higherone.com
with a copy to:	Wiggin and Dana LLP One Century Tower 265 Church Street P.O. Box 1832 New Haven, CT 06508-1832 Attention: Paul A. Hughes Facsimile: (203) 782-2889 E-mail: phughes@wiggin.com
If to Buyer:	1015 Penn Avenue, Suite 103 Wyomissing, PA 19610 Attention: Robert Wahlman, Chief Financial Officer E-mail: rwahlman@customersbank.com

with a copy to:

Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103
Attention: Christopher S. Connell, Esquire
Facsimile: 215-564-8120
E-mail: cconnell@stradley.com

Section 10.03 **Interpretation.** For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 10.04 **Headings.** The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 10.05 **Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 10.06 **Entire Agreement.** This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous representations, warranties, understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 10.07 **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Buyer shall have the right to assign all or a portion of this Agreement to an entity that is an Affiliate of Buyer. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 10.08 **No Third Party Beneficiaries.** This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.09 **Amendment and Modification; Waiver.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 10.10 **Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.**

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction).

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF NEW YORK IN EACH CASE LOCATED IN THE CITY OF NEW YORK AND COUNTY OF NEW YORK, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.10(c).

Section 10.11 **Specific Performance.** The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.12 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 10.13 **Non-recourse.** This Agreement may only be enforced against, and any claim, action, suit or other legal proceeding based upon, arising out of, or related to this Agreement, or the negotiation, execution or performance of this Agreement, may only be brought against the entities that are expressly named as parties hereto and then only with respect to the specific obligations set forth herein with respect to such party. No past, present or future director, officer, employee, incorporator, manager, member, partner, stockholder, Affiliate, agent, attorney or other Representative of any party hereto or of any Affiliate of any party hereto, or any of their successors or permitted assigns, shall have any liability for any obligations or liabilities of any party hereto under this Agreement or for any claim, action, suit or other legal proceeding based on, in respect of or by reason of the transactions contemplated hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

HIGHER ONE, INC.

By: /s/ Marc Sheinbaum
Name: Marc Sheinbaum
Title: President and CEO

For purposes of **Sections 6.10**

and **6.11** only:

HIGHER ONE HOLDINGS, INC.

By: /s/ Marc Sheinbaum
Name: Marc Sheinbaum
Title: President and CEO

CUSTOMERS BANK

By: /s/ Jay Sidhu
Name: Jay Sidhu
Title: Chairman and CEO

CUSTOMER'S BANCORP, INC.

By: /s/ Jay Sidhu
Name: Jay Sidhu
Title: Chairman and CEO

EXHIBIT A

Form of Transition Services Agreement

(Attached)

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this " Agreement ") is made as of [_____], 2016 between Higher One, Inc., a Delaware corporation (" Seller ") and Customers Bank, a bank chartered under the laws of the Commonwealth of Pennsylvania (" Buyer "). Seller and Buyer are referred to herein collectively as the " Parties " and individually as a " Party ."

INTRODUCTION

WHEREAS, Seller and Buyer have entered into an Asset Purchase Agreement, dated as of December 14, 2015 (the " Purchase Agreement ") (capitalized terms not defined in this Agreement shall have the meanings indicated in the Purchase Agreement);

WHEREAS, under the Purchase Agreement, Buyer has agreed to purchase from Seller certain assets related to Seller's business of disbursing refunds for its higher education institutional clients and servicing student-oriented checking accounts for the students of those clients (the " Business "), and the Purchase Agreement contemplates that the Parties shall execute and deliver this Agreement at the Closing; and

WHEREAS, Buyer and Seller desire that, after the Closing, Seller and certain of its Affiliates shall provide to Buyer certain services on a transitional basis.

NOW, THEREFORE, in consideration of the promises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I

TRANSITION SERVICES

Section 1.1 Transition Services .

(a) Scope and Duration . Seller, itself and/or by and through its Affiliates, and its and their respective employees, agents or contractors, shall provide or cause to be provided to Buyer, solely for the benefit of Buyer, those services set forth on Annex A hereto, as it may be amended from time to time by mutual written agreement of the Parties (collectively, the " Transition Services ") until the earlier of (i) expiration of the service period applicable to such Transition Services as set forth with respect to each applicable Transition Service on Annex A hereto, or (ii) expiration of the Term (as defined below). Seller shall not be obligated to provide any services other than the Transition Services expressly provided herein. Seller shall not be required to perform Transition Services hereunder in any manner that violates any applicable law or regulation. It is acknowledged by Seller that the objective of this Agreement is to obligate Seller to provide, throughout the Term, any and all services and functions that Buyer is unable to perform with respect to the assets purchased and employees hired pursuant to the Purchase Agreement in order for the Business to perform at a comparable level of operation and functionality achieved during the 180 days prior to the closing under the Purchase Agreement. In addition, Seller shall provide consulting services to Buyer related to the One Account structure and operation, marketing and managing relationships with colleges and universities, regulatory compliance matters, Department of Education introductions and relationship advice, product pricing matters, and contractual matters (with vendors as well as colleges and universities).

(b) Modified Transition Services . Any modifications to the Transition Services shall be subject to mutual agreement pursuant to ARTICLE IX hereof.

(c) Subcontractors . Upon written notice to Buyer, Seller may subcontract with an unaffiliated third party (a " Subcontractor ") to provide any Transition Services; provided that no notice shall be required with respect to the continued use of subcontractors in the manner utilized by Seller in connection with the Business immediately prior to the Closing, or with respect to changes in subcontractors which are consistent with Seller's operation of the Business immediately prior to the Closing. Notwithstanding any subcontracting of Seller's obligations under this Agreement, Seller shall, for the term of this Agreement, remain primarily liable for the delivery and performance of the Transition Services.

Section 1.2 Service Coordinators and Issue Resolution .

(a) Seller and Buyer each hereby appoint as service coordinators their respective employees identified on Schedule 1.2 hereto (each, a " Service Coordinator ") to be the primary point of contact between Seller and Buyer with respect to the Transition Services, including, and subject to the terms of this Schedule 1.2 , with respect to disputes between the Parties arising out of or relating to this Agreement or the provision of Transition Services hereunder. Each Party shall have the right, upon reasonable advance written notice to the other Party, to replace its Service Coordinator with an employee or officer of such Party with comparable knowledge, expertise and decision-making authority.

(b) In the event the Service Coordinators fail to resolve any dispute arising between the Parties in connection with the Transition Services within a reasonable time of receiving notice of such dispute from a Party, and in any event within ten (10) Business Days of such notification, then Buyer shall designate an officer or officers holding the office of Senior Vice President (or equivalent office) or above (such officers, the " Senior Officers ") and such Senior Officers shall attempt in good faith to conclusively resolve any such dispute (i) with the members of an operating committee designated by Seller, and (ii) in the event the Senior Officers and operating committee fail to resolve the dispute, an executive committee shall be designated by Seller and Buyer. If the Senior Officers and the operating and executive committees designated by Seller and Buyer cannot resolve such dispute within a reasonable period of time, and in any event within twenty (20) Business Days of the referral of such dispute to them, either Party may submit the dispute to litigation as provided for in Section 10.8.

(c) Any dispute arising out of or relating to this Agreement shall be submitted for resolution pursuant to this Section 1.2 before any Party may commence any legal proceeding in connection therewith. A Party's failure to comply with the preceding sentence shall constitute cause for the dismissal without prejudice of any such legal proceeding. This Section 1.2(c) is without prejudice to either Party's right to seek interim relief against the other Party (such as an injunction) to protect its rights and interests, or to enforce the obligations of the other Party and the parties need not negotiate disputes with respect to equitable remedies prior to seeking relief from a court of competent jurisdiction.

Section 1.3 Migration Plan .

(a) On or prior to the date hereof, the Parties shall have negotiated and finalized a plan to transition from the performance of the Transition Services by Seller and its Affiliates to the performance of such services by Buyer, including moving the information technology systems and data used in the Business from Seller's infrastructure to Buyer's or its designee's infrastructure (" Migration ") (such plan, the " Migration Plan ").

(b) Buyer shall be responsible for the Migration, including the construction and deployment of any systems or physical space required for the Migration. Seller shall use commercially reasonable efforts to assist Buyer in completing the Migration. Buyer shall be responsible for all fees and expenses incurred by Buyer and reasonable out-of-pocket third party costs of Seller incurred in the course of providing any assistance with the Migration requested by Buyer.

(c) The Parties acknowledge that the Migration Plan is a document that may change, and any such changes will be subject to the change control process set forth in ARTICLE IX. Each Party shall use its commercially reasonable efforts to perform its obligations under the Migration Plan according to the schedule set forth in the Migration Plan, and each Party shall use sufficient and qualified resources and personnel to implement the Migration Plan, taking into account the need to reasonably manage the cost of such transition and minimize the disruption to the ongoing business activities of the Parties.

Section 1.4 Additional Transition Services . If requested by Buyer, Seller shall provide services in addition to the Transition Services to Buyer (" Additional Transition Services "), as may be agreed pursuant to the Change Control process set forth in ARTICLE IX. The scope of any such Additional Transition Services, as well as the prices and other terms applicable to such additional services, shall be as mutually agreed by Buyer and Seller, as further contemplated by ARTICLE IX.

Section 1.5 Standard of Performance . Seller shall perform or procure the provision of the Transition Services for Buyer to standards of performance comparable in all material respects to which such Transition Services were performed by Seller or its Affiliates in connection with the Business immediately prior to Closing.

Section 1.6 Access . Each party shall use good faith efforts to provide the other party with access to information and computer systems, facilities, networks (including voice or data networks) or software to the extent reasonably necessary to enable the provision of Transition Services contemplated by this Agreement, subject to Section 7 hereof. The party requesting access shall give the other party reasonable prior written notice and justification of the need for such access.

Section 1.7 Independent Contractor . For all purposes hereof, each Party shall at all times act as an independent contractor and shall have no authority to represent the other Party in any way or otherwise be deemed an agent, lawyer, employee, representative, joint venturer or fiduciary of such other Party nor shall this Agreement or the transactions contemplated hereby be deemed to create any joint venture between the Parties. Each Party shall not declare or represent to any third party that such Party shall have any power or authority to negotiate or conclude any agreement, or to make any representation or to give any undertaking on behalf of the other Party in any way whatsoever.

ARTICLE II

SERVICE FEES AND EXPENSES

Section 2.1 Service Fees .

(a) Subject to adjustment in accordance with this Section 2.1, Buyer shall pay a fee for the Transition Services and Additional Transition Services it receives during the Term as follows (collectively, the " Service Fees "):

(i) with respect to the Transition Services, $5,000,000, payable in twelve (12) equal monthly instalments of $416,666.67, each of which shall be due and payable on the fifteenth (15 th) day of each month; and

(ii) with respect to any Additional Transition Services provided by Seller, on the timetable and in the amount agreed by the Parties and set out in the executed amendment to this Agreement under which such Additional Transition Services are provided as contemplated in Article IX.

(b) The Service Fees are exclusive of any sales tax, transfer tax, value-added tax, goods and services tax or similar tax (" Taxes "). Any Taxes (but excluding any Tax based upon net income) payable with respect to the Service Fees shall be invoiced by Seller and paid to Seller by Buyer within thirty (30) days of receipt of such invoice. Seller shall be responsible for remitting any such Taxes to the appropriate taxing authority.

(c) If the cost to Seller of providing a Transition Service increases as a result of actions taken outside the scope of this Agreement by or at the request of Buyer or as a result of any change in applicable law or regulation or action of any Government Entity (collectively, "Imposed Changes"), then the resulting increase in costs will be passed through to Buyer by means of an increase in the relevant Service Fees in the amount of such actual increase in the cost of the provision of such Transition Services, plus any direct, out of pocket, up-front costs of modifying the Transition Services as a result of such Imposed Changes, provided , however , that (i) in no event shall Seller be obligated to perform any service hereunder other than in accordance with applicable law and regulation, and (ii) Seller shall not be obligated to perform such Service unless Buyer agrees to pay such costs of modifying the Transition Services to comply with such Imposed Changes and such increased Service Fees.

Section 2.2 Expenses . Buyer shall be responsible for any direct third-party out-of-pocket costs or expenses incurred by Seller and disclosed in writing to Buyer prior to the date of this Agreement in connection with providing the Transition Services.

Section 2.3 Records . Seller shall maintain records of all receipts, invoices, reports and other documents relating to the Transition Services rendered hereunder in accordance with applicable law and regulation and its standard accounting practices and procedures, which practices and procedures are employed by Seller in its provision of services for itself and its Affiliates.

ARTICLE III

PAYMENT

Section 3.1 Invoicing and Payment . For the Transition Services described on Annex A on the date hereof, Buyer shall pay the monthly fees set forth in Section 2.1 on or before each due date for such fee, without an invoice from Seller. For any Additional Transition Services, Seller shall pay Buyer in accordance with the executed amendment to this Agreement under which such Additional Transition Services are provided. For any third-party expenses incurred by Seller in connection with providing the Transition Services and payable by Buyer in accordance with Section 2.2 hereof, Seller shall invoice Buyer, and Buyer shall remit payment to Seller for all such invoiced expenses within thirty (30) calendar days after receipt of each such invoice. Any undisputed amount unpaid after the expiration of thirty (30) calendar days after the due date shall bear interest equal to one-half percent (0.5%) per month of the overdue amount. Each invoice for expenses shall set forth in reasonable detail, for the period covered by such invoice, the source of the expenses incurred.

Section 3.2 No Set Off . Buyer shall not have the right to set off any claims of damages, under this Agreement, the Purchase Agreement or any other arrangement between Buyer and Seller, against payments owed under this Agreement.

ARTICLE IV

TRANSITION

Section 4.1 Return of Materials . Promptly at the end of the service period with respect to a Transition Service, at the end of the Term or upon termination of this Agreement in accordance with ARTICLE VI, as the case may be, each Party (the " Receiving Party ") shall, at the other party's expense and written direction, return or destroy and certify the return or destruction of, any and all of the other Party's books, records, files, databases, intellectual property (including embodiments thereof), Confidential Information (as defined below) or information related to customer data in the possession, custody or control of the Receiving Party (the " Materials "); provided that a Receiving Party shall be permitted to retain one copy of the Materials solely as required in order to comply with applicable law and regulation, or for audit, compliance or regulatory purposes to the extent permitted by applicable law and regulation; and provided , further , that a Receiving Party shall not be obligated to destroy any Materials if such destruction would, in the reasonable opinion of counsel to such Receiving Party, constitute a violation of applicable law or regulation.

ARTICLE V

INTELLECTUAL PROPERTY

Section 5.1 Title to Intellectual Property .

(a) Each of the Parties agrees that any intellectual property of the other Party made available to it in connection with the Transition Services, and any derivative works, additions, modifications or enhancements thereof created by the other Party pursuant to this Agreement, are and shall remain the sole property of the other Party, and such Party hereby irrevocably assigns any and all right, title and interest therein to such other Party. Each Party agrees not to use, and to cause its Affiliates not to use, intellectual property of the other Party for any purpose other than in connection with the performance of the Transition Services during the Term.

(b) Buyer acknowledges that Seller may be providing services similar to the Transition Services to its own businesses and/or to other third parties during the Term, without restriction hereunder.

Section 5.2 Use of Trademarks . Except as expressly set forth in the Purchase Agreement, neither party shall use the other party's trademarks, service marks, trade names, domain names or other source identifiers without such party's prior written consent.

Section 5.3 Software Licenses and Data Subscriptions . Except as provided in the Purchase Agreement or as set forth on Schedule 5.3 hereto, Seller and its Affiliates shall not be required to transfer or assign to Buyer any third-party software licenses, data subscriptions or any software or hardware owned by Seller or any of its Affiliates in connection with the provision of the Transition Services.

ARTICLE VI

TERM AND TERMINATION

Section 6.1 Term . The term of this Agreement (the " Term ") shall commence on the Closing and continue from the Closing Date until the one (1)-year anniversary of the Closing Date (the " Termination Date "); provided that the Term of any individual Transition Service may be for a shorter period of time as may be set forth on Annex A hereto or as mutually agreed by the parties in writing.

Section 6.2 Termination for Cause . Either Party (the " Terminating Party ") may terminate this Agreement with immediate effect by notice in writing to the other Party (the " Other Party ") on or at any time after the occurrence of any of the following events:

(a) the Other Party is in default of any of its material obligations under this Agreement and (if the breach is capable of remedy) has failed to remedy the breach within thirty (30) days after receipt of notice in writing from the Terminating Party giving particulars of the breach;

(b) the Other Party shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(c) an involuntary case or other proceeding shall be commenced against the Other Party seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days.

Section 6.3 Survival. Section 2.3 (Records), ARTICLE III (Payments)(to the extent such fees accrued prior to termination, cancellation or expiration), Section 4.1 (Return of Materials), Section 5.1 (Intellectual Property), this Section 6.3 (Survival), Section 7.1 (Confidentiality), Section 8.2 (Limitations of Liability) and Article X (Miscellaneous) shall survive any termination or expiration of this Agreement.

ARTICLE VII

CONFIDENTIALITY

Section 7.1 Confidentiality.

(a) Each Party acknowledges that, in connection with the performance by a Party of its obligations hereunder, such Party may be provided with information about confidential and proprietary information of the other Party and third parties with which the other Party conducts business. The confidential information of such other Party and third parties is defined below and is collectively referred to as "Confidential Information." In recognition of the foregoing, each Party covenants and agrees:

(i) that it will keep and maintain all Confidential Information in confidence, using such degree of care as is appropriate to avoid unauthorized use or disclosure;

(ii) that it will not, directly or indirectly, disclose any Confidential Information to anyone outside of the other Party, except with the other Party's prior written consent or as may be permitted under this Article VII;

(iii) that such Party will not make use of any Confidential Information for its own purpose or the benefit of anyone or any other entity other than the other Party, provided that Buyer can make use of any Confidential Information related to the Business in its operation of the Business; and

(iv) that such Party will take no action with respect to the Confidential Information that is inconsistent with its confidential and proprietary nature.

(b) Each Party shall be permitted to disclose the Confidential Information only as follows:

(i) to its employees, agents, auditors, counsel, directors, officers and contractors ("Related Parties") and, in the case of Seller, Subcontractors, having a need to know such information in connection with the performance of the Transition Services. Each Party shall be responsible for all its Related Parties and Subcontractors' compliance with the terms of this Agreement; and

(ii) if disclosure is required by applicable law or regulation, provided that a Party shall notify the other Party in writing as soon as reasonably practicable in advance of such disclosure, and provide the other Party with copies of any related information so that the other Party may take appropriate action to protect the Confidential Information.

(c) For purposes of this Agreement, Confidential Information shall include all business information of the other Party, including the following:

(i) information relating to the other Party's planned or existing computer systems and systems architecture, including computer hardware, computer software, source code, object code, documentation, methods of processing and operational methods;

(ii) sales, profits, organizational restructuring, new business initiatives and financial information;

(iii) information that describes the other Party's products, including product designs, and how such products are administered and managed;

(iv) information that describes the other Party's product strategies, tax interpretations, tax positions and treatment of any item; and

(v) confidential information and software of, and contracts with (and any information related thereto), third parties with which the other Party conducts business.

(d) Notwithstanding the foregoing, Confidential Information shall not include information that (i) is or becomes generally available to the public other than as a result of a disclosure directly or indirectly by a Party or its Related Parties or Subcontractors, (ii) was available to a Party on a non-confidential basis prior to its disclosure to such Party by the other Party or the other Party's Related Parties or Subcontractors or (iii) is or becomes available on a non-confidential basis to a Party from a Person other than the other Party, provided that such Person was not known to the receiving Party to be bound by any agreement with the disclosing Party to keep such information confidential or to be otherwise prohibited from transmitting the information. Each Party acknowledges that the disclosure of Confidential Information may cause irreparable injury and damages, that money damages would not be a sufficient remedy for any actual or threatened disclosure and that a Party shall (without proof of actual damages) be entitled to equitable relief, including an injunction and specific performance, as a remedy if the other Party breaches or threatens to disclose Confidential Information in violation hereof. A breaching Party shall not object to the entry of an injunction or other equitable relief against such Party on the basis that an adequate remedy is available at law or lack of irreparable harm. Without limitation of the foregoing, each Party shall advise the other Party promptly in the event that it learns or has reason to believe that any person or entity, which has had access to Confidential Information, has violated or intends to violate the terms of this Agreement. This provision shall not in any way limit such other remedies as may be available to either Party at law or in equity.

(e) With regard to any Confidential Information of the type specified in Section 7.1(c)(v), each Party agrees to execute any commercially reasonable document or take any commercially reasonable action required by any vendor or licensor of software to the other Party in order to access and use such vendor's software in connection with such vendor's contracts with the other Party.

Section 7.2 Systems Security . When Buyer is given access to Seller's computer system(s), facilities, networks (including voice or data networks) or software (" Systems ") in connection with the Transition Services or Migration Plan, Buyer shall comply with all lawful security regulations reasonably required by Seller from time to time " Security Regulations "), including without limitation the requirements set forth on Annex B hereto, and will not tamper with, compromise or circumvent any security or audit measures employed by Seller. Buyer's Related Parties may be required to execute a separate system access agreement for individuals who are to have access to Seller's Systems. Buyer shall ensure that only those users who are specifically authorized to gain access to Seller's Systems as necessary to utilize the Transition Services or assist with the Migration gain such access and that such users do not engage in unauthorized destruction, alteration or loss of information contained therein. If at any time a Party determines that any personnel of Buyer has sought to circumvent or has circumvented Seller's Security Regulations or other security or audit measures or that an unauthorized person has accessed or may access Seller's Systems or a person has engaged in activities that may lead to the unauthorized access, destruction or alteration or loss of data, information or software, to the extent within Buyer's control, Buyer or Seller, as appropriate, shall immediately terminate any such person's access to Seller's Systems and immediately notify Seller. In addition, a material failure to comply with the Security Regulations shall be a breach of this Agreement; in which case, Seller shall notify Buyer and both Parties shall work together to rectify said breach. If the breach is not rectified within ten (10) days of its occurrence, the Service Coordinators of both Parties shall be advised in writing of the breach and work together to rectify said breach. If the breach has not been rectified within ten (10) days from such notice to the Service Coordinators, Seller shall be entitled to immediately terminate the Transition Services to which the breach relates until such time as the breach is remedied.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

Section 8.1 Representations and Warranties .

(a) Each Party represents and warrants that, on the Closing Date, it has the authority to enter into this Agreement and its performance under this Agreement will not conflict with any other obligation or agreement of such Party.

(b) Except as expressly provided in this Agreement, no representation, warranty or condition, express or implied, statutory or otherwise, as to condition, quality, satisfactory quality, performance or fitness for purpose or otherwise is given by either Seller or Buyer and all such representations, warranties and conditions are excluded except to the extent that their exclusion is prohibited by applicable law.

Section 8.2 Limitations of Liability .

(a) THE AGGREGATE LIABILITY OF SELLER TO BUYER IN CONNECTION WITH THE PERFORMANCE, DELIVERY OR PROVISION OF THE TRANSITION SERVICES UNDER THIS AGREEMENT SHALL, WITH THE EXCEPTION OF A DATA BREACH, BE LIMITED TO $2,500,000 CUMULATIVELY.

(b) EXCEPT FOR DAMAGES ARISING FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF SELLER, THE PARTIES EXPRESSLY WAIVE AND FOREGO ANY RIGHT TO RECOVER EXEMPLARY, LOST PROFITS, CONSEQUENTIAL OR SIMILAR DAMAGES IN ANY LITIGATION ARISING OUT OF OR RESULTING FROM ANY CONTROVERSY OR CLAIM RELATING TO THIS AGREEMENT OR ANY OF THE TRANSITION SERVICES PROVIDED HEREUNDER, WHETHER SUCH CLAIM IS BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR OTHERWISE, EVEN IF AN AUTHORIZED REPRESENTATIVE OF SUCH PARTY IS ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF THE SAME.

ARTICLE IX

CHANGE CONTROL

Section 9.1 Change Control .

(a) Subject to this Article IX, the Buyer may propose any change or addition to the Transition Services by written notice to the Seller specifying the proposed change in reasonable detail (such notice, a " Change Request ").

(b) Seller shall provide Buyer with a reasonably detailed written outline specification describing the nature of the change, an assessment of the impact of the change on the Transition Services, the Service Fees (as applicable) and an estimate of the time required to implement the change, the costs associated with the change and the terms for payment of such costs (such outline, an " Evaluation Report ") within twenty (20) Business Days of receiving the Change Request.

(c) Buyer shall notify Seller within ten (10) Business Days of the date on which Buyer received the Evaluation Report whether or not Buyer wishes to proceed with the Change Request; provided, however, that the Parties shall in good faith negotiate the terms and pricing of the Change Request before Buyer provides such notice to proceed.

(d) Within ten (10) Business Days of receipt of Buyer's notice to proceed with the Change Request, Seller shall produce a final Evaluation Report which shall include a comprehensive list of the charges for the implementation of the Change Request (" Change Request Charges "). Any Change Request Charges shall be calculated in a manner consistent with Section 2.1.

(e) Both the Seller and Buyer shall act in good faith in relation to Change Requests, and shall not unreasonably withhold any consent, or cause any delay in relation to them; provided that, notwithstanding anything to the contrary herein, Seller shall have sole discretion regarding whether to provide Additional Transition Services which were not performed by Seller for the Business at any time during the one hundred eighty (180) day period prior to Closing. If the Seller and Buyer cannot agree upon a Change Request or Seller's final Evaluation Report (including the Change Request Charges), each of the Seller and Buyer may refer the matter to be resolved in accordance with Section 1.2.

(f) The Seller shall not have any obligation to commence work in connection with any change to the Transition Services or any Additional Transaction Services until the relevant Change Request and Evaluation Report has been agreed to by each Party in writing.

ARTICLE X

MISCELLANEOUS

Section 10.1 No Third Party Beneficiaries . This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns and, to the extent specified herein, their respective Affiliates.

Section 10.2 Entire Agreement . This Agreement (including the Annexes and Schedule hereto), together with the Purchase Agreement and any other documents delivered by the Parties in connection herewith or therewith, constitutes the entire agreement between the Parties with respect to the subject matter hereof and thereof and supersede any prior agreements or understandings between the Buyer, on the one hand, and the Seller, on the other hand.

Section 10.3 Notices . All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly delivered four (4) Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one (1) Business Day after it is sent for next Business Day delivery via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

If to the Buyer :

1015 Penn Avenue, Suite 103

Wyomissing, PA 19610

Attention: Robert Wahlman, Chief Financial Officer

Facsimile: [FAX NUMBER]

E-mail: rwahlman@customersbank.com

Copy to:

Stradley Ronon Stevens & Young, LLP

2600 One Commerce Square

Philadelphia, PA 19103

Attention: Christopher S. Connell, Esquire

Facsimile: 215-564-8120

E-mail: cconnell@stradley.com

If to the Seller:

Higher One, Inc.

115 Munson St.

New Haven, CT 06511

Attention: Christopher Wolf, Executive VP and Chief Financial Officer

Email: christopher.wolf@higherone.com

Copies to:

Wiggin and Dana LLP

One Century Tower

265 Church Street

New Haven, CT 06508

Attention: Paul Hughes

Email: phughes@wiggin.com

Any Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the party for whom it is intended. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

Section 10.4 Amendment; Waiver . Subject to ARTICLE IX and Sections 1.4 and 10.10, any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by both Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 10.5 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the body making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

Section 10.6 Binding Agreement; Assignment. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party, which written approval shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, this Agreement, and all rights, interests and obligations hereunder, may be assigned, without such consent, by either Party to any entity that acquires all or substantially all of a Party's business or assets. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 10.7 Governing Law. This Agreement and any disputes hereunder shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of New York.

Section 10.8 Submission to Jurisdiction. Subject to Section 1.2 hereof, each of the Parties to this Agreement (a) agrees that all actions arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement shall be heard and determined in the Federal Courts of the United States of America or the courts of the State of New York, in each case located in the City of New York and County of New York, (b) irrevocably consents to submit itself to the exclusive jurisdiction and venue of such courts in any action, (c) agrees that all claims in respect of such action shall be heard and determined in any such court, (d) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (e) agrees not to bring any action arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement in any other court. Each of the Parties hereto waives any defense of inconvenient forum to the maintenance of any action so brought and waives any bond, surety or other security that might be required of any other Party with respect thereto. Any Party hereto may make service on another Party by sending or delivering a copy of the process to the Party to be served at the address and in the manner provided for the giving of notices in Section 10.3. Nothing in this Section 10.8, however, shall affect the right of any Party to serve legal process in any other manner permitted by law.

Section 10.9 Waiver of Jury Trial. To the extent permitted by applicable law, each Party hereby irrevocably waives all rights to trial by jury in any action (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the transactions contemplated hereby or the actions of any Party in the negotiation, administration, performance and enforcement of this Agreement. Each Party (a) certifies that no Representative of the other Party has represented, expressly or otherwise, that such Party would not, in the event of any action, seek to enforce the foregoing waiver and (b) acknowledges that it and the other Party have been induced to enter into this Agreement, by among other things, the mutual waiver and certifications in this Section 10.9.

Section 10.10 Force Majeure. If either Party is prevented from complying, either totally or in part, with any of the terms or provisions of this Agreement by reason of fire, flood, storm, strike, lockout or other labor trouble, any law, order, proclamation, regulation, ordinance, demand or requirement of any governmental authority, riot, war, terrorist act, rebellion or other causes beyond the reasonable control of such Party, or other acts of God (a " Force Majeure Event "), then, upon written notice to the other, the affected provisions and/or other requirements of this Agreement shall be suspended or reduced by an amount consistent with reductions made to the other operations of such Party affected by the Force Majeure Event during the period of such disability and the affected Party shall have no liability to the other in connection therewith. Each Party shall use reasonable commercial efforts to remove such disability within fifteen (15) days of giving notice of such disability.

Section 10.11 Mutual Drafting. This Agreement is the mutual product of the Parties, and each provision hereof has been subject to the mutual consultation, negotiation and agreement of each of the Parties, and shall not be construed for or against any Party. Each party acknowledges and represents that it has been represented by its own legal counsel in connection with the transactions contemplated hereby, with the opportunity to seek advice as to its legal rights from such counsel.

Section 10.12 Headings. The headings in this Agreement are for convenience of reference only and will not affect the construction of any provisions hereof.

Section 10.13 Conflicts . To the extent any term or provision of the Purchase Agreement, or any other document or other agreement executed in connection with the Purchase Agreement, is in conflict with any term or provision of this Agreement or any Annex or Schedule hereto, the terms and provisions of this Agreement and the Annexes or Schedules hereto shall govern solely to the extent of any such conflict. To the extent any term or provision of this Agreement is in conflict with any term or provision of any Annex or Schedule hereto, the terms and provisions of the Annex or Schedule hereto shall govern solely to the extent of any such conflict.

Section 10.14 Counterparts and PDF Signature . This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. The electronic transmission of any signed original counterpart of this Agreement shall be deemed to be the delivery of an original counterpart of this Agreement.

Section 10.15 Interpretation . For purposes of this Agreement, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Schedules and Exhibits mean the Articles and Sections of, and Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

[End of Text; Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Transition Services Agreement as of the date first written above.

HIGHER ONE, INC.

By: ______________________________

Name:

Title:

CUSTOMERS BANK

By: ______________________________

Name:

Title:

ANNEXES

ANNEX A	TRANSITION SERVICES
ANNEX B	SECURITY REQUIREMENTS

SCHEDULE 1.2

SERVICE COORDINATORS

<u>Seller</u>

Services Coordinator:

[NAME]

[TITLE]

[PHONE]

[EMAIL]

<u>Buyer</u>

Services Coordinator:

[•]

ANNEX A

TRANSITION SERVICES

Transition Services Agreement (TSA)

Annex A – Section 1

Service: Information Technology

<u>Scope of Services</u>

Seller, itself and/or by and through its Affiliates, shall provide or cause to be provided to Buyer the following information technology services in the manner set forth below:

- <u>Chenai Engineering Services</u>
  - o Provide engineering services relating to the Business furnished by personnel located in Chenai, India
- <u>Consulting</u>
  - o Provide "SME" consulting hours to support the planning and build-out of primary and secondary computer environments to support OneDisburse/OneAccount at Buyer, and provide cut-over support for tasks such as data migration for up to 30 days post migration.
- <u>Computers and Access</u>
  - o Maintain ("break/fix") Transferred Employee computers, onsite and remote access, office phones, local and long distance service, print services and current network connectivity at current support levels for Seller employees. Changes to computers' configurations and installed software will not occur during the Term.
  - o Provide data ports on a separate VLAN to allow Buyer provided computers to access the Internet. Computers will not have access to systems on Seller's internal network. If additional ports are required to support the additional computers, Buyer will reimburse Seller for any network and wiring costs incurred.
  - o Process new access/access change requests from Transferred Employees to systems supported by Seller.
  - o Process new password reset requests from Transferred Employees to systems supported by Seller.
  - o Provide Seller computers to Buyer employees that require access to Seller IT systems.
  - o Create and support new access requests for up to twenty (20) Buyer employees who are not Transferred Employees to Seller IT systems, utilizing a computer provided by Seller that will use VPN with two-factor authentication for the sole purpose of accessing systems maintained on Seller's internal networks. All costs incurred by Seller in connection with transferred computer hardware and installed software will be reimbursed by Buyer.
- <u>Email</u>
  - o Maintain email accounts and access to email accounts for Transferred Employees.
  - o Provide ability for "auto response" for inbound emails to notify sender of new email addresses and forward inbound emails to new Buyer email accounts.

- In accordance with Seller's data retention policies, maintain historical email files to allow customer requested research, customer complaint related research and regulatory inquiries. Seller data retention policies are subject to change.

- <u>Data Center Operations</u>

  - Maintain and support the production environment located at the Seller data centers for the OneDisburse/OneAccount application. This includes all systems that are involved in supporting the OneDisburse/OneAccount application, including but not limited to the WAN and LAN network infrastructure, the security infrastructure, database infrastructure, application server infrastructure, monitoring systems, SAN/NAS infrastructure and appliances (Terradata, load balancers). All current vulnerability and penetration testing, patch management policies, applicable vendor relations and software licenses will be maintained. Support and maintenance contracts for the data center facilities, which include HVAC, UPS, fire suppression systems, access control and generators, will be maintained at current levels.

  - Maintain and support the development environment located at the New Haven Seller data center for the OneDisburse/OneAccount application. This includes all systems that are involved in supporting the OneDisburse/OneAccount application, including but not limited to the WAN and LAN network infrastructure, the security infrastructure, database infrastructure, application server infrastructure, monitoring systems, SAN/NAS infrastructure and appliances (Terradata, load balancers). Also included are development tools utilized in the development of the OneDisburse/OneAccount software, including code repositories, testing tools, and required tools for audit and security. All current patch management policies, applicable vendor relations and software licenses will be maintained. Support and maintenance contracts for the data center facilities, which include HVAC, UPS, fire suppression systems, access control and generators, will be maintained at current levels.

  - Maintain and support the QA/testing environment located at the New Haven Seller data center for the OneDisburse/OneAccount application. This includes all systems that are involved in supporting the OneDisburse/OneAccount application, including but not limited to the WAN and LAN network infrastructure, the security infrastructure, database infrastructure, application server infrastructure, monitoring systems, SAN/NAS infrastructure and appliances (Terradata, load balancers). Also included are QA/testing tools utilized in the QA/testing of the OneDisburse/OneAccount software, including code repositories, testing tools, and required tools for audit and security. All current patch management policies, applicable vendor relations and software licenses will be maintained. Support and maintenance contracts for the data center facilities, which include HVAC, UPS, fire suppression systems, access control and generators, will be maintained at current levels.

  - Maintain and support back office systems that are currently in place and used by the OneDisburse/OneAccount employees, including but not limited to the file shares, Microsoft Exchange, Bugzilla, Chat and ALM. Seller will also maintain all access to 3rd party SaaS applications that are currently in place and used by the OneDisburse/OneAccount employees, including but not limited to WebEx, ADP, SalesForce and RightNow. Seller will maintain and support the underlying infrastructure, which includes but is not limited to the WAN and LAN network infrastructure, the security infrastructure, database infrastructure, application server infrastructure, monitoring systems and SAN/NAS infrastructure. All current patch management policies, applicable vendor relations and software licenses will be maintained. A list of the current back office systems and 3rd party SaaS applications are provided in the application and 3rd party SaaS application documents.

  - Provide IT operations management reports at the same intervals such reports were generated prior to the Closing, including product and infrastructure availability, application issues, application outages, and root cause analysis for systems outages impacting OneDisburse and/or OneAccount.

  - Data extracts and configuration information or system clones, as determined by the Migration Plan, will be supplied for systems where data and configuration information has been agreed to be migrated to Buyer, including but not limited to Bugzilla, ALM, source code repositories, and "H" drive.

  - Support implementation of Buyer initiated circuits.

  - Continue providing the current disk storage for electronic files, data backups and backups of production and development environments.

  - Physically separate OneDisburse/OneAccount Oracle database server from all other Oracle database servers of Seller.

- o In accordance with Seller's service agreement with SUNY, maintain a current copy of OneDisburse code at Iron Mountain until Buyer is able to make other arrangements.

- Governance

  - o A member of the Buyer transition team will be invited to the Seller change management board meetings for the OneDisburse/OneAccount environment and supporting systems changes. No more than 75 designated Buyer employees will be included on OneDisburse/OneAccount environment incident notifications email distribution.

  - o Define and participate in a governance process with Buyer to support changes to the application environment and software for OneDisburse/OneAccount.

  - o Deploy Buyer initiated change management/code deployment for OneDisburse/OneAccount.

- Audit

  - o Perform and maintain all current audit schedules for the SSAE16 and SOX audits on the OneDisburse/OneAccount environment during the Term.

  - o Support Buyer-initiated audits (financial, internal audit or any other audits) to the extent such audits are not duplicative of any audits performed by Seller.

- Staffing

  - o Hire, onboard and train OneDisburse/OneAccount engineering resources to replace Seller's Chennai-based resources that will not support OneDisburse/OneAccount post-Closing. Buyer shall be solely responsible for any incremental expense.

  - o Develop and manage process to replace employee attrition.

  - o Cooperate with Buyer to identify and hire temporary staff resources for new demand.

Duration of Services

(a) Subject to clause (b) below, the service period applicable to the Transition Services set forth in this Annex A – Section 1 shall begin on the Closing Date and end one (1) year thereafter.
(b) The service period applicable to the Chenai Engineering Services set forth in this Annex A – Section 1 shall begin on the Closing Date and end ninety (90) days thereafter.

Transition Services Agreement (TSA)

Annex A – Section 2

Service: Accounting Services

Scope of Services

Seller, itself and/or by and through its Affiliates, shall provide or cause to be provided to Buyer the following accounting services in the manner set forth below:

- Process OneDisburse/OneAccount vendor invoices received by Seller after Closing.

Duration of Services

The service period applicable to the Transition Services set forth in this Annex A – Section 2 shall begin on the Closing Date and end one (1) year thereafter.

Transition Services Agreement (TSA)

Annex A – Section 3

Service: Legal Services

Scope of Services

Seller, itself and/or by and through its Affiliates, shall provide or cause to be provided to Buyer the following legal services in the manner set forth below:

- Assist Buyer's legal team with the transfer of OneDisburse/OneAccount dedicated vendor contracts.
- Assist Buyer's legal team with the separation of vendor contracts that support both OneDisburse/One Account and the other businesses of Seller.
- Advise Buyer's legal team with respect to the transfer of customer agreements.
- Complete, at Buyers' reasonable request, any attestations required of Seller under Title IV regulations.

Duration of Services

The service period applicable to the Transition Services set forth in this Annex A – Section 3 shall begin on the Closing Date and end one (1) year thereafter

Transition Services Agreement (TSA)

Annex A – Section 4

Service: Facilities Services

Lease

The provision of space described in this Section 4 is included in this Annex A for informational purposes only. The provision of the space, and other details in this Section 4, shall not constitute a Transition Service, or any other service or commitment, under this Agreement. The provision of the space shall be only as set forth in, and subject in all respects to, the Lease Agreement, dated as of the Closing Date, between Seller and Buyer (the "Lease").

Scope of Services

Seller, itself and/or by and through its Affiliates, shall provide or cause to be provided to Buyer the following facilities services in the manner set forth below:

- Provide office space at 115 Munson Street, New Haven and 3284 Northside Parkway, Atlanta.
- Maintain New Haven and Atlanta sites to current standards.
- Maintain employee access to Seller facilities for employees transferred to Buyer.
- Provide access to Seller facilities for Buyer employees who are not Transferred Employees.
- Provide secure space for hard copy files at the New Haven location.
- Maintain existing copy files located at Iron Mountain and enable access to Transferred Employees.
- For so long as Seller provides food service to its employees in New Haven, provide food service to Buyer employees in New Haven, including lunch three times per week (Tuesday – Thursday), and coffee daily from 8:00a - 10:30a.
- Integrate into Buyer's business continuity and disaster recovery plan as related to data center operations and closures of New Haven and/or Atlanta Facilities.

Duration of Services

The service period applicable to the Transition Services set forth in this Annex A – Section 4 shall begin on the Closing Date and end one (1) year thereafter

ANNEX B

SECURITY REQUIREMENTS

ACCESS TO HIGHER ONE CONFIDENTIAL INFORMATION

Higher One's Information Security Program is comprised of a number of policies, standards and guidelines, developed with reference to the source documents cited previously, as well as with consideration of the Company's business and regulatory needs. When referencing the Information Security Program any or all of these policies are included.

1.1 Privacy Policy

Overview

Higher One may log user system activity, record building access, monitor Internet usage and use security cameras to monitor building facilities. User's work output, regardless of storage format (e.g., paper, electronic, etc.) is the property of Higher One. The output, and any tools used to generate that output, is subject to review or monitoring by the Company at its discretion. User personal information is not used or disclosed except to comply with laws, and to protect our rights. It is used solely for business purposes including establishing, maintaining or terminating employment or contractual agreements between the user and Higher One.

Standards

Audits or investigations may be conducted to:

1 Ensure integrity, confidentiality and availability of information and resources.

2 Investigate possible security incidents.

3 Ensure conformance to security policies.

4 Monitor system or user activity where appropriate.

During an audit, all required data will be provided to the Information Security Office upon request. For the purpose of performing an investigation, any access required will be provided to the Information Security team members for the duration of the investigation. Such access may include:

1 User and/or system level access to any computing or communications device.

2 Access to information, whether electronic or hard copy, that may be produced, transmitted or stored on Company equipment or premises.

3 Access to work areas such as labs, offices, cubicles or storage areas.

4 Access to interactively monitor and log traffic on networks.

1.2 Password Management Policy

Overview

Higher One's Password Management Policy is directed to ensuring only strong, secure passwords are used on all accounts, systems and equipment. Password standards define the minimum length, composition, aging and re-use parameters, as well as lock out limitations. Password standards are enforced to protect Company systems, Company and customer data, as well as Higher One's reputation. Password guidelines provide additional information to assist users in protecting passwords and account access.

Standards (General)

All passwords must meet minimum requirements, within the capabilities of the applicable system. Password cracking exercises may be performed on a periodic basis by the Information Security Office. Passwords that are exposed during such an exercise will result in the user being required to change to a more secure password immediately.

Except where otherwise defined or dictated, minimum password requirements are:

1 At least 8 (eight) characters in length, where applicable.

2 Contain both upper and lower case letters.

3 Contain at least one number.

4 Contain at least one special character (within the bounds of those special characters supported by the system in question).

5 May not contain more than 3 (three) consecutive identical characters.

6 System level passwords must expire and be changed no more than every 42 days.

7 At a minimum, the prior 13 (thirteen) passwords may not be reused.

8 Users must have the ability to change a password at any time.

9 Accounts must be locked after at least 5 (five) unsuccessful login attempts.

10 User accounts with elevated privileges must have a password that is unique to that account and not the same as lower-privileged account(s) held by the same user.

11 Passwords are to be treated as sensitive and confidential information and are not to be shared, written down or stored in an unsecured manner.

12 Passwords are not to be conveyed via email.

13 Passwords must not be displayed in clear text (e.g., must be masked) while being entered.

14 Default vendor or manufacturer accounts and passwords should be changed as soon as reasonably possible.

15 If a password is suspected to have been compromised, change the password immediately and report the incident to the IT Operations Support Desk, which will inform the Information Security Office.

16 Where Simple Network Management Protocol(“SNMP”) is used, the community strings must be defined as something other than the standard defaults of "public", "private" and "system", and must be different than the passwords used to log in interactively. A keyed hash must be used where available (e.g., SNMPv2).

17 Passwords must be changed in the event of a user's departure.

Guidelines

The guidelines provided herein are intended to assist users in protecting both their passwords, their access and their accounts from unauthorized use. These guidelines constitute established best practices. None of the examples cited below should be used as passwords.

- Avoid poor, weak or common passwords such as *Welcome123* , *Password1* , or *ChangeMe123* .
- Avoid common words, even if spelled backwards or with the addition of a number, such as *secret1* , *1secret* , or *terces* .
- Avoid patterns of numbers or letters such as *aabbcc* , *qwerty* , or *12344321* .
- Avoid commonly known personal information such as birthdates, addresses, names of family members, friends or pets.
- Avoid work-related information such as company names, building sites, etc.
- Should not contain common nouns, proper names or dictionary words.
- To create a secure but memorable password, consider creating a passphrase based on a song title, affirmation or memorable phrase that contains multiple words. For instance, *This May Be One Way To Remember* could become the password *TmB1w2R!* or *I saw my favorite band last Friday night!* becomes IsmF3lFn!.

Standards (Service Accounts)

Service Accounts are defined as system-level accounts that are not associated with one specific individual, but are used for administration, management, or maintenance of a system or application, or are required by a system or application. Service Accounts may also be either interactive or non-interactive.

Interactive Service Accounts are defined as those that meet all of the following criteria:

1. Are highly privileged (e.g., have root level access on a Linux system, local or domain administrator access on a Microsoft Windows system, sa level access on a Microsoft SQL Server system, sys/system on an Oracle database, etc.).
2. Permits interactive logons (e.g., a user can use ssh to open a shell prompt on a Linux system, use Remote Desktop Services to access a desktop on a Microsoft Windows system, may use SQL Studio to perform queries on a Windows system, etc.).
3. The account passwords are retained (e.g., stored in Password Safe, Password Manager or some other location for future access).

Non-interactive Service Accounts are defined as those that meet any of the following criteria:

1. Are not highly privileged (e.g., do not have root level access on a Linux system, local or domain administrator access on a Microsoft Windows system, sa level access on a Microsoft SQL Server system, sys/system on an Oracle database, etc.).
2. Does not permit interactive logons (e.g., a user cannot use ssh to open a shell prompt on a Linux system, use Remote Desktop Services to access a desktop on a Microsoft Windows system, or use SQL Studio to perform queries on a Windows system, etc.).

3 The account passwords are not retained (e.g., not stored in Password Safe, Password Manager or some other location for future access). This circumstance applies to accounts where there is no need to use the password in the future and so the password is set to a long random value and not saved.

Service Account standards must meet the criteria outlined in Standards (General) section, with the following exceptions:

1 At least 12 (twelve) characters in length.

2 Service accounts shall have Deny Logon Locally or comparable attribute set if supported on the operating system.

3 Interactive Service Account passwords will expire and must be changed no more than every 90 days.

4 Non-interactive Service Account passwords will expire and must be changed no more than every 720 days.

5 In the event that the account password cannot be changed or the application vendor recommends against changing the password because it would adversely impact the application, an exception will be documented and approved by the Information Security Officer and that password will be exempt from periodic changes.

1.2.1 Initial Passwords and Password Resets

Where supported by the system in question, initial passwords must be set to a temporary and unique value, and be reset by the user upon first use.

In the event a password must be reset, a temporary and unique value must be provided, and must be reset by the user at the time of successful login.

1.3 Identity and Access Policy

Overview

The Identity and Access Policy defines the tasks that principals can perform, resources they can access and defines which activities will be audited for regulatory compliance purposes. Access controls are established, documented and periodically reviewed, based on business needs and external requirements.

Standards

1 Access Administration: This area focuses on ensuring authorized user access, and preventing unauthorized user access, to information and information systems.

a. Procedures covering all stages in the life-cycle of user access, from provisioning and modification to de-provisioning.

b. Documentation of approval from the hiring Supervisor or System Owner for each user's access, where appropriate.

c. Ensuring restricted or sensitive access is not granted until all authorization procedures are completed.

d. Special attention to control of privileged ("super-user") access rights.

2 Compliance

a. Attestation - Confirmation by a reviewing Supervisor or designee that each user's access is consistent with business purposes and with other security controls (e.g., segregation of duties).

b. Access Permissions Review - A formal process must be conducted periodically (quarterly) by System Owners to review user access rights to critical systems. This review shall be documented / approved by System Owners and retained by the Information Security Office (as defined below) for audit verification purposes. Each System Owner is accountable for identifying inappropriate access and inactive user access in a timely manner to the Security Administrators.

c. Access to non-critical systems will be reviewed based on risk but no less frequently than annually.

1.4 User Identity Verification Policy

Overview

Higher One’s User Identification Verification Policy contains information and requirements for verifying the identity of a system user when unlocking an account, resetting a password or otherwise assisting with logging in. This policy also defines the systems that are within the scope of the policy.

Standards

1 This policy applies to the following systems:

a. Active Directory, any domain

b. RSA SecurID PIN

c. CASHNet/IDC

d. LDAP (Corporate and Production)

e. Higheronesupport.com

f. TPP Applications

g. NetPay Applications

2 A user's identity must be verified prior to resetting his/her password on any in-scope system.

a. If the request is made in person, photo identification is an acceptable means of verifying the user's identity.

b. If the request is made by telephone, the user must provide a matching and valid Employee ID which will be verified against records.

c. Requests by email will not be accepted, and the user will be instructed to telephone.

3 In the event the user cannot provide a valid Employee ID, the user's manager or (if a contractor) employee sponsor can verify the user's identity, after verifying his/her own identity.

1.5 Privileged Account Policy

Overview

Privileged accounts are valid credentials used to gain access to information systems. Privileged credentials provide elevated, non-restrictive access to the underlying platform that non-privileged user accounts do not have access to. Root, local administrator, domain administrator and enable passwords are all examples of privileged accounts that have elevated access beyond that of a normal user.

If methods other than using privileged access will accomplish an action, those other methods must be used unless the burden of time or other resources required clearly justifies using privileged access. In addition, passwords for privileged accounts should be randomized, not memorized by anyone, and changed frequently. Whenever technically possible, gaining and using privileged access should be audited.

Privileged access to information systems is granted only to authorized individuals based on clearly defined and documented business need.

Standards

1 System Approval and Authorization

a. Providing clarity on what administrative privileges are necessary.

b. Minimizing the use of shared administrative accounts.

c. Having a method of being able to verify the privileges associated with each account.

2 Privileged User ID Activity Logging: All ID creation, deletion, and privilege change activity performed by Systems/Security Administrators and others with privileged user IDs must be securely logged.

3 Privileged Account Types

a. Domain Administrative Accounts: These accounts give privileged administrative access across all workstations and servers within a Windows domain. While these accounts are few in number, they provide the most extensive and robust access across the network.

b. Emergency Accounts: These provide unprivileged users with administrative access to secure systems in the case of an emergency and are sometimes referred to as ‘firecall’ or ‘breakglass’ accounts. Access to these accounts typically requires managerial approval for security reasons.

c. Service Accounts: These can be privileged local or domain accounts that are used by an application or service to interact with the operating system. In some cases, these service accounts have domain administrative privileges depending on the requirements of the application they are being used for. Local service accounts can interact with a variety of Windows components

d. Application Accounts: These are accounts used by applications to access databases, run batch jobs or scripts, or provide access to other applications. These privileged accounts usually have broad access to underlying company information that resides in applications and databases.

1.6 Remote Access Policy

Overview

Remote Access rules and requirements are designed to minimize the potential exposure to Higher One from damages which may result from unauthorized use of Higher One resources. Damages include the loss of sensitive or company confidential data, intellectual property, damage to public image, damage to critical Higher One internal systems, and fines or other financial liabilities incurred as a result of those losses.

It is the responsibility of Higher One users with remote access privileges to Higher One's corporate network to ensure that their remote access connection is given the same consideration as the user's on-site connection to Higher One. This policy applies to remote access connections used to do work on behalf of Higher One, including reading or sending email and viewing intranet web resources. This policy covers any and all technical implementations of remote access used to connect to Higher One networks.

Standards

1 Secure remote access must be strictly controlled with encryption (i.e., Virtual Private Networks (VPNs)) and strong pass-phrases.

2 Authorized Users shall protect their login and password, even from family members.

3 All hosts that are connected to Higher One internal networks (including employee owned equipment) via remote access technologies must use up-to-date anti-virus software. Third party connections must comply with requirements as stated in the Third Party Agreement.

4 Users must not leave workstations unattended without locking or logging off the system.

5 Users must use personal desktop firewall software on any device connecting to Higher One networks or resources.

6 Higher One users who wish to implement non-standard Remote Access solutions to the Higher One production network must obtain prior approval from the Information Security Office.

7 The use of third-party managed remote access connections such as Webex and Go2MyPC can only be used for remote access in a support situation where personnel are present at both the asset being accessed and the system being used to obtain the remote access. This type of managed connection is explicitly not to be used to allow a user to remotely access a device which has been left unattended on the Higher One network.

8 Higher One Client VPN with the use of two-factor (FOB with Pin/Token plus password) authentication is required to connect to the HigherOne corporate network.

1.7 Third-Party/Vendor Access Policy

Overview

Companies or entities with a business relationship with Higher One should only be permitted the least access required to any internal network or application system, based on the business need. The access mechanism may include direct connectivity to Higher One assets, or the exchange of electronic information.

Higher One must actively control third party access to information systems. Business needs should be considered and a risk assessment must be carried out to determine security implications and control requirements.

This section is not intended to restrict or control access to integrated third-party systems required by Higher One products.

Standards

1 Controls and confidentiality clauses must be agreed on and defined in a contract with the third party.

2 All third party requests for Higher One data or connections to the Higher One network must be justified by business requirements, assessed for potential risks and control requirements, and then directed to appropriate Higher One management for review and approval.

3 All third party connections require approval from the Information Security Office.

4 Third-Parties must adhere to all Vendor Management Program requirements.

5 Reviews to ensure third-party access is still required and appropriate will be conducted periodically.

6 There are three methods allowed for direct connectivity between Higher One and third parties.

a. Dedicated circuits - A leased line obtained through a telephony-communication provider.

b. Site-to-Site Virtual Private Network (VPN) over the Internet – A two-way encrypted communications session between two networks that protect against eavesdropping by an unauthorized source and provides non-repudiation.

c. Client-based VPN

1.7.1 Requirements for Connectivity

1 Before connectivity is established with a third party, a risk assessment must be performed as part of the vendor management assessment to validate that there are no high-risk issues involved with connecting to an external entity's network. A third party must not be immediately trusted and given immediate access to Higher One's network or application system without performing an appropriate level of due diligence.

2 Firewalls must restrict third party access to Higher One's network and application systems for which they have a defined business purpose.

a. Explicit source and destination IP and ports must be defined in the firewall rules

b. Must not be able to access other business partners' networks.

3 Firewalls must restrict Higher One's users from unlimited access to the third party network.

a. Explicit source and destination IP and ports must be defined in the firewall rules

b. Must only be able to access business partners' networks for which the user has a business purpose.

4 A list of approved third party connections must be maintained by the Information Security Office.

1.8 Data Classification

Overview

A data classification system sorts and labels every resource with its value, importance, sensitivity, cost, and other concerns in order to guide the implementation of security and prescribe processes of management and use. Assigning classification labels, such as public, private, sensitive, internal only, confidential, proprietary, etc., helps workers understand how to use and handle resources properly. Those resources with moderate to high value and sensitivity require greater control, tighter security, and stricter authentication. Often classification can improve the organizations defense against social engineering and other information leakage attacks. If workers know that certain information cannot be communicated via instant message, e-mail, or over the phone, then most socially guided attacks through those mediums will fail.

1.8.1 Asset Inventory

Higher One shall maintain a current inventory of all information assets, including hardware, software licenses and applications. The asset inventory must include at least the following elements:

1 A clear definition of each asset, including its business purpose and security classification.

2 Location of the asset.

3 Whether or not the asset contains personally identifiable customer information or card-related data.

1.8.2 Data Classification and Confidentiality

Higher One business units must classify information to indicate its level of sensitivity. Classifications dictate the priority and necessary degree of protection required to properly secure the information. Data classification classes are:

1 **Restricted** - The Restricted class applied to business and customer related information requiring the highest level of protection. If Restricted Data is disclosed, it could result in financial loss, violation of privacy and other laws or Regulations and significant negative publicity. Disclosure of Restricted Data may require initiating state or federal disclosure requirements. (e.g., PCI, PII, HIPAA)

2 **Confidential** - The Confidential class applies to business and customer related information that requires role-based protection and is sensitive enough to require elaborate controls. If Confidential Data is disclosed, employees or customers could be negatively impacted, initiating possible state or federal disclosure requirements.

3 **Private** - The Private classification applies to business and customer related information that requires some level of protection but is not sensitive enough to require extensive controls. Disclosure of Private data should be avoided but will have minimal impact.

4 **Public** - The Public class applies to information that has been made available for public distribution through authorized Higher One channels or information that will not cause any damage to Higher One if accidentally disclosed.

1.8.3 Credit Card Information Processing Applications

1 All **Error! Unknown document property name.** applications dealing with the processing or retrieval of cardholder information, must, where there is not a business need to display full primary account numbers (PAN), mask displayed PAN to no more than the first six (6) and last four (4) digits of the full PAN.

2 If the application is designed for a specific purpose in which the full PAN must be displayed, approval must be given by the Information Security Office during the Requirements Phase as described in the SDLC process. In all cases the application must limit the display of the full PAN to the fewest number of users possible.

1.8.4 Credit Card Storage Applications

1 All Higher One application systems dealing with the storage of cardholder data must be on an internal network segregated from the demilitarized zone (“DMZ”).

2 All access to networked storage devices containing cardholder data shall have its authentication communication encrypted.

3 The Primary Account Number (“PAN”) must be rendered unreadable through one of the following:

a. Strong one-way hash functions (hashed indexes) such as Secure Hash Algorithm 1) SHA-1 with salts.

b. Truncation.

c. Index tokens and pads (pads must be securely stored).

d. Strong cryptography, based on industry-tested and accepted algorithms, with proper key management processes and procedures.

4 The PAN must never be stored in clear text in databases, files, or removable media.

5 The PAN must not be written to audit logs.

6 Full PAN must never be emailed or sent via instant messaging programs.

1.9 Technology Equipment Policies

Overview

Desktop, laptops, servers and virtual computers, as well as the software contained thereon, are resources that are provided to Higher One users for the purpose of conducting business on behalf of the Company. Administration, installation and maintenance of technology equipment are the responsibility of the Information Technology departments.

1.9.1 Warning Banners

Overview

A warning banner sets appropriate expectations for users accessing a system or device regarding the appropriate use of the resource, and warnings regarding monitoring of usage or activities while using the resource.

Standards

1 Higher One computing systems and devices, where supported by the device, must display a warning banner during the system login process. The message must state that the system must only be used for Higher One business purposes and is subject to monitoring.

2 Warning banners must be in a language consistent with the system's interface language.

3 The word "Welcome" or any similar language shall not be displayed prior to a successful user login.

1.9.2 Physical and Virtual Workstations

Overview

Desktops, laptops and virtual workstations are provided to users based on job role, need, and are based on company standard hardware configurations.

Standards

In addition to those items detailed in the Acceptable Use Policy,

1 Equipment is to be protected from theft or damage, including damage caused by foreign substances, impacts or misuse.

2 All laptop computers will be encrypted.

3 Online backup accounts will be provided to laptop users to ensure recoverability of data stored locally on the device.

4 Ensure that all vendor supplied defaults are changed before the system goes into production.

5 All desktops and laptops shall have personal firewall software which users should not be able to disable.

6 All desktops and laptops used to remotely access Higher One systems shall have VPN Client software capable of supporting the company's 2-factor authentication solution.

7 Workstation Configuration Standards will be reviewed on a periodic basis.

Guidelines

Physical security of computing devices can include the following:

- Having actual possession of a computer at all times.
- Locking the computer in an unusable state to an object that is immovable.
- Never leaving a laptop or other portable computing device unattended in a conference room, hotel room or on an airplane seat, etc.
- Locking the device in a hotel safe when traveling.

1.9.3 Server and Network Devices

Overview

The purpose of this policy is to establish standards for the base configuration of internal server and network equipment that is owned and/or operated by Higher One. Effective implementation of this policy will minimize unauthorized access to Higher One proprietary information and technology.

Unsecured and vulnerable servers continue to be a major entry point for malicious threat actors. Consistent Server installation policies, ownership and configuration management are all about doing the basics well.

Standards (Security)

All internal servers deployed at Higher One must be owned by an operational group that is responsible for system administration. Approved server configuration guides must be established and maintained by IT and each application team, based on business needs and approved by Information Security.

1 All servers and network devices should be designated for a single primary purpose where possible.

2 All servers and network devices, prior to deployment in the production environment must conform to the Company's System Configuration and Hardening Standards.

3 Always use standard security principles of least required access to perform a function. Do not use root when a non-privileged account will do.

4 Ensure that all vendor or manufacturer supplied defaults are changed before the server goes into production.

5 Servers storing or processing confidential or restricted information shall have file integrity monitoring software installed.

6 File integrity monitoring software shall alert IT personnel to unauthorized modification of critical system or content files. The file integrity monitoring software shall be configured to perform critical file comparisons at least daily and should be logged. Information Security should be alerted to any abnormal activity.

7 All servers must have anti-virus software installed.

8 Information in the server inventory list must be kept up-to-date.

9 Configuration changes for production servers must follow the appropriate change management procedures.

10 Access to services should be logged and/or protected through access-control methods such as a web application firewall, if possible.

11 Trust relationships between systems are a security risk, and their use should be avoided. Do not use a trust relationship when some other method of communication is sufficient.

12 If a methodology for secure channel connection is available (i.e., technically feasible), privileged access must be performed over secure channels, (e.g., encrypted network connections using Secure Shell ("SSH") or Internet Protocol Security "IPSec").

13 Servers should be physically located in an access-controlled environment.

14 Servers are specifically prohibited from operating from uncontrolled cubicle areas.

15 For security, compliance, and maintenance purposes, authorized Information Security personnel may monitor and audit equipment, systems, processes, and network traffic.

Standards (Configuration)

1 Operating System configuration should be in accordance with approved System Configuration and Hardening Standards.

2 A valid business justification must exist for all deviations from **Error! Unknown document property name.** published configuration standards. Deviations require written approval by the **Error! Unknown document property name.** and must be noted on the asset inventory for the server.

3 Services and applications that will not be used must be disabled where practical.

4 All servers and network devices must be configured to use an internal authoritative time source to maintain time synchronization with other servers in the environment.

5 Server and network device Configuration Standards will be updated as new public standards become available and are approved by the Information Security Office and Information Technology.

Standards (Monitoring)

1 All security-related events on critical or sensitive systems must be logged and audit trails saved.

2 Security-related events will be reported to Information Security, who will review logs and report incidents to IT management. Corrective measures will be prescribed as needed. Security-related events include, but are not limited to:

a. Port-scan attacks.

b. Evidence of unauthorized access to privileged accounts.

c. Anomalous occurrences that are not related to specific applications on the host.

1.9.4 Cellular Device Policy

Overview

The Cellular Device Policy applies to any device that uses a wireless cellular network for communication, whether the device is supplied by Higher One or personally owned by the employee and used for business-related purposes. This policy applies to, but is not limited to, all devices and accompanying media that fit the following device classifications:

1 Tablets

2 Mobile/Cellular/Smart Telephones

3 Mobile Broadband devices (MiFis)

Standards

1 IT reserves the right to refuse the ability to connect mobile devices to the Higher One infrastructure.

Higher One's Cellular Device Policy can be found on the ADP portal under the heading Resources > Tools/References.

1.9.5 Equipment Disposal

Proper disposal of technology equipment is environmentally responsible and often required by law. To ensure that Higher One's electronic data, which may be stored on various types of storage media, is secured, all storage media must be completely erased or destroyed prior to release for disposal.

Standards

1 All information assets or office equipment which may contain a storage media component is in scope or this policy. This includes such items as computer workstations, servers, storage arrays, fax machines, printers, and copiers.

2 All forms of electronic media (e.g., fixed hard disks, flash memory, external drives, CDs, DVDs, tapes, USB drives) are within the scope of this policy.

3 At the time an in scope device or media is decommissioned or replaced, the item shall be destroyed, disabled or disposed of using methods and timing consistent with Higher One's Record Retention policies, any applicable retention laws and with due consideration for any litigation hold requirements currently in force.

a. Hard drives will be erased to Department of Defense standards (DoD 5220.22M) or

b. Physically destroyed by drilling or shredding.

4 When a computer workstation is transferred to a new user, the storage media will be:

a. Replaced, if under a litigation hold, with the original component stored as per Higher One's procedures.

b. Reformatted, if not subject to litigation hold.

5 The Facilities department will ensure that vendors remove any storage media contained within copiers, printers and fax machines prior to removing any such item from Higher One's premises.

6 Information Technology will maintain:

a. Procedures for the proper erasure of data and/or destruction of storage media.

b. Procedures for secure storage of media prior to destruction or disposal.

1.9.6 Software Installation Policy

Overview

Allowing users to install software on company computing devices opens the organization up to unnecessary exposure to risks such as the introduction of malware from infected installation files or software, unlicensed software, and programs which can be used to hack the organization’s network.

Standards

1 Users may not install software on Higher One’s computing devices operated within the Higher One network.

2 Software must be selected from an approved software list, maintained by the Information Technology department, unless no selection on the list meets the requestor’s need.

3 Requests for software installations must first be approved by the requestor’s manager and then submitted to the IT Support Desk in writing.

4 Any requests for software not on the approved list must be reviewed and approved by Information Technology and Information Security before purchase or installation.

The Information Technology Department will obtain and track the licenses and perform the software installation.

CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT (this "Agreement"), made as of December 22, 2012 is by and among CUSTOMERS BANCORP, INC., a Pennsylvania bank ("Bank"), and an individual ("Executive").

Background

Bank wishes to secure the future services of Executive by providing Executive the severance payments provided in this Agreement as additional incentive to induce Executive to devote Executive's time and attention to the interests and affairs of the Bank (the "Agreement").

NOW THEREFORE, in consideration of the mutual promises and agreements set forth herein, and intending to be legally bound hereby, the parties agree as follows:

1. Employment . Except strictly to such extent (if any) as may be provided in another agreement between Bank and Executive, Executive shall remain an employee at will of the Bank hereafter. This Agreement is not an employment agreement, but shall only be interpreted as governing the payment of severance, which may be due to Executive upon termination of Executive's employment with Bank under the specific circumstances described in this Agreement. No provision of this Agreement shall be interpreted to derogate from the power of Bank or its Board of Directors to terminate the employment of the Executive, subject nevertheless to the terms of this Agreement.

2. Compensation . The compensation to be paid by Bank to Executive from time to time, including any fringe benefits or other employee benefits, shall not be governed by this Agreement. This Agreement shall not be deemed to affect the terms of any stock options, employee benefits or other agreements between the Bank and Executive.

3. Severance Payments upon Termination of Employment After a "Change in Control." This Agreement does not govern any termination of Executive's employment with Bank which occurs prior to a "Change in Control" as defined in subsection (e) of this Section. No inference shall be drawn from any provision of this Section concerning the rights and obligations of the parties in connection with a termination of Executive's employment prior to a Change in Control.

(a) *Termination by Company for Cause or Not for Cause.* If Executive's employment is terminated by Bank (i) for "Cause" (as defined in subsection (c) of this Section) at any time, (ii) with or without Cause prior to a Change in Control, or (iii) more than one (1) year after a Change in Control, Executive shall have no right to any severance under this Agreement due to such termination. If Executive is terminated by Bank within one (1) year after a Change in Control other than for Cause, Executive's right to a severance payment under this Agreement shall be as set forth in subsection (f) of this Section.

(b) *Termination by Executive for Good Reason or Not for Good Reason.* If Executive terminates Executive's employment with Bank (i) prior to a Change in Control, (ii) more than two years after a Change in Control, or (iii) without "Good Reason" (as defined in subsection (d) of this Section) at any time, Executive shall have no right to any severance under this Agreement due to such termination. If Executive terminates Executive's employment with Bank for Good Reason within one (1) year after a Change in Control, Executive's right to a severance payment under this Agreement shall be as set forth in subsection (f) of this Section.

(c) *Definition of "Cause."* For the purpose of this Agreement, "Cause" means actions of or failure to act by Executive which would authorize the forfeiture of fringe benefits or other remuneration under Executive's written contract of employment with the Bank or, if there is no written contract of employment, (l) the willful material failure to perform the duties to the Bank required of Executive (other than any such failure resulting from incapacity due to physical or mental illness of Executive or material changes in the direction and policies of the Board of Directors of Bank), if such failure continues for fifteen (15) days after a written demand for substantial performance is delivered to Executive by the Bank which specifically identifies the manner in which it is believed that Executive has failed to attempt to perform his or her duties hereunder; (2) the willful engaging by Executive in misconduct materially injurious to the Bank; (3) receipt by the Bank of a notice (which shall not have been appealed by Executive or shall have become final and non-appealable) of any governmental body or entity having jurisdiction over the Bank requiring termination or removal of Executive from his or her then present position, or receipt of a written directive or order of any governmental body or entity having jurisdiction over the Bank (which shall not have been appealed by Executive or shall have become final and non-appealable) requiring termination or removal of Executive from his or her then present position; or (4) personal dishonesty, incompetence, willful misconduct, willful breach of fiduciary duty involving personal profit or conviction of a felony. For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered "willful" unless done or omitted to be done by Executive in bad faith and without reasonable belief that his or her action or omission was in the best interest of Bank. Any act or omission to act by Executive in reliance upon a written opinion of counsel to Bank shall not be deemed to be willful.

(d) *Definition of “Good Reason.”* For purposes of this Agreement, “Good Reason” shall mean (i) any material reduction in title or a material adverse change in Executive’s responsibilities or authority which are inconsistent with, or the assignment to Executive of duties materially inconsistent with, Executive’s position with the Bank immediately prior to such action; or (ii) any material reduction in Executive’s annual base salary as in effect on the date hereof or as the same may be increased from time to time.

(e) *Definition of “Change in Control.” F* or purposes of this Agreement, a “Change in Control” of the Bank shall mean:

(i) there occurs a merger, consolidation or other business combination or reorganization to which the Bank is a party, whether or not approved in advance by the Board of Directors of the Bank, in which (A) the members of the Board of Directors of the Bank immediately preceding the consummation of such transaction do not constitute a majority of the members of the Board of Directors of the resulting corporation and of any parent corporation thereof immediately after the consummation of such transaction, and (B) the shareholders of the Bank immediately before such transaction do not hold more than fifty percent (50%) of the voting power of securities of the resulting corporation;

(ii) There occurs a sale, exchange, transfer, or other disposition of substantially all of the assets of the Bank to another entity, whether or not approved in advance by the Board of Directors of the Bank (for purpose of this Agreement, a sale of more than one-half of the branches of the Bank would constitute a Change in Control, but for purposes of this paragraph, no branches or assets will be deemed to have been sold if they are leased back contemporaneously with or promptly after their sale);

(iii) A plan of liquidation or dissolution is adopted for the Bank; or

(iv) Any “person” or any group of “persons” (as such term is defined in Sections 13(d) and 14(d) of the Exchange Act), as if such provisions were applicable to the Bank, other than the holders of shares of the Bank’s common stock in existence on the date of the Opening for Business, is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), as if such rule were applicable to the Bank, directly or indirectly, of securities of the Bank representing 50% or more of the combined voting power of the Bank’s then outstanding securities.

(f) *Severance.* If Executive is entitled to severance under subsection (a) or (b) of this Section, Bank shall pay as severance to Executive the sum of the following amounts in a single lump sum within 60 days following the date of his termination of employment, subject to all tax withholding obligations of the Bank:

(i) two hundred percent (200%) of the highest rate of base annual salary that was payable to or for the benefit of Executive at any time during the 12-month period ending on the date of Executive's termination of employment; and

(ii) two hundred percent (200%) of the average of the aggregate annual cash bonuses that have been earned by the Executive for performance by the Executive during each of the three (3) most recent fiscal years of the Bank ended with or prior to the date of Executive's termination of employment. If Executive shall not have been employed by the Bank for three (3) full fiscal years prior to the time the Executive becomes entitled to severance payments under this Section, the average used shall be determined based on the number of full and partial fiscal years of the Bank in which the Executive was so employed and that have ended with or prior to the date of Executive's termination of employment.

(g) Any termination of Executive's employment by Bank or by Executive shall be communicated by a dated, written notice, signed by the party giving the notice, which shall (i) indicate the specific termination provision in this Agreement relied upon; (ii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated; and (iii) specify the effective date of termination. In addition, Executive shall not be considered to have terminated his employment for Good Reason unless he provides such written notice to the Bank within 90 days following the initial existence of a condition creating Good Reason, and upon notice of which the Bank must be provided a period of at least 30 days during which it may remedy the condition and not be required to pay the severance payment.

(h) Notwithstanding any provision of this Agreement to the contrary, if, as a result of a payment provided for under or pursuant to this Agreement, together with all other payments in the nature of compensation provided to or for the benefit of the Executive under any other plans or agreements in connection with a Change in Control, the Executive becomes subject to excise taxes under Section 4999 of the Code, then the amount of severance to be paid pursuant to this Agreement shall be reduced to the maximum amount allowable without causing Executive to become subject to such excise taxes. Such maximum amount shall be determined by a registered public accounting firm selected by the Compensation Committee of the Board of Directors of the Bank, whose determination, absent manifest error, shall be treated as conclusive and binding.

(i) It is understood by Executive and Bank that Bank may elect to participate in the Troubled Assets Relief Program ("TARP") established under the Emergency Economic Stabilization Act of 2008 ("EESA"), as amended by the American Recovery and Reinvestment Act of 2009 ("ARRA") and any subsequent legislation whether heretofore or hereafter enacted ("Subsequent Legislation") and as implemented by present and future regulations of applicable federal government agencies ("Implementing Regulations") (the requirements of EESA, ARRA, Subsequent Legislation and Implementing Regulations that may be applicable to the Bank or Executive or the compensation or benefits provided to Executive under this Agreement or otherwise as a result of the Bank's participation in TARP are sometimes referred to herein as the "TARP Provisions"). In that event, if the severance to be provided to Executive pursuant to this Agreement must be reduced, delayed or otherwise modified in order for the Bank to comply with any of the TARP Provisions, as interpreted and implemented by regulations of the U. S. Department of the Treasury and the terms of any contract between Bank or Executive and said Department or any other agency of the federal government ("TARP Requirements"), this Agreement and all such other compensation, benefits and perquisites and agreements relating to any of the foregoing shall automatically be deemed amended to cause the Bank to be in compliance at all times with the TARP Requirements. Executive and Bank shall negotiate in good faith to document, by amendment or amendments to this Agreement, the modifications so required, but the parties' failure to reach final agreement shall not negate the provisions of this Section. In consideration for the benefits Executive will receive under this Agreement and potentially as a result of Bank’s participation in TARP, Executive hereby voluntarily waives any claim against the Bank for any changes to Executive's compensation or benefits that are required for Bank to comply with TARP Requirements. This waiver includes all claims Executive may have under the laws of the United States or any state related to the requirements imposed by any of the TARP Requirements, including without limitation a claim for any compensation or other payments Executive would otherwise receive, any challenge to the process by which any of the TARP Requirements were adopted and any tort or constitutional claim about the effect of any of the TARP Requirements on Executive's employment relationship with Bank. Executive agrees to execute such waivers and other agreements as may be requires by the U.S. Treasury Department in connection with Bank's participation in TARP.

(j) All obligations under this Agreement are subject to termination by any bank regulatory agency having jurisdiction over Bank in accordance with any applicable provisions of law or regulations granting such authority, but rights of the Executive to compensation earned as of the date of termination shall not be affected.

(k) Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. The severance payment provided for in this Agreement shall not be reduced by any compensation or other payments received by Executive after the date of termination of Executive’s employment from any source.

4. Payment Obligations Absolute . Provided that the preconditions for payment set forth in this Agreement are fully satisfied, Bank’s obligation to pay Executive the severance payment provided herein shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off counter claim, recoupment, defense or other right which Bank may have against Executive. All amounts payable by Bank hereunder shall be paid without notice or demand.

5. Executive’s Covenants . As further consideration for the Bank’s willingness to enter into this Agreement and to provide the potential benefits set forth herein, Executive agrees to the restrictions set forth in this Section.

(a) Executive covenants and agrees that Executive will not at any time, either during his or her employment with the Bank or thereafter, use, disclose or make accessible to any other person, firm, partnership, corporation or any other entity any Confidential and Proprietary Information (as defined herein), other than to (i) Executive’s attorney or spouse in confidence, (ii) while employed by the Bank, in the business and for the benefit of the Bank, or (iii) when required to do so by a court of competent jurisdiction, any government agency having supervisory authority over the business of the Executive or the Bank or any administrative body or legislative body, including a committee thereof, with jurisdiction.

For purposes of this Agreement, "Confidential and Proprietary Information" shall mean non-public, confidential, and proprietary information provided to the Executive concerning, without limitation, the Bank’s financial condition and/or results of operations, statistical data, products, ideas and concepts, strategic business plans, lists of customers or customer information, information relating to marketing plans, management development reviews, including information regarding the capabilities and experience of the Bank’s employees, compensation, recruiting and training, and human resource policies and procedures, policy and procedure manuals, together with all materials and documents in any form or medium (including oral, written, tangible, intangible, or electronic) concerning any of the above, and other non-public, proprietary and confidential information of the

Bank; provided, however, that Confidential and Proprietary Information shall not include any information that is known generally to the public or within the industry other than as a result of unauthorized disclosure by the Executive. It is specifically understood and agreed by the Executive that any non-public information received by the Executive during Executive's employment by the Bank is deemed Confidential and Proprietary Information for purposes of this Agreement. In the event the Executive's employment is terminated for any reason, the Executive shall immediately return to the Bank upon request all Confidential and Proprietary Information in Executive's possession or control.

(b) Executive agrees that during his or her employment with the Bank and for a period of twelve (12) months thereafter, unless the Executive obtains the Bank's prior written permission, which may be granted or denied at the Bank's sole and absolute discretion, the Executive shall not:

(i) solicit or divert to any competitor of the Bank or, upon termination of the Executive's employment with the Bank, accept any business from any individual or entity that is a customer or a prospective customer of the Bank, to the extent that such prospective customer was identifiable as such prior to the date of the Executive's termination, except that this covenant of non-solicitation shall not apply with respect to anyone who, while having previously been a customer or prospect of the Bank, is no longer a customer or prospect of the Bank at the time of the solicitation; or

(ii) induce or encourage any officer and/or employee of the Bank to leave the employ of the Bank, hire any individual who was an employee of the Bank as of the date of the termination of the Executive's, or induce or encourage any customer, vendor, participant, agent or other business relation of the Bank to cease or reduce doing business with the Bank or in any way interfere with the relationship between any such customer, vendor, participant, agent or other business relation and the Bank.

(c) For a period of twelve (12) months after any resignation or termination of Executive's employment for any reason, Executive shall not, directly or indirectly, within 25 miles of any office of the Bank, enter into or engage directly or indirectly in competition with the Bank or any subsidiary or other company under common control with the Bank, in any financial services business conducted by the Bank or any such subsidiary at the time of such resignation or termination, either as an individual on his own or as a partner or joint venturer, or as a director, officer, shareholder, employee, agent, independent contractor, nor shall Executive assist any other person or entity in engaging directly or indirectly in such competition.

6. Amendments. No amendments to this Agreement shall be binding unless in a writing, signed by both parties, which states expressly that it amends this Agreement.

7. Notices. Notices under this Agreement shall be deemed sufficient and effective if (i) in writing and (ii) either (A) when delivered in person or by facsimile, telecopier, telegraph or other electronic means capable of being embodied in written form or (B) forty-eight (48) hours after deposit thereof in the U.S. mails by certified or registered mail, return receipt requested, postage prepaid, addressed to each party at such party's address first set forth above and, in the case of Bank, to the attention of the Chairman of the Board, or to such other notice address as the party to be notified may have designated by written notice to the sending party.

8. Prior Agreements. There are no other agreements between Bank and Executive regarding Executive's employment. This Agreement is the entire agreement of the parties with respect to its subject matter and supersedes any and all prior or contemporaneous discussions, representations, understandings or agreements regarding its subject matter.

9. Assigns and Successors. The rights and obligations of Bank under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Bank and Executive, provided, however, that Executive shall not assign or anticipate any of his rights hereunder, whether by operation of law or otherwise. For purposes of this Agreement, "Bank" shall also refer to any successor to Bank, whether such succession occurs by merger, consolidation, purchase and assumption, sale of assets or otherwise.

10. Executive's Acknowledgment of Terms. Executive acknowledges that he or she has read this Agreement fully and carefully, understands its terms and that it has been entered into by Executive voluntarily. Executive acknowledges that any payments to be made hereunder will constitute additional compensation to Executive.

IN WITNESS WHEREOF, the parties hereto have caused the due execution of this Agreement as of the date first set forth above.

Attest:

/s/ Edward Shultz

Print Name: Edward Shultz

Title: Assistant to President

Witness:

/s/ Brett V. Long

Print Name: Brett V. Long

Bank:
CUSTOMERS BANCORP, INC.

By: /s/ Richard Ehst

Print Name: Richard Ehst

Title: President

Executive:

/s/ Kenneth A. Keiser

Print Name: Kenneth A. Keiser

EMPLOYMENT AGREEMENT

THIS AGREEMENT , made as of August 5, 2013("Effective Date"), is by and between CUSTOMERS BANCORP, INC. , a Pennsylvania bank with its main office located at 1015 Penn Avenue, Wyomissing, PA 19610 ("Bank") and Robert Wahlman ("Executive").

Background

A. Bank wishes to secure the continued services of Executive as the Bank's Chief Financial Officer on the terms and conditions set forth herein.

B. Subject to the terms and conditions hereinafter, Executive is willing to enter into this Employment Agreement (this "Agreement") upon the terms and conditions set forth.

C. The Bank's Board of Directors has approved this Agreement.

NOW, THEREFORE , in consideration of the mutual promises and agreements set forth herein, the parties agree as follows:

1. **Employment.** Bank agrees to employ Executive as its Chief Financial Officer during the "Term" defined in Section 2 of this Agreement. Executive shall report to and be subject to the direction of the Chief Executive Officer and Board of Directors of the Bank. He shall have the powers and authority ordinarily given to the position described above as provided under the Bylaws of the Bank. Executive will have such duties as normally apply to such position. Executive shall devote all of his working time, abilities and attention to the business of the Bank, and will fulfill all of the duties required of him as Chief Financial Officer. The services of Executive shall be rendered principally in Wyomissing, PA, but Executive shall undertake such traveling on behalf of Bank as may be reasonably required.

2. **Term of Employment .** Subject to the terms and conditions of this Agreement, the initial term of employment hereunder shall be for the two (2)-year period commencing on the Effective Date and ending on the day preceding the two (2)-year anniversary of the Effective Date. As of each one (1)-year anniversary of the Effective Date, the term of employment hereunder shall be extended for another one (1) year, automatically, unless either party delivers notice to the contrary to the other party at least sixty (60) days prior to such one (1)-year anniversary, in which case the term of employment hereunder shall expire as of the date to which it was last extended pursuant to this sentence. Such notice shall be delivered in a manner consistent with the requirements of Section 15. References in this Agreement to the "Term" shall refer both to such initial term and any successive terms.

3. **Compensation .** In consideration of the services to be rendered by Employee, Bank shall pay to Executive during the initial Term:

(a) A base salary of not less than three hundred fifteen thousand dollars ($315,000) per annum for each year of the Term, payable in equal installments over such payroll cycles as the Bank pays its executive offices generally, with any salary for initial or final partial months or other payroll periods being prorated based on the number of calendar days in question. It is understood that the Board of Directors of the Bank shall review Executive's performance and make a determination regarding increases in his salary at least once in every calendar year during the Term.

(b) Incentive Compensation in an amount, in such form, and at such time as is provided in such executive incentive plan for Executive, either alone or for Executive and other officers and management employees of the Bank, as shall be approved by the Board of Directors of the Bank and in effect from time to time. Such incentive compensation may take the form of cash payments ("Cash Bonus"), transfers of stock or stock options (collectively, "Equity Awards"). Equity Awards shall be subject to such restrictions, vesting and other conditions and limitations as set forth in such executive incentive plan.

4. **Reimbursement of Expenses; Retirement Plan .**

4.1 **Reimbursement of Expenses.** During the Term, Bank shall reimburse Executive for reasonable expenses incurred by him in the performance of his duties, as well as those incurred in furtherance of or in connection with the business of Bank, including but not limited to traveling, entertainment, dining and other expenses.

5. **Termination of Employment .**

5.1 **Termination by Bank; "Cause."** Bank shall have the right to terminate Executive's employment hereunder at any time, with or without "Cause" (as defined below). In the event of any termination by Bank, Bank shall give Executive forty-five (45) days prior notice of any termination without Cause, but shall not be obligated to give Executive prior notice of a termination with Cause. Bank shall nevertheless be obligated to pay Executive such compensation and severance, if any, as may be provided for in this Agreement under the applicable circumstances. Bank will give Executive notice of termination of his employment pursuant to a "Notice of Termination" (as defined below).

5.2 **No Right to Compensation or Benefits Except as Stated.** If the Bank terminates Executive's employment for Cause, Executive shall have no right to severance compensation of any kind, or any right to salary or other benefits for any period after such date of termination. If Executive is terminated by Bank other than for Cause, Executive's rights to compensation and benefits under this Agreement shall be as set forth in Section 5.5.

5.3 **Termination by Executive.** Executive shall have the right to terminate his employment, whether or not for "Good Reason" (as hereinafter defined), but, in all events, Executive shall give Bank notice pursuant to a written "Notice of Termination" (as defined below). If the termination by Executive is other than for Good Reason: (i) Executive must give Bank a Notice of Termination not less than forty five (45) days prior to the date his termination of employment will be effective, and (ii) Executive shall have no right to severance compensation of any kind, or any right to salary or other benefits for any period after such date of termination. If termination is by Executive for Good Reason, Executive's rights to compensation and benefits under this Agreement shall be as set forth in Section 5.5.

5.4 **Certain Definitions.**

(a) In connection with a termination of Executive's employment by the Bank, "Cause" shall mean any one or more of the following reasons: (l) the willful material failure by the Executive to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness of the Executive or material changes in the direction and policies of the Board of Directors of Bank), if such failure continues for fifteen (15) days after a written demand for substantial performance is delivered to the Executive by the Bank which specifically identifies the manner in which it is believed that the Executive has failed to attempt to perform his duties hereunder; (2) the willful engaging by the Executive in willful misconduct materially injurious to the Bank; (3) receipt by the Bank of a notice (which shall not have been appealed by Executive or shall have become final and non-appealable) of any governmental body or entity having jurisdiction over the Bank requiring termination or removal of the Executive from his then present position, or receipt of a written directive or order of any governmental body or entity having jurisdiction over the Bank (which shall not have been appealed by Executive or shall have become final and non-appealable) requiring termination or removal of the Executive from his then present position; (4) personal dishonesty, incompetence, willful misconduct, willful breach of fiduciary duty involving personal profit or conviction of a felony; or (5) material breach of any provision set forth in Paragraphs 7, 8, or 10, to the extent applicable. For purposes of this paragraph, no act, or failure to act, on the Executive's part shall be considered "willful" unless done or omitted to be done by Executive in bad faith and without reasonable belief that his action or omission was in the best interest of Bank. Any act or omission to act by the Executive in reliance upon a written opinion of counsel to Bank shall not be deemed to be willful.

(b) Good Reason. For purposes of this Agreement, "Good Reason" shall mean (1) a material breach by Bank of the provisions of this Agreement, which failure has not been cured within 30 days after a written notice of such noncompliance has been given by Executive to Bank; (2) any purported termination of Executive's employment which is not effected in compliance with the requirements of this Agreement; (3) any reduction in title or a material adverse change in Executive's responsibilities or authority which are inconsistent with, or the assignment to Executive of duties inconsistent with, Executive's status as Chief Executive Officer of Bank; or (4) any reduction in Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time.

(c) Notice of Termination. Any termination of Executive's employment by Bank or by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which shall (1) indicate the specific termination provision in this Agreement relied upon; (2) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated; and (3) be given in a manner consistent with the requirements of Section 13.

5.5 **Compensation Upon Certain Types of Termination.** If Executive shall terminate his employment for Good Reason during the Term, or if Executive's Employment is terminated by the Bank other than for Cause during the Term, or if Executive's Employment is terminated for any reason other than Cause upon expiration of the Term, then in lieu of any salary or damages payments to Executive for periods subsequent to the date of termination, Bank shall pay as "Severance Compensation" to Executive, in lieu of all other damages, compensation and benefits other than any benefits the right to which shall have previously vested, an amount (the "Severance Compensation") equal to the following, depending upon whether a "Change in Control" (as defined below) shall have occurred at the time of termination of employment:

(a) If a Change in Control shall not have occurred within twelve (12) months prior to the date of termination of Executive's employment with the Bank, the Bank shall pay Executive the following Severance Compensation, payable at the respective times and on the respective conditions set forth in this subsection for each type of Severance Compensation:

(i) Cash Severance Compensation . Notwithstanding anything to the contrary elsewhere in this Agreement, Executive shall be entitled to receive a dollar amount equal to the sum of Executive's then current base salary plus the average of the annual Cash Bonuses paid to him with respect to the three (3) fiscal years of the Bank immediately preceding the fiscal year of termination, for the greater of two (2) years or the period of time remaining in the Term. This element of Severance Compensation shall be payable in equal installments on the normal pay dates following Executive's separation from service with the Bank within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (such Section and regulations are sometimes referred to in this Agreement as "Section 409A"). If, as of the date of the Executive's separation from service, stock of the Bank or a holding company or other parent entity with respect to the Bank is publicly traded on an established securities market or otherwise, and if necessary to comply with Section 409A, payments otherwise due during the six (6)-month period following his separation from service shall be suspended and paid in a lump sum upon completion of such six (6)-month period, at which time the balance of the payments shall commence in installments as described in the preceding sentence. Payments shall be subject to deduction for such tax withholdings as Bank may be obligated to make;

(ii) Equity Awards . All Equity Awards shall be vested in full;

(iii) Cash Bonus . Executive shall be entitled to a fraction of any Cash Bonus for the fiscal year of the Bank within which Executive's termination of employment occurs which, based upon the criteria established for such Cash Bonus, would have been payable to Executive had he remained employed through the date of payment, the numerator of which is the number of days of such fiscal year prior to his termination of employment and the denominator of which is three hundred and sixty-five (365); and

(iv) Bank shall continue to provide health insurance (including dental if applicable) and any life or disability insurance benefits for the shorter of (i) the length of the severance measurement period set forth in Section 5.5(a)(i) above, or (ii) the maximum period the Bank is then permitted to extend each individual benefit under the applicable plan or policy or applicable law.

(b) If a Change in Control shall have occurred within twelve (12) months prior to the date of termination of Executive’s employment with the Bank, the Bank shall pay Executive Severance Compensation equal to three hundred percent (300%) of the sum of Executive’s then current base salary plus the average of the annual Cash Bonuses paid to him with respect to the three (3) fiscal years of the Bank immediately preceding the fiscal year of termination. The Severance Compensation shall be payable in a single lump sum within thirty (30) days following Executive’s separation from service within the meaning of Section 409A. If, as of the date of the Executive’s separation from service, stock of the Bank or a holding company or other parent entity with respect to the Bank is publicly traded on an established securities market or otherwise, and if necessary to comply with Section 409A, payment of the lump sum shall be suspended and paid within the thirty (30)-day period following the close of the six (6)-month period following his separation from service. Payments shall be subject to deduction for such tax withholdings as Bank may be obligated to make. In addition to the aforesaid Executive Severance Compensation, additional Executive Severance Compensation shall be provided as set forth below.

(i) Equity Awards . All Equity Awards shall be vested in full;

(ii) Cash Bonus . Executive shall be entitled to a fraction of any Cash Bonus for the fiscal year of the Bank within which Executive’s termination of employment occurs which, based upon the criteria established for such Cash Bonus, would have been payable to Executive had he remained employed through the date of payment, the numerator of which is the number of days of such fiscal year prior to his termination of employment and the denominator of which is three hundred and sixty-five (365);

(iii) Bank shall continue to provide health insurance (including dental if applicable) and any life or disability insurance benefits for the shorter of (i) the length of the severance measurement period set forth in above in this Section 5.5(b), or (ii) the maximum period the Bank is then permitted to extend each individual benefit under the applicable plan or policy or applicable law; and

(iv) If, as a result of payments provided for under or pursuant to this Agreement together with all other payments in the nature of compensation provided to or for the benefit of Executive under any other agreement in connection with a Change in Control, Executive becomes subject to taxes of any state, local or federal taxing authority that would not have been imposed on such payments but for the occurrence of a Change in Control, including any excise tax under Section 4999 of the Code and any successor or comparable provision, then, in addition to any other benefits provided under or pursuant to this Agreement or otherwise, Bank (including any successor to Bank) shall pay to Executive at the time any such payments are made under or pursuant to this or the other agreements, an amount equal to the amount of any such taxes imposed or to be imposed on Executive (the amount of any such payment, the “Parachute Tax Reimbursement”). In addition, Bank (including any successor to Bank) shall “gross up” such Parachute Tax Reimbursement by paying to Executive at the same time an additional amount equal to the aggregate amount of any additional taxes (whether income taxes, excise taxes, special taxes, employment taxes or otherwise) that are or will be payable by Executive as a result of the Parachute Tax Reimbursement being paid or payable to Executive and/or as a result of the additional amounts paid or payable to Executive pursuant to this sentence, such that after payment of such additional taxes Executive shall have been paid on a net after-tax basis an amount equal to the Parachute Tax Reimbursement. The amount of any Parachute Tax Reimbursement and of any such gross-up amounts shall be determined by Bank's independent auditing firm, whose determination, absent manifest error, shall be treated as conclusive and binding absent a binding determination by a governmental taxing authority that a greater amount of taxes is payable by Executive.

(c) For purposes of this Agreement, "Change in Control" means the occurrence of any one or more of the following events:

(i) There occurs a merger, consolidation or other business combination or reorganization to which the Bank is a party, whether or not approved in advance by the Board of Directors of the Bank, in which (A) the members of the Board of Directors of the Bank immediately preceding the consummation of such transaction do not constitute a majority of the members of the Board of Directors of the resulting corporation and of any parent corporation thereof immediately after the consummation of such transaction, and (B) the shareholders of the Bank immediately before such transaction do not hold more than fifty percent (50%) of the voting power of securities of the resulting corporation;

(ii) There occurs a sale, exchange, transfer, or other disposition of substantially all of the assets of the Bank to another entity, whether or not approved in advance by the Board of Directors of the Bank (for purpose of this Agreement, a sale of more than one-half of the branches of the Bank would constitute a Change in Control, but for purposes of this paragraph, no branches or assets will be deemed to have been sold if they are leased back contemporaneously with or promptly after their sale);

(iii) A plan of liquidation or dissolution is adopted for the Bank; or

(iv) Any "person" or any group of "persons" (as such term is defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as if such provisions were applicable to the Bank, other than the holders of shares of the Bank's common stock in existence on the date of the Opening for Business, is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), as if such rule were applicable to the Bank, directly or indirectly, of securities of the Bank representing 50% or more of the combined voting power of the Bank's then outstanding securities.

(d) In the event that the Executive's employment is terminated during the Term as a result of his death or disability, he (or his estate, as the case may be) shall not be entitled to any payments or other benefits pursuant to this Section 5.5 or otherwise.

5.6 **Mitigation by Executive.** Executive shall not be required to mitigate the amount of any payment provided for in Section 5.5 by seeking other employment or otherwise.

6. **Effect of TARP Participation** .

6.1 **Basic Agreement re Effect of TARP Participation.** It is anticipated by Executive and Bank that Bank may elect to participate in the Troubled Assets Relief Program ("TARP") established under the Emergency Economic Stabilization Act of 2008 ("EESA"), as amended by the American Recovery and Reinvestment Act of 2009 ("ARRA") and any subsequent legislation whether heretofore or hereafter enacted ("Subsequent Legislation") and as implemented by present and future regulations of applicable federal government agencies ("Implementing Regulations") (the requirements of EESA, ARRA, Subsequent Legislation and Implementing Regulations that may be applicable to the Bank or Executive or the compensation or benefits provided to Executive under this Agreement or otherwise as a result of the Bank's participation in TARP are sometimes referred to herein as the "TARP Provisions"). In that event, if the compensation and benefits to be provided to Executive pursuant to Sections 3, 4 and 5 of this Agreement, or any portion or element thereof, or any other compensation, benefits or perquisites hereafter agreed upon by the parties, must be reduced, delayed or otherwise modified in order for the Bank to comply with any of the TARP Provisions, as interpreted and implemented by regulations of the U. S. Department of the Treasury and the terms of any contract between Bank or Executive and said Department or any other agency of the federal government ("TARP Requirements"), this Agreement and all such other compensation, benefits and perquisites and agreements relating to any of the foregoing shall automatically be deemed amended to cause the Bank to be in compliance at all times with the TARP Requirements. Executive and Bank shall negotiate in good faith to document, by amendment or amendments to this Agreement or any other agreements, plans or benefits, the modifications so required, but the parties' failure to reach final agreement shall not negate the provisions of this Section.

6.2 **Agreements Supporting TARP Waiver.** In consideration for the benefits Executive will receive under this Agreement and potentially as a result of Bank's participation in TARP, Executive hereby voluntarily waives any claim against the Bank for any changes to Executive's compensation or benefits that are required for Bank to comply with TARP Requirements. This waiver includes all claims Executive may have under the laws of the United States or any state related to the requirements imposed by any of the TARP Requirements, including without limitation a claim for any compensation or other payments Executive would otherwise receive, any challenge to the process by which any of the TARP Requirements were adopted and any tort or constitutional claim about the effect of any of the TARP Requirements on Executive's employment relationship with Bank. Executive agrees to execute such waivers and other agreements as may be requires by the U.S. Treasury Department in connection with Bank's participation in TARP.

7. **Non-Disclosure .** The Executive covenants and agrees that Executive will not at any time, either during the Term or thereafter, use, disclose or make accessible to any other person, firm, partnership, corporation or any other entity any Confidential and Proprietary Information (as defined herein), other than to (a) Executive's attorney or spouse in confidence, (b) while employed by the Bank, in the business and for the benefit of the Bank, or (c) when

required to do so by a court of competent jurisdiction, any government agency having supervisory authority over the business of the Executive or the Bank or any administrative body or legislative body, including a committee thereof, with jurisdiction.

For purposes of this Agreement, "Confidential and Proprietary Information" shall mean non-public, confidential, and proprietary information provided to the Executive concerning, without limitation, the Bank’s financial condition and/or results of operations, statistical data, products, ideas and concepts, strategic business plans, lists of customers or customer information, information relating to marketing plans, management development reviews, including information regarding the capabilities and experience of the Bank’s employees, compensation, recruiting and training, and human resource policies and procedures, policy and procedure manuals, together with all materials and documents in any form or medium (including oral, written, tangible, intangible, or electronic) concerning any of the above, and other non-public, proprietary and confidential information of the Bank; provided, however, that Confidential and Proprietary Information shall not include any information that is known generally to the public or within the industry other than as a result of unauthorized disclosure by the Executive. It is specifically understood and agreed by the Executive that any non-public information received by the Executive during Executive’s employment by the Bank is deemed Confidential and Proprietary Information for purposes of this Agreement. In the event the Executive's employment is terminated for any reason, the Executive shall immediately return to the Bank upon request all Confidential and Proprietary Information in Executive’s possession or control.

8. **Non-Solicitation .** Executive agrees that during the Term and for a period of twelve (12) months thereafter, unless the Executive obtains the Bank’s prior written permission, which may be granted or denied at the Bank’s sole and absolute discretion, the Executive shall not:

(a) solicit or divert to any competitor of the Bank or, upon termination of the Executive’s employment with the Bank, accept any business from any individual or entity that is a customer or a prospective customer of the Bank, to the extent that such prospective customer was identifiable as such prior to the date of the Executive’s termination, except that this covenant of non-solicitation shall not apply with respect to anyone who, while having previously been a customer or prospect of the Bank, is no longer a customer or prospect of the Bank at the time of the solicitation; and/or

(b) induce or encourage any officer and/or employee of the Bank to leave the employ of the Bank, hire any individual who was an employee of the Bank as of the date of the termination of the Executive’s, or induce or encourage any customer, vendor, participant, agent or other business relation of the Bank to cease or reduce doing business with the Bank or in any way interfere with the relationship between any such customer, vendor, participant, agent or other business relation and the Bank.

9. **Noncompete Agreement .** For a period of twelve (12) months after any resignation or termination of Executive’s employment for any reason, Executive shall not, directly or indirectly, within 25 miles of any office of the Bank, enter into or engage directly or indirectly in competition with the Bank or any subsidiary or other company under common

control with the Bank, in any financial services business conducted by the Bank or any such subsidiary at the time of such resignation or termination, either as an individual on his own or as a partner or joint venturer, or as a director, officer, shareholder, employee, agent, independent contractor, nor shall Executive assist any other person or entity in engaging directly or indirectly in such competition.

10. **Non-Disparagement** . During the Term, after its expiration and following the termination of this Agreement by the Bank or the Executive for any reason, each party agrees not to make any statements, in writing or otherwise, that disparage the reputation or character of the other party or, in the case of the Bank, any subsidiaries or affiliates of the Bank or any of their respective managers, directors, officers, stockholders, partners, members or employees, at any time for any reason whatsoever, except that nothing in this Section shall prohibit any party from giving truthful testimony in any litigation or administrative proceedings either between the Executive and the Bank or in connection with which such party is subpoenaed and required by law to give testimony, including without limitation, any action by the Executive to enforce Executive's rights hereunder.

11. **Severance Compensation Conditional; Remedies for Breach of Sections 7, 8, 9 and 10; Independence of Covenants; Notice to Others; Savings Clause** .

11.1 **Severance Compensation Independent** . Bank's obligation to pay Severance Compensation is conditioned on Executive's compliance with Paragraphs 7, 8, 9 and 10 of this Agreement and Bank shall not be obligated to pay such Severance Compensation in the event of any breach by Executive of such Paragraphs.

11.2 **Remedies for Breach of Sections 7, 8, 9 and 10** . Executive and Bank agree that the covenants in Sections 7, 8. 9 and 10 are reasonable covenants under the circumstances. Executive agrees that any breach of the covenants set forth in Sections 7, 8, 9 and 10 of this Agreement will irreparably harm the Bank. The Executive and the Bank agree that in the event of any breach by the Executive of the provisions set forth in Section 7, 8, 9 and 10 of this Agreement, the Bank shall be entitled to all rights and remedies available at law or in equity, including without limitation, the following cumulative and not alternative rights:

(a) the right to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of this Agreement, it being agreed that monetary damages alone would be inadequate to compensate the Bank, the amount of such damages will be difficult (if not impossible) to prove precisely, and would be an inadequate remedy for such breach;

(b) the right to institute civil suit to recover damages suffered by the Bank;

(c) the right to recover actual reasonable attorneys' fees and other costs incurred by the Bank in connection with pursuing remedies hereunder; and

(d) the right to seek an equitable accounting of all earnings, profits and other benefits arising from any such violation.

11.3 **Independence of Covenants.** The existence of any claim or cause of action of the Executive against the Bank, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Bank of the provisions of Sections 7, 8, 9 and 10.

11.4 **Notice to Others.** Executive agrees to notify any future prospective employers and future employers, and any future joint venturers, partners and contracting parties of Executive, whose activities may be deemed to compete with Bank of the existence of each of the covenants contained in Sections 7, 8, 9 and 10 of this Agreement.

11.5 **Savings Clause.** In the event that any provision or provisions of any of the covenants in Section 7, 8, 9 and 10 would otherwise be determined by any court of competent jurisdiction to be unenforceable in whole or in part by reason of being for too great a period of time or covering too great a geographical area or too broad a product market, or for any other reason, each such covenant shall nevertheless remain in full force and effect and be construed so as to be enforceable as to that period of time and geographical area and product market, and on such other conditions, as may be determined to be reasonable by the court.

12. **Amendments .** No amendments to this Agreement shall be binding unless in writing and signed by both parties.

13. **Notices .** All notices under this Agreement shall be in writing and shall be deemed effective (i) when delivered in person or by facsimile, telecopier, telegraph or other electronic means capable of being embodied in written form, or (ii) forty-eight (48) hours after deposit thereof in the U.S. mails by certified or registered mail, return receipt requested, postage prepaid, addressed, in the case of Executive, to his last known address as carried on the personnel records of Bank and, in the case of Bank, to the corporate headquarters, attention of the Chairman of the Board of Directors, or to such other address as the party to be notified may specify by notice to the other party.

14. **Entire Agreement .** This Agreement is the entire agreement of the parties with respect to its subject matter and supersedes and replaces all other negotiations, discussions and prior or contemporaneous agreements between the parties, whether oral or written, with respect to the subject matter of Executive's employment with Bank.

15. **Binding Effect and Benefits .** The rights and obligations of Bank and Executive under this Agreement shall inure to the benefit of and shall be binding upon the respective heirs, personal representatives, successors and assigns of Bank and Executive.

16. **Construction .** This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania, as they may be preempted by federal laws and regulations. Section headings are for convenience only and shall not be considered a part of the terms and provisions of the Agreement.

17. **Governing Law; Jurisdiction; Venue .** The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the internal laws of the Commonwealth of Pennsylvania, without regard to its conflicts of law rules, and by federal law to the extent it pre-empts state law. For purposes of any action or proceeding, the Executive irrevocably submits to the exclusive jurisdiction of the courts of the Commonwealth Pennsylvania and the courts of the United States of America located in Pennsylvania for the purpose of any judicial proceeding arising out of or relating to this Agreement or otherwise. The Executive irrevocably agrees to service of process by certified mail, return receipt requested, to the Executive at the addressed listed in the records of the Bank. The proper venue for all such disputes, actions or proceedings shall be Chester County. The parties agree that in any action or proceeds arising under this Agreement, attorneys' fees and costs shall be awarded to the prevailing party.

18. **Executive's Acknowledgment of Terms and Right to Separate Counsel** . Executive acknowledges that he has read this Agreement fully and carefully, understands its terms and that it has been entered into by Executive voluntarily. Executive further acknowledges that Executive has had sufficient opportunity to consider this Agreement and discuss it with Executive's own advisors, including Executive's attorney and accountants and that Executive has made Executive's own free decision whether and to what extent to do so.

19. **Legal Expenses** . Bank shall pay to Executive all reasonable legal fees and expenses incurred by him in seeking to obtain or enforce any rights or benefits provided by this Agreement to the extent he prevails in such efforts.

20. **Indemnification of Executive .** Bank shall indemnify Executive against any liability incurred in connection with any proceeding in which the Executive may be involved as a party or otherwise by reason of the fact that Executive is or was serving as President and Chief Financial Officer to the extent permitted by the Bank's articles of incorporation, bylaws and applicable law. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Bank shall cause its director and officer liability insurance to cover Executive during the Term and for such period thereafter as the Bank's liability insurance policy permits coverage for actions or omissions of former directors or officers.

IN WITNESS WHEREOF, the parties hereto have caused the due execution of this Agreement as of the date first set forth above.

Attest: CUSTOMERS BANCORP, INC.

/s/ Glenn A. Yeager By: /s/ Jay S. Sidhu
Glenn A. Yeager Jay S. Sidhu
Secretary For the Board of Directors

Witness:

/s/Carlyn A. D'Amico /s/ Robert E. Wahlman Individually
Carlyn A. D'Amico Robert E. Wahlman

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of March l, 2014 ("Effective Date"), is by and between CUSTOMERS BANCORP, INC. , a Pennsylvania bank with its main office located at 1015 Penn Avenue, Wyomissing, PA 19610 ("Bank") and Steven Issa ("Executive").

Background

A. Bank wishes to secure the continued services of Executive as the Bank's New England President on the terms and conditions set forth herein.

B. Subject to the terms and conditions hereinafter, Executive is willing to enter into this Employment Agreement (this "Agreement") upon the terms and conditions set forth.

C. The Bank's Board of Directors has approved this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the parties agree as follows:

1. **Employment.** Bank agrees to employ Executive as its President of New England Commercial Banking Group/Managing Director of Specialty Finance Group (the "Groups") during the "Term" defined in Section 2 of this Agreement. Executive shall report to and be subject to the direction of Jay Sidhu, the Chief Executive Officer and Chairman of the Board of Directors of the Bank. Executive shall have the powers and authority ordinarily given to the position described above including direct supervision at all times of the Groups and as may be provided from time to time under the Bylaws of the Bank. Executive will have such duties as normally apply to such position and shall serve as a member of Bank's Executive Management, Loan Credit, and Alco Committees. Executive shall devote all of his working time, abilities and attention to the business of the Bank, and will fulfill all of the duties required of him as New England President. The services of Executive shall be rendered principally in Providence, RI , but Executive shall undertake such traveling on behalf of Bank as may be reasonably required.

2. **Term of Employment.** Subject to the terms and conditions of this Agreement, the initial term of employment hereunder shall be for the three (3)-year period commencing on the Effective Date and ending on the day preceding the three (3)-year anniversary of the Effective Date. As of each one (1)-year anniversary of the Effective Date, the term of employment hereunder shall be extended for another one (1) year, automatically, unless either party delivers notice to the contrary to the other party at least sixty (60) days prior to such one (1)-year anniversary, in which case the term of employment hereunder shall expire as of the date to which it was last extended pursuant to this sentence. Such notice shall be delivered in a manner consistent with the requirements of Section 15. References in this Agreement to the "Term" shall refer both to such initial term and any successive terms.

3. **Compensation.** In consideration of the services to be rendered by Employee, Bank shall pay to Executive during the initial Term:

(a) A base salary of not less than three hundred thousand dollars ($300,000) per annum for each year of the Term, payable in equal installments over such payroll cycles as the Bank pays its executive offices generally, with any salary for initial or final partial months or other payroll periods being prorated based on the number of calendar days in question. It is understood that the Board of Directors of the Bank shall review Executive's performance and make a determination regarding increases in his salary at least once in every calendar year during the Term.

(b) Incentive Compensation in an amount, in such form, and at such time as is provided in such executive incentive plan for Executive, either alone or for Executive and other officers and management employees of the Bank, as shall be approved by the Board of Directors of the Bank and in effect from time to time. Such incentive compensation may take the form of cash payments ("Cash Bonus"), transfers of stock or stock options (collectively, "Equity Awards"). Equity Awards shall be subject to such restrictions, vesting and other conditions and limitations as set forth in such executive incentive plan.

4. **Reimbursement of Expenses; Benefits.**

4.1 **Reimbursement of Expenses.** During the Term, Bank shall reimburse Executive for reasonable expenses incurred by him in the performance of his duties, as well as those incurred in furtherance of or in connection with the business of Bank, including but not limited to traveling, entertainment, dining and other expenses.

4.2. **Benefits.** During the Term, Executive shall be eligible for a bonus and stock option program based upon Bank, Team and Individual performance and profitability. The bonus pool for Executive and his teams is discretionary, will be calculated at 7.5% of pre-tax income for the respective divisions, and will be determined by Executive for each employee of his divisions, including himself, subject to review and approval by the Compensation Committee of the Board. Benefits also include 401-k plan with match; health, dental, life and disability insurance; country club membership; and annual car allowance of $12,000, payable $1,000 monthly.

5. **Termination of Employment.**

5.1 **Termination by Bank; "Cause."** Bank shall have the right to terminate Executive's employment hereunder at any time, with or without "Cause" (as defined below). In the event of any termination by Bank, Bank shall give Executive forty-five (45) days prior notice of any termination without Cause, but shall not be obligated to give Executive prior notice of a termination with Cause. Bank shall nevertheless be obligated to pay Executive such compensation and severance, if any, as may be provided for in this Agreement under the applicable circumstances, Bank will give Executive notice of termination of his employment pursuant to a "Notice of Termination" (as defined below).

5.2 **No Right to Compensation or Benefits Except as Stated.** If the Bank terminates Executive's employment for Cause, Executive shall have no right to severance compensation of any kind, or any right to salary or other benefits for any period after such date of termination. If Executive is terminated by Bank other than for Cause, Executive's rights to compensation and benefits under this Agreement shall be as set forth in Section 5.5.

5.3 **Termination by Executive.** Executive shall have the right to terminate his employment, whether or not for "Good Reason" (as hereinafter defined), but, in all events, Executive shall give Bank notice pursuant to a written "Notice of Termination" (as defined below). If the termination by Executive is other than for Good Reason: (i) Executive must give Bank a Notice of Termination not less than forty five (45) days prior to the date his termination of employment will be effective, and (ii) Executive shall have no right to severance compensation of any kind, or any right to salary or other benefits for any period after such date of termination. If termination is by Executive for Good Reason, Executive's rights to compensation and benefits under this Agreement shall be as set forth in Section 5.5.

5.4 **Certain Definitions.**

(a) In connection with a termination of Executive’s employment by the Bank, "Cause” shall mean any one or more of the following reasons: (1) the willful material failure by the Executive to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness of the Executive or material changes in the direction and policies of the Board of Directors of Bank), if such failure continues for fifteen (15) days after a written demand for substantial performance is delivered to the Executive by the Bank which specifically identifies the manner in which it is believed that the Executive has failed to attempt to perform his duties hereunder; (2) the willful engaging by the Executive in willful misconduct materially injurious to the Bank; (3) receipt by the Bank of a notice (which shall not have been appealed by Executive or shall have become final and non-appealable) of any governmental body or entity having jurisdiction over the Bank requiring termination or removal of the Executive from his then present position, or receipt of a written directive or order of any governmental body or entity having jurisdiction over the Bank (which shall not have been appealed by Executive or shall have become final and non-appealable) requiring termination or removal of the Executive from his then present position; (4) personal dishonesty, incompetence, willful misconduct, willful breach of fiduciary duty involving personal profit or conviction of a felony; or (5) material breach of any provision set forth in Paragraphs 7, 8, or 10, to the extent applicable. For purposes of this paragraph, no act, or failure to act, on the Executive's part shall be considered "willful" unless done or omitted to be done by Executive in bad faith and without reasonable belief that his action or omission was in the best interest of Bank. Any act or omission to act by the Executive in reliance upon a written opinion of counsel to Bank shall not be deemed to be willful.

(b) Good Reason. For purposes of this Agreement, "Good Reason" shall mean (1) a breach by Bank of the provisions of this Agreement, which failure has not been cured within 30 days after a written notice of such noncompliance has been given by Executive to Bank; (2) any purported termination of Executive's employment which is not effected in compliance with the requirements of this Agreement; (3) any reduction in title or change in Executive’s responsibilities or authority which are inconsistent with, or the assignment to Executive of duties inconsistent with, Executive's status, all as described in Paragraph 1; or (4) any reduction in Executive's annual base salary or benefits as in effect on the date hereof or as the same may be increased from time to time.

(c) Notice of Termination. Any termination of Executive's employment by Bank or by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which shall (1) indicate the specific termination provision in this Agreement relied upon; (2) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated; and (3) be given in a manner consistent with the requirements of Section 13.

5.5 **Compensation Upon Certain Types of Termination.** If Executive shall terminate his employment for Good Reason during the Term, or if Executive's Employment is terminated by the Bank other than for Cause during the Term, or if Executive's Employment is terminated for any reason other than Cause upon expiration of the Term, then in lieu of any salary or damages payments to Executive for periods subsequent to the date of termination, Bank shall pay as "Severance Compensation" to Executive, in lieu of all other damages, compensation and benefits other than any benefits the right to which shall have previously vested, an amount (the "Severance Compensation") equal to the following, depending upon whether a "Change in Control" (as defined below) shall have occurred at the time of termination of employment:

(a) If a Change in Control shall not have occurred within twelve (12) months prior to the date of termination of Executive's employment with the Bank, the Bank shall pay Executive the following Severance Compensation, payable at the respective times and on the respective conditions set forth in this subsection for each type of Severance Compensation:

(i) Cash Severance Compensation. Notwithstanding anything to the contrary elsewhere in this Agreement, Executive shall be entitled to receive a dollar amount equal to the sum of Executive's then current base salary plus the highest of the annual Cash Bonuses paid to him plus the total amount paid for Executive's country clubs membership, car allowance and other benefits as provided in Paragraph 2 with respect to the three (3) fiscal years of the Bank immediately preceding the fiscal year of termination, for the greater of three (3) years or the period of time remaining in the Term. This element of Severance Compensation shall be payable at Executive's option in a lump sum within thirty (30) days following Executive's Separation from Service (as hereinafter defined) or in equal installments on the normal pay dates following Executive's separation from service with the Bank within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (such Section and regulations are sometimes referred to in this Agreement as "Section 409A"). If, as of the date of the Executive's separation from service, stock of the Bank or a holding company or other parent entity with respect to the Bank is publicly traded on an established securities market or otherwise, and if necessary to comply with Section 409A, payments otherwise due during the six (6)-month period following his separation from service shall be suspended and paid in a lump sum upon completion of such six (6)-month period, at which time the balance of the payments shall commence in installments as described in the preceding sentence. Payments shall be subject to deduction for such tax withholdings as Bank may be obligated to make;

(ii) Equity Awards. All Equity Awards shall be vested in full;

(iii) Cash Bonus. Executive shall be entitled to a fraction of any Cash Bonus for the fiscal year of the Bank within which Executive's termination of employment occurs which, based upon the criteria established for such Cash Bonus, would have been payable to Executive had he remained employed through the date of payment, the numerator of which is the number of days of such fiscal year prior to his termination of employment and the denominator of which is three hundred and sixty-five (365); and

(iv) Bank shall continue to provide health insurance (including dental if applicable) and any life or disability insurance benefits for the shorter of (i) the length of the severance measurement period set forth in Section 5.5(a)(i) above, or (ii) the maximum period the Bank is then permitted to extend each individual benefit under the applicable plan or policy or applicable law.

(b) If a Change in Control shall have occurred within twelve (12) months prior to the date of termination of Executive's employment with the Bank, the Bank shall pay Executive Severance Compensation equal to three hundred percent (300%) of the sum of (i) Executive's then current base salary plus (ii) the highest annual Cash Bonus paid to him with respect to the three (3) fiscal years of the Bank immediately preceding the fiscal year of termination. The Severance Compensation shall be payable in a single lump sum within thirty (30) days following Executive' s separation from service within the meaning of Section 409A ("Separation from Service"). If, as of the date of the Executive's separation from service, stock of the Bank or a holding company or other parent entity with respect to the Bank is publicly traded on an established securities market or otherwise, and if necessary to comply with Section 409A, payment of the lump sum shall be suspended and paid within the thirty (30)-day period following the close of the six (6)-month period following his separation from service. Payments shall be subject to deduction for such tax withholdings as Bank may be obligated to make, In addition to the aforesaid Executive Severance Compensation, additional Executive Severance Compensation shall be provided as set forth below.

(i) Equity Awards. All Equity Awards shall be vested in full;

(ii) Cash Bonus. Executive shall be entitled to a fraction of any Cash Bonus for the fiscal year of the Bank within which Executive's termination of employment occurs which, based upon the criteria established for such Cash Bonus, would have been payable to Executive had he remained employed through the date of payment, the numerator of which is the number of days of such fiscal year prior to his termination of employment and the denominator of which is three hundred and sixty-five (365);

(iii) Bank shall continue to provide health insurance (including dental if applicable) and any life or disability insurance benefits for the longer of (i) the length of the severance measurement period set forth in above in this Section 5.5(b), or (ii) the maximum period the Bank is then permitted to extend each individual benefit under the applicable plan or policy or applicable law; and

(iv) If, as a result of payments provided for under or pursuant to this Agreement together with all other payments in the nature of compensation provided to or for the benefit of Executive under any other agreement in connection with a Change in Control, Executive becomes subject to taxes of any state, local or federal taxing authority that would not have been imposed on such payments but for the occurrence of a Change in Control, including any excise tax under Section 4999 of the Code and any successor or comparable provision, then, in addition to any other benefits provided under or pursuant to this Agreement or otherwise, Bank (including any successor to Bank) shall pay to Executive at the time any such payments are made under or pursuant to this or the other agreements, an amount equal to the amount of any such taxes imposed or to be imposed on Executive (the amount of any such payment, the "Parachute Tax Reimbursement"). In addition, Bank (including any successor to Bank) shall "gross up" such Parachute Tax Reimbursement by paying to Executive at the same time an additional amount equal to the aggregate amount of any additional taxes (whether income taxes, excise taxes, special taxes, employment taxes or otherwise) that are or will be payable by Executive as a result of the Parachute Tax Reimbursement being paid or payable to Executive and/or as a result of the additional amounts paid or payable to Executive pursuant to this sentence, such that after payment of such additional taxes Executive shall have been paid on a net after-tax basis an amount equal to the Parachute Tax Reimbursement. The amount of any Parachute Tax Reimbursement and of any such gross-up amounts shall be determined by Bank's independent auditing firm, whose determination, absent manifest error, shall be treated as conclusive and binding absent a binding determination by a governmental taxing authority that a greater amount of taxes is payable by Executive.

(c) For purposes of this Agreement, "Change in Control" means the occurrence of any one or more of the following events:

(i) There occurs a merger, consolidation or other business combination or reorganization to which the Bank is a party, whether or not approved in advance by the Board of Directors of the Bank, in which (A) the members of the Board of Directors of the Bank immediately preceding the consummation of such transaction do not constitute a majority of the members of the Board of Directors of the resulting corporation and of any parent corporation thereof immediately after the consummation of such transaction, and (B) the shareholders of the Bank immediately before such transaction do not hold more than fifty percent (50%) of the voting power of securities of the resulting corporation;

(ii) There occurs a sale, exchange, transfer, or other disposition of substantially all of the assets of the Bank to another entity, whether or not approved in advance by the Board of Directors of the Bank (for purpose of this Agreement, a sale of more than one-half of the branches of the Bank would constitute a Change in Control, but for purposes of this paragraph, no branches or assets will be deemed to have been sold if they are leased back contemporaneously with or promptly after their sale);

(iii) A plan of liquidation or dissolution is adopted for the Bank; or

(iv) Any "person" or any group of "persons" (as such term is defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as if such provisions were applicable to the Bank, other than the holders of shares of the Bank's common stock in existence on the date of the Opening for Business, is or shall become the "beneficial owner" (as defined in Rule l3d-3 under the Exchange Act), as if such rule were applicable to the Bank, directly or indirectly, of securities of the Bank representing 50% or more of the combined voting power of the Bank's then outstanding securities.

(d) In the event that the Executive's employment is terminated during the Term as a result of his death or disability, he (or his estate, as the case may be) shall not be entitled to any payments or other benefits pursuant to this Section 5.5 or otherwise.

5.6 **Mitigation by Executive.** Executive shall not be required to mitigate the amount of any payment provided for in Section 5.5 by seeking other employment or otherwise.

6. INTENTIONALLY OMITTED.

7. **Non-Disclosure.** The Executive covenants and agrees that Executive will not, either during the Term or thereafter, use, disclose or make accessible to any other person, firm, partnership, corporation or any other entity any Confidential and Proprietary Information (as defined herein), other than to (a) Executive's attorney or spouse in confidence, (b),while employed by the Bank, in the business and for the benefit of the Bank, or (c) when required to do so by a court of competent jurisdiction, any government agency having supervisory authority over the business of the Executive or the Bank or any administrative body or legislative body, including a committee thereof, with jurisdiction.

For purposes of this Agreement, "Confidential and Proprietary Information" shall mean non-public, confidential, and proprietary information provided to the Executive concerning, without limitation, the Bank's financial condition and/or results of operations, statistical data, products, ideas and concepts, strategic business plans, lists of customers or customer information, information relating to marketing plans, management development reviews, including information regarding the capabilities and experience of the Bank's employees, compensation, recruiting and training, and human resource policies and procedures, policy and procedure manuals, together with all materials and documents in any form or medium (including oral, written, tangible, intangible, or electronic) concerning any of the above, and other non-public, proprietary and confidential information of the Bank; provided, however, that Confidential and Proprietary Information shall not include any information that is known generally to the public or within the industry other than as a result of unauthorized disclosure by the Executive. It is specifically understood and agreed by the Executive that any non-public information received by the Executive during Executive's employment by the Bank is deemed Confidential and Proprietary Information for purposes of this Agreement. In the event the Executive's employment is terminated for any reason, the Executive shall immediately return to the Bank upon request all Confidential and Proprietary Information in Executive’s possession or control.

8. **Non-Solicitation.** Provided that Bank is not then in default of any of its obligations to Executive, or Executive has not previously resigned, Executive agrees that during the Term and for a period of twelve (12) months thereafter, unless the Executive obtains the Bank's prior written permission, which may be granted or denied at the Bank's sole and absolute discretion, the Executive shall not:

(a) solicit or divert to any competitor of the Bank or, upon termination of the Executive's employment with the Bank, accept any business from any individual or entity that is a customer or a prospective customer of the Bank, to the extent that such prospective customer was identifiable as such prior to the date of the Executive's termination, except that this covenant of non-solicitation shall not apply with respect to anyone who, while having previously been a customer or prospect of the Bank, is no longer a customer or prospect of the Bank at the time of the solicitation; and/or

(b) induce or encourage any officer and/or employee of the Bank to leave the employ of the Bank, hire any individual who was an employee of the Bank as of the date of the termination of the Executive's, or induce or encourage any customer, vendor, participant, agent or other business relation of the Bank to cease or reduce doing business with the Bank or in any way interfere with the relationship between any such customer, vendor, participant, agent or other business relation and the Bank.

9. **Noncompete Agreement.** Provided that Bank is not then in default of any of its obligations to Executive, or Executive has not previously resigned, for a period of twelve (12) months after any termination of Executive's employment, Executive shall not, directly or indirectly, within 25 miles of any regional headquarters of the Bank, enter into or engage directly or indirectly in competition with the Bank or any subsidiary or other company under common control with the Bank, in any financial services business conducted by the Bank or any such subsidiary at the time of such resignation or termination, either as an individual on his own or as a partner or joint venturer, or as a director, officer, shareholder, employee, agent, independent contractor, nor shall Executive assist any other person or entity in engaging directly or indirectly in such competition.

10. **Non-Disparagement.** During the Term, after its expiration and following the termination of this Agreement by the Bank or the Executive for any reason, each party agrees not to make any statements, in writing or otherwise, that disparage the reputation or character of the other party or, in the case of the Bank, any subsidiaries or affiliates of the Bank or any of their respective managers, directors, officers, stockholders, partners, members or employees, at any time for any reason whatsoever, except that nothing in this Section shall prohibit any party from giving truthful testimony in any litigation or administrative proceedings either between the Executive and the Bank or in connection with which such patty is subpoenaed and required by law to give testimony, including without limitation, any action by the Executive to enforce Executive's rights hereunder.

11. **Severance Compensation Conditional; Remedies for Breach of Sections 7, 8, 9 and 10; Independence of Covenants; Notice to Others; Savings Clause.**

11.1 **Severance Compensation Independent.** Bank's obligation to pay Severance Compensation is conditioned on Executive's compliance with Paragraphs 7, 8, 9 and 10 of this Agreement and Bank shall not be obligated to pay such Severance Compensation in the event of any breach by Executive of such Paragraphs.

11 .2 **Remedies for Breach of Sections 7, 8, 9 and 10.** Executive and Bank agree that the covenants in Sections 7, 8, 9 and 10 are reasonable covenants under the circumstances. Executive agrees that any breach of the covenants set forth in Sections 7, 8, 9 and 10 of this Agreement will irreparably harm the Bank. The Executive and the Bank agree that in the event of any breach by the Executive of the

provisions set forth in Section 7, 8, 9 and l0 of this Agreement, the Bank shall be entitled to all rights and remedies available at law or in equity, including without limitation, the following cumulative and not alternative rights:

(a) the right to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of this Agreement, it being agreed that monetary damages alone would be inadequate to compensate the Bank, the amount of such damages will be difficult (if not impossible) to prove precisely, and would be an inadequate remedy for such breach;

(b) the right to institute civil suit to recover damages suffered by the Bank;

(c) the right to recover actual reasonable attorneys' fees and other costs incurred by the Bank in connection with pursuing remedies hereunder; and

(d) the right to seek an equitable accounting of all earnings, profits and other benefits arising from any such violation.

11.3 **Independence of Covenants.** The existence of any claim or cause of action of the Executive against the Bank, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Bank of the provisions of Sections 7, 8, 9 and 10.

11.4 **Notice to Others.** Executive agrees to notify any future prospective employers and future employers, and any future joint venturers, partners and contracting parties of Executive, whose activities may be deemed to compete with Bank of the existence of each of the covenants contained in Sections 7, 8, 9 and 10 of this Agreement.

11.5 **Savings Clause.** In the event that any provision or provisions of any of the covenants in Section 7, 8, 9 and 10 would otherwise be determined by any court of competent jurisdiction to be unenforceable in whole or in part by reason of being for too great a period of time or covering too great a geographical area or too broad a product market, or for any other reason, each such covenant shall nevertheless remain in full force and effect and be construed so as to be enforceable as to that period of time and geographical area and product market, and on such other conditions, as may be determined to be reasonable by the court.

12. **Amendments.** No amendments to this Agreement shall be binding unless in writing and signed by both parties.

13. **Notices.** All notices under this Agreement shall be in writing and shall be deemed effective (i) when delivered in person or by facsimile, telecopier, telegraph or other electronic means capable of being embodied in written form, or (ii) forty-eight (48) hours after deposit thereof in the U.S. mails by certified or registered mail, return receipt requested, postage prepaid, addressed, in the case of Executive, to his last known address as carried on the personnel records of Bank and, in the case of Bank, to the corporate headquarters, attention of the Chairman of the Board of Directors, or to such other address as the party to be notified may specify by notice to the other party.

14. **Entire Agreement.** This Agreement is the entire agreement of the parties with respect to its subject matter and supersedes and replaces all other negotiations, discussions and prior or contemporaneous agreements between the parties, whether oral or written, with respect to the subject matter of Executive's employment with Bank.

15. **Binding Effect and Benefits.** The rights and obligations of Bank and Executive under this Agreement shall inure to the benefit of and shall be binding upon the respective heirs, personal representatives, successors and assigns of Bank and Executive.

16. **Construction.** This Agreement shall be construed under the laws of the State of Rhode Island, as they may be preempted by federal laws and regulations. Section headings are for convenience only and shall not be considered a part of the terms and provisions of the Agreement.

17. **Governing Law: Jurisdiction:Venue.** The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the internal laws of the State of Rhode Island, without regard to its conflicts of law rules, and by federal law to the extent it pre-empts state law. For purposes of any action or proceeding, the Executive irrevocably submits to the exclusive jurisdiction of the courts of the State of Rhode Island and the courts of the United States of America located in Rhode Island for the purpose of any judicial proceeding arising out of or relating to this Agreement or otherwise. The Executive irrevocably agrees to service of process by certified mail, return receipt requested, to the Executive at the addressed listed in the records of the Bank. The proper venue for all such disputes, actions or proceedings shall be Providence County. The parties agree that in any action or proceeds arising under this Agreement, attorneys' fees and costs shall be awarded to the prevailing party.

18. **Executive's Acknowledgment of Terms and Right to Separate Counsel.** Executive acknowledges that he has read this Agreement fully and carefully, understands its terms and that it has been entered into by Executive voluntarily. Executive further acknowledges that Executive has had sufficient opportunity to consider this Agreement and discuss it with Executive's own advisors, including Executive's attorney and accountants and that Executive has made Executive's own free decision whether and to what extent to do so.

19. **Legal Expenses.** Bank shall pay to Executive all reasonable legal fees and expenses incurred by him in connection with the preparation and negotiation of this Agreement and in seeking to obtain or enforce any rights or benefits provided by this Agreement to the extent he prevails in such efforts.

20. **Indemnification of Executive.** Bank shall indemnify Executive against any liability incurred in connection with any proceeding in which the Executive may be involved as a party or otherwise by reason of the fact that Executive is or was serving as President and New England President to the extent permitted by the Bank's articles of incorporation, bylaws and applicable law. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Bank shall cause its director and officer liability insurance to cover Executive during the Term and for such period thereafter as the Bank's liability insurance policy permits coverage for actions or omissions of former directors or officers.

IN WITNESS WHEREOF, the parties hereto have caused the due execution of this Agreement as of the date first set forth above.

Attest:	CUSTOMERS BANCORP, INC.
/s/ Glenn A Yeager	By: /s/ Jay S. Sidhu
Glenn Yeager	Jay S. Sidhu
Secretary	For the Board of Directors
Witness:	
/s/ Maria Benevides	/s/ Steven Issa , Individually 3/5/2014
Maria Benevides	Steven Issa

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement ("Amendment"), made this 26th day of February, 2016, is by and between CUSTOMERS BANCORP, INC., a Pennsylvania corporation (the "Bank"), and Steven Issa (the "Executive").

WHEREAS, the Bank and the Executive entered into an Employment Agreement dated as of March 1, 2014 (the "Agreement"); and

WHEREAS, the Bank and the Executive wish to amend the Agreement to eliminate the potential for the Bank to provide a tax gross-up payment to the Executive in the event of a transaction involving a change in control of the Bank.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, the receipt and adequacy of which the parties acknowledge, the parties hereto, intending to be legally bound, hereby agree that the Agreement shall be amended by deleting Section 5.5(b)(iv) thereof effective immediately.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their authorized representatives as of the date set forth in the first paragraph of this Amendment.

ATTEST:	**CUSTOMERS BANCORP, INC.**
/s/ Glenn A. Yeager	/s/ Robert E. Wahlman
Glenn A. Yeager Secretary	Robert E. Wahlman For the Board of Directors
Witness:	
/s/ Paula Pais-Leach	/s/ Steven Issa
Paula Pais-Leach	Steven Issa

605818

Customers Bancorp, Inc.
1015 Penn Avenue, Suite 103
Wyomissing, PA 19610

January 20, 2016

FBR Capital Markets & Co.
300 North 17th Street, Suite 1400
North Arlington, Virginia 22209

MLV & Co. LLC
1301 Avenue of the Americas, 43 rd Floor
New York, New York 10019

Maxim Group LLC
405 Lexington Avenue
New York, New York 10174

Ladies and Gentlemen:

This will serve to confirm our discussions whereby we have mutually agreed to terminate, effective immediately, the At Market Issuance Sales Agreement dated December 23, 2015.

Please indicate your agreement by providing your signature below, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

CUSTOMERS BANCORP, INC.

By: /s/ Robert E. Wahlman
Name: Robert Wahlman
Title: CFO

FBR CAPITAL MARKETS & CO.

By: /s/ Patrice McNicoll
Name: Patrice McNicoll
Title: Co-head of Capital Markets

MLV & CO. LLC

By: /s/ Patrice McNicoll
Name: Patrice McNicoll
Title: CEO

MAXIM GROUP LLC

By: /s/ Jacob Eisen
Name: Jacob Eisen
Title: Managing Director

Exhibit 21.1

List of Significant Subsidiaries of Customers Bancorp, Inc.

Name:	**Jurisdiction**
1. Customers Bank	Pennsylvania

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-188040) and Form S-8 (No. 333-197977 and No. 333-186544) of Customers Bancorp, Inc. of our reports dated February 26, 2016, relating to the consolidated financial statements and the effectiveness of Customers Bancorp, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Philadelphia, Pennsylvania
February 26, 2016

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jay S. Sidhu, certify that:

1. I have reviewed this Annual Report on Form10-K of Customers Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JAY S. SIDHU

Jay S. Sidhu

Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 2016

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Robert E. Wahlman, certify that:

1. I have reviewed this Annual Report on Form10-K of Customers Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT E. WAHLMAN
Robert E. Wahlman

Chief Financial Officer
(Principal Financial Officer)

Date: February 26, 2016

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Customers Bancorp, Inc. (the “Corporation”) on Form 10-K for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay S. Sidhu, Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 26, 2016

/s/ Jay S. Sidhu

Jay S. Sidhu, Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Customers Bancorp, Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert E. Wahlman, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 26, 2016

/s/ Robert E. Wahlman

Robert E. Wahlman, Chief Financial Officer
(Principal Financial Officer)