Customers Bancorp, Inc.
Form S-1/A
May 01, 2012

As filed with the Securities and Exchange Commission on May 1 , 2012

Registration No. 333-180392

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Customers Bancorp, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	6022	27-2290659
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1015 Penn Avenue
Suite 103
Wyomissing PA 19610
(610) 933-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jay S. Sidhu
Customers Bancorp, Inc.
1015 Penn Avenue
Suite 103
Wyomissing PA 19610
(610) 933-2000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a Copy to:

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Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	o		Accelerated Filer	o
Non-accelerated filer	ý	(Do not check if a smaller reporting company)	Smaller reporting company	o

The Registrant hereby amends this Registration Statement on such date as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated May 1, 2012

PROSPECTUS
7,142,858 Shares

Customers Bancorp, Inc.
Voting Common Stock

This prospectus relates to the initial public offering of our Voting Common Stock. We are offering 7,142,858 shares of our Voting Common Stock. We will bear all expenses of registration incurred in connection with this offering, which expenses will be deducted from the proceeds of the offering.

Prior to this offering, there has been no established public market for our Voting Common Stock. It is currently estimated that the public offering price per share of our Voting Common Stock will be between $13.00 and $15.00 per share. We have applied to list our Voting Common Stock on the Nasdaq Global Market concurrently with this offering under the symbol "CUBI".

See "Risk Factors" beginning on page 16 to read about risk factors you should consider before making an investment decision to purchase our Voting Common Stock.

The shares of our Voting Common Stock that you purchase in this offering will not be savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters the option to purchase up to an additional 1,071,429 shares of our Voting Common Stock from us at the initial public offering price less the underwriting discounts.

The underwriters expect to deliver the shares of our Voting Common Stock against payment in New York, New York on _______________ ___, 2012.

Joint Book-Running Managers

Macquarie Capital | Keefe, Bruyette & Woods

Co-Manager

Janney Montgomery Scott

Prospectus dated ________, 2012

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Unless we state otherwise or the context otherwise requires, references in this prospectus to "Customers Bancorp" refer to Customers Bancorp, Inc., a Pennsylvania corporation and references in this prospectus to Customers Bank or the Bank refer to Customers Bank, a Pennsylvania-chartered bank and wholly-owned subsidiary of Customers Bancorp. All share and per share information have been restated to reflect the Reorganization (as defined below), including that three shares of Customers Bank were exchanged for one share of Customers Bancorp in the Reorganization. Unless we state otherwise or the context otherwise requires, references in this prospectus to "we," "our," "us" and the "Company" refer to Customers Bancorp and its consolidated subsidiary for all periods on or after September 17, 2011 and refer to Customers Bank for all periods before September 17, 2011.

About this Prospectus

We have not, and the underwriters have not, authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. If anyone provides you with different or inconsistent information you should not rely on it. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition, results of operations or prospects may have changed since that date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our securities or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to the offering and the distribution of this prospectus applicable to those jurisdictions.

Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters have not exercised their option to purchase additional shares of Voting Common Stock.

Market Data

Market data used in this prospectus has been obtained from independent industry sources and publications as well as from research reports prepared for other purposes. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified the data obtained from these sources, and we cannot assure you of the accuracy or completeness of the data. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before making an investment decision to purchase Voting Common Stock in this offering. Before making an investment decision to purchase our Voting Common Stock, you should read the entire prospectus carefully, including the section entitled "Risk Factors," our consolidated financial statements, and the related notes thereto and management's discussion and analysis of financial condition and results of operations included elsewhere in this prospectus.

Company Overview

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 three-to-one basis for shares of Voting Common Stock and Class B Non-Voting Common Stock, respectively, of Customers Bancorp (i.e., each three shares of Customers Bank being exchanged for one share of Customers Bancorp). In December 2010, Customers Bank changed its name from New Century Bank. New Century Bank was incorporated in 1994 and is a Pennsylvania state chartered bank and a member of the Federal Reserve System.

Customers Bancorp, through its wholly-owned subsidiary Customers Bank, provides financial products and services to small businesses, not-for-profits and consumers through its fourteen branches in Southeastern Pennsylvania (Bucks, Berks, Chester and Delaware Counties), Rye, New York (Westchester County) and Hamilton, New Jersey (Mercer County). Customers Bank also provides liquidity to the mortgage market nationwide through the operation of its mortgage warehouse business.

We have experienced significant growth since 2009. At December 31, 2009, we had total assets of $349.8 million, including net loans of $220.3 million, total deposits of $313.9 million and shareholders’ equity of $21.5 million. At December 31, 2011, we had total assets of $2.08 billion, including net loans (including held for sale loans) of $1.50 billion, total deposits of $1.58 billion and shareholders’ equity of $147.8 million.

This growth began after we built a solid foundation from June 2009 through the first quarter of 2010, which included recruiting and hiring an experienced management team, increasing our capital position, improving the liquidity of the Bank, enhancing our policies and procedures, improving systems and other infrastructure improvements. We also recruited an experienced board of directors during this infrastructure building period. We raised approximately $106 million since June 2009 through private offerings of our stock, including $67 million from June 2009 through March 31, 2010, to improve liquidity and to bolster our capital position to provide support for our strategic growth plan.

Our growth plan includes organic growth and growth by acquisition. See “Our Strategy” below for more detail. Most of our asset growth since 2009 has come from organic growth. Our organic growth has been driven by improving branch performance via our “High Touch, High Tech” strategy, which resulted in a significant increase in deposits at our existing branches, along with the opening of four new branches in 2010. See “Our Strategy” and “Our Competitive Strengths” below. We have also experienced significant increases in loans, much of which has come from warehouse lending. We started our warehouse lending business in 2009, which has been a profitable line of business that has grown to $794.3 million as of December 31, 2011, including loans held for sale. See “Business – Specialty Lending” for more details on our warehouse lending business. We have also experienced growth in our multi-family and commercial real estate lending business, which increased from $133.4 million at December 31, 2009 to $404.3 million at December 31, 2011, and by acquiring a portfolio of manufactured housing loans, which totaled $104.6 million at December 31, 2011. We also grew as a result of two acquisitions in 2010 and one in 2011. While the two FDIC-assisted acquisitions in 2010 provided limited assets, these added significant earnings and capital ($40 million in pretax bargain purchase gains). See "Our Acquisitions" below.

While we have grown significantly, a cornerstone of our strategy is to focus on profitability and a strong balance sheet by emphasizing asset quality and risk management. See "Our Strategy" below. We increased profits from a net loss of $13.2 million for 2009 to net income of $4.0 million for 2011 by achieving scale in our operations after building out our infrastructure and improving branch performance, along with completing acquisitions on favorable terms which have been accretive to earnings. Our organic strategy has resulted in a significant growth in deposits and loans, which has been a driver of our increase in net interest income.

When new management joined the Bank in 2009 in an effort to address existing non-performing and distressed loans, they hired a consultant to coordinate and assist in collection, workout and foreclosure of distressed loans. We subsequently hired this consultant, who now manages a team of over 10 employees dedicated to problem loans, including loans that were assumed as part of acquisitions. New management also rewrote all of the underwriting policies in 2009, which management believes are much more conservative and less risky than prior practices. These policies have resulted in a relatively low rate of delinquencies for new loans originated after this change in policy. We do not currently have any brokered deposits, sub-prime, Alt-A or other non-conforming loans although we hold manufactured housing loans (approximately $104 million as of December 31, 2011) which were opportunistic purchases acquired with substantial cash reserves or at a significant discount.

Our management team consists of experienced banking executives. The team is led by our Chairman and Chief Executive Officer Jay Sidhu, who joined Customers Bank in June 2009. Mr. Sidhu brings 36 years of banking experience, including 17 years as the Chief Executive Officer of Sovereign Bancorp, Inc. and Sovereign Bank and 4 years as Chairman of Sovereign Bancorp, Inc. and Sovereign Bank. In addition to Mr. Sidhu, most of the members of our current management team joined us following Mr. Sidhu's arrival in 2009 and have extensive experience working together at Sovereign with Mr. Sidhu. This team has significant experience in building a banking organization, in completing and integrating mergers and acquisitions, as well as developing existing valuable community and business relationships in our core markets.

Our Strategy

Our strategic plan is to become a leading regional bank holding company through organic growth and value-added acquisitions. We differentiate ourselves from our competitors through our focus on and understanding of the banking needs of small businesses, not-for-profits and consumers. We will also focus on certain low-cost, low-risk specialty lending segments such as warehouse lending. Our lending is funded by our branch model, which seeks higher deposit levels than a typical branch, combined with lower branch operating expenses, without sacrificing customer service. We also create franchise value through our approach to acquisitions, both in terms of identifying targets and structuring transactions, including Federal Deposit Insurance Corporation ("FDIC")-assisted transactions of troubled financial institutions. Risk management practices are an important part of the strategies we initiate.

A central part of this strategy is generating core deposit customers to support growth of a strong and stable loan portfolio. We believe we can achieve this through convenience and pricing flexibility for deposits while remaining more responsive to our customers' needs and providing a high level of personal and specialized service. We will strive for flexibility and responsiveness in operating and growing our franchise, while maintaining tight internal controls and adhering to the following "Critical Success Factors:"

- Talent - Attract, retain and develop a seasoned and innovative executive management team, experienced high-producing relationship managers to accelerate organic growth and experienced business development officers;

- Profitability - Create a culture that focuses on profitability and delivering services in a cost-effective, efficient manner with the goal of increasing our revenues significantly faster than our expenses;

- Asset Quality - Develop and adhere to conservative underwriting policies while maintaining diversified portfolios of earning assets and a conservative level of loan loss reserves;

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Risk Management - Manage other enterprise-wide risks, including minimizing interest rate risk through positioning the balance sheet so as to not place directional speculation on interest rate movements; and

- Capital - Maintain an adequate capital cushion that insulates us from adverse economic climates.

We intend to achieve our objectives under these guidelines by adhering to a combination of the following strategies:

- Organic growth through "High Touch, High Tech" Strategy. We focus our customer service efforts on relationship banking, personalized service and the ability to quickly make credit and other business decisions. Relationship managers, available 12 hours a day, seven days a week, are assigned for all customers, establishing a single point of contact for all issues and products. This "concierge banking" approach allows Customers Bank to provide services in a convenient and expeditious manner, delivered by experienced bankers, and enhances the overall customer experience, offering pricing flexibility, speed and convenience. This approach is supplemented with technology services, such as remote deposit capture and mobile banking, collectively creating “virtual branch banks.” We can open accounts at the location of the customer and remote account opening is also available via our web site. To ensure functionality across the customer base, Customers Bank will not only provide the technology, but also set up and train customers on how to benefit from this technology. We believe that the combination of our “concierge banking” approach and creation of a more inexpensive network of “virtual” branches, which require less staff and smaller branch locations, provides greater convenience and cost savings. We believe this allows us to capture market share from and have a competitive advantage over larger institutions, which we expect will continue to contribute to the profitability of our franchise and allows us to generate core deposits.

- Value-Added Acquisitions. We plan to take advantage of acquisition opportunities that will add immediate value to our core franchise. The recent U.S. recession and the related crisis in the financial services industry present an opportunity for us to execute our acquisition strategy. Many banks are trading at historically low multiples and are in need of capital at a time when traditional sources of capital have diminished. The current weakness in the banking sector and the potential duration of any recovery provide us with an opportunity to successfully execute our strategy. Our management team has a long history of identifying targets, assessing and pricing risk and executing acquisitions. We believe our acquisition strategy will deliver transactions that add substantial value while minimizing potential risks.

Our acquisition strategy focuses on community banks, primarily in Pennsylvania, New Jersey, New York, Maryland, Connecticut and Delaware. We seek to achieve sufficient scale in each market that we enter by acquiring healthy, distressed, undercapitalized and weakened banking institutions that have stable core deposit franchises, local market share, quantifiable risks or that are acquired from the FDIC with federal assistance, and that offer synergies through add-on acquisitions, expense reduction and organic growth opportunities. We also seek to purchase assets and banking platforms, as well as assumptions of deposits from the FDIC and possibly enter into loss mitigation arrangements with the FDIC in connection with such purchases. While we are continually assessing various acquisition opportunities, we currently do not have any agreements, arrangements or understandings for any acquisitions.

- Creative and Efficient Integration. We will seek to integrate acquired banks into our existing model, where our operational strategies and systems will have already proven themselves in our core banking franchise. Our strategy includes maximizing customer retention, improving on the products and services offered to new customers, and a seamless integration and conversion focusing on achieving appropriate cost savings. As we grow our franchise, we will seek to capitalize on the existing goodwill, customer loyalty and brand values. We intend to actively manage banks we acquire, integrate and reposition existing management to maximize the use of their talents and evaluate the competitive models of our acquired franchises to determine how best our overall company can profit from the strongest features of each business.

- Lending initiatives focused on small business and specialty lending. We maintain a specialty lending line, warehouse lending, that is relatively low risk and low cost. Warehouse lending is a national business where we provide liquidity to non-depository mortgage companies to fund their mortgage pipelines. We have also established a multi-family and commercial real estate segment that is focused in the Mid-Atlantic region, which targets the refinancing of existing loans utilizing conservative underwriting standards.

- Expand fee-based services and products. We will provide fee-based services for core retail and small business customers including cash management, deposit services, merchant services and asset management. We are working with vendors to expand our suite of fee-based services. Our management team has significant experience in building these capabilities and creating sales processes to increase fee revenue.

- Maintain strong risk management culture. We are very focused on maintaining a strong risk management culture. We employ conservative underwriting in our lending, with a loan committee chaired by our Chief Credit Officer. Customers Bank's Risk Management Committee performs an independent review of all risks at Customers Bank, and the Bank's Management Risk Committee, chaired by the Head of Enterprise Risk Management, reviews all risks. We intend to maintain strong capital levels and utilize our investment portfolio to primarily manage liquidity and interest rate risk.

Our Competitive Strengths

- Experienced management team. An integral element of our business strategy is to capitalize on and leverage the prior experience of our executive management team. The management team is led by our Chairman and Chief Executive Officer, Jay Sidhu, who is the former Chief Executive Officer and Chairman of Sovereign Bancorp. In addition to Mr. Sidhu, most of the members of our current management team have extensive experience working together at Sovereign with Mr. Sidhu, including Richard Ehst, President and Chief Operating Officer of Customers Bancorp, Warren Taylor, President of Community Banking for Customers Bank, and Thomas Brugger, Chief Financial Officer of Customers Bancorp. During their tenure at Sovereign, the team established a track record of producing positive financial results, integrating acquisitions, managing risk, working with regulators and achieving organic growth and expense control. In addition, our warehouse lending group is led by Glenn Hedde, who brings more than 23 years of experience in this sector. This team has significant experience in successfully building a banking organization as well as existing community and business relationships in our core markets.

- Asset Generation Strategy. We focus on local market lending combined with relatively low-risk specialty lending segments. Our local market asset generation provides consumer lending products, such as mortgage loans and home equity loans. We have also established a multi-family and commercial real estate product line that is focused on the Mid-Atlantic region. 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, we earn interest income, fee income and generate commercial deposits. We also maintain a specialty lending business, warehousing lending, which is a national business where we provide liquidity to non-depository mortgage companies to fund their mortgage pipelines. Through the warehouse lending business, we earn interest income and generate fees.

- Risk Management. We have sought to maintain strong asset quality and moderate credit risk by using conservative underwriting standards and early identification of potential problem assets. We have also formed a special assets department to both manage our covered assets portfolio and to review our other classified and non-performing assets. As shown below, a significant portion of our loan portfolio has been subjected to acquisition accounting adjustments and, in some cases, is also subject to loss sharing agreements with the FDIC (“Loss Sharing Agreements”):

- as of December 31, 2011, approximately 22.87% of our loans (by dollar amount) were acquired loans and all of those loans were adjusted to their estimated fair values at the time of acquisition; and

- as of December 31, 2011, 8.32% of our loans and 45.74% of our other real estate owned (“OREO”) (each by dollar amount) were covered by a loss sharing arrangement with the FDIC in which the FDIC will reimburse us for 80% of our losses on these assets.

Please refer to the Asset Quality disclosure and tables regarding legacy and acquired loans beginning on page 60 in the Management’s Discussion and Analysis section.

- Community Banking Model. We expect to drive organic growth by employing our “concierge banking” strategy, which provides specific relationship managers for all customers, delivering an appointment banking approach available 12 hours a day, seven days a week. This allows us to provide services in a personalized, convenient and expeditious manner. We believe this approach, coupled with our modern technology, including remote account opening, remote deposit capture and mobile banking, results in a competitive advantage over larger institutions, which we also believe contributes to the profitability of our franchise and allows us to generate core deposits. Our “high tech, high touch,” model requires less staff and smaller branch locations to operate, thereby significantly reducing our operating costs.

Acquisition Expertise. The depth of our management team and their experience working together and completing acquisitions provides us with valuable insight in identifying and analyzing potential markets and acquisition targets. Our team's experience, which includes the acquisition and integration of over 20 institutions, as well as several branch acquisitions, provides us a substantial advantage in pursuing and consummating future acquisitions. Additionally, we believe our strengths in structuring transactions to limit our risk, our experience in the financial reporting and regulatory process related to troubled bank acquisitions, and our ongoing risk management expertise, particularly in problem loan workouts, collectively enable us to capitalize on the potential of the franchises we acquire. With our depth of operational experience in connection with completing merger and acquisition transactions, we expect to be able to integrate and reposition acquired franchises cost-efficiently and with a minimum disruption to customer relationships.

We believe our ability to operate efficiently is enhanced by our centralized management structure, our access to relatively low labor and real estate costs in our markets, and an infrastructure that is unencumbered by legacy systems. Furthermore, we anticipate additional expense synergies from the integration of our recent acquisitions, which we believe will enhance our financial performance.

Our Markets

Market Criteria

We look to grow organically as well as through selective acquisitions in our current and prospective markets. We believe there is significant opportunity to both enhance our presence in our current markets and enter new complementary markets that meet our objectives.

We focus on markets that we believe are characterized by some or all of the following:

- Population density
- Concentration of business activity
- Attractive deposit bases; large 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
- Management experience in the applicable markets

Current Markets

Our current markets are broadly defined as the greater Philadelphia region and Berks County in Pennsylvania, Mercer County, New Jersey and Southeastern New York. The table below describes certain key statistics regarding our presence in these markets as of June 30, 2011:

Market	Deposit Market Share Rank	Offices	Deposits (in millions)	Deposit Market Share
Philadelphia-Camden-Wilmington, PA, NJ, DE, MSA	27	8	$947.6	0.23%
Berks County, PA(1)	9	6	271.9	3.07
Mercer County, NJ	19	1	141.7	1.17
Westchester County, NY	26	1	170.7	0.37

(1) Includes deposits and offices of Berkshire Bank. See “Berkshire Bank Acquisition.”

Source: FDIC Website as of June 30, 2011

We believe that these markets have highly attractive demographic, economic and competitive dynamics that are consistent with our objectives and favorable to executing our organic growth and acquisition strategy. The table below describes certain key demographic statistics regarding these markets.

Market Environment

Market	Deposits ($bn)	# of Businesses (thousands)	Market Population (millions)	Population Density Current (#/sq. mi.)	Population Growth (%) (2000 to 2011)	Median Household Income ($) 2011	Top 3 Competitor Combined Deposit Market Share (%)
Philadelphia – Camden – Wilmington, PA-NJ-DE-MD	417.2	219	6.0	1,228.9	5.2	58,051	53
Berks, PA	8.8	14	0.4	482.0	10.5	54,769	59
Mercer, NJ	12.1	16	0.4	1,638.2	4.9	71,646	49
Westchester, NY	46.5	41	0.9	2,203.0	2.7	81,147	53
U.S.				88.0	10.4	50,227	33

Source: SNL Financial; Deposit data as of June 30, 2011

Prospective Markets

Our organic growth strategy focuses on expanding market share in our existing and contiguous markets by generating deposits through personalized service and taking advantage of technology and through our commercial, consumer and specialized lending products. Our acquisition strategy primarily focuses on undervalued and troubled community banks in Pennsylvania, New Jersey, New York, Maryland, Connecticut and Delaware, where such acquisitions further our objectives and meet our critical success factors. As we evaluate potential acquisition opportunities, we believe 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.

Our Acquisitions

Since July 2010, we have completed three acquisitions, two of which were FDIC-assisted transactions. On September 17, 2011, we acquired Berkshire Bancorp, Inc. and its subsidiary, Berkshire Bank, which served Berks County, Pennsylvania. On the closing date, Berkshire Bancorp had total assets of approximately $132.5 million, including total loans of $98.4 million, and total liabilities of approximately $122.8 million, including total deposits of $121.9 million. The transaction was immediately accretive to earnings.

On July 9, 2010, Customers Bank acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all other liabilities of USA Bank from the FDIC, as receiver. The transaction consisted of assets with a fair value of $221.1 million, including $124.7 million of loans (with a corresponding unpaid principal balance ("UPB") of $153.6 million), a $22.7 million FDIC loss sharing receivable and $3.4 million of foreclosed assets. Liabilities with a fair value of $202.1 million were also assumed, including $179.3 million of non-brokered deposits. Customers Bank also received cash consideration from the FDIC of $25.6 million. Furthermore, Customers Bank recognized a bargain purchase gain before taxes of $28.2 million, which represented 12.2% of the fair value of the total assets acquired. Customers Bank entered into this transaction to expand its franchise into a lucrative new market, accrete its book value per share and add significant capital.

On September 17, 2010, Customers Bank acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all other liabilities of ISN Bank from the FDIC, as receiver. The transaction consisted of assets with a fair value of $83.9 million, including $51.3 million of loans (with a corresponding UPB of $58.2 million), a $5.6 million FDIC loss sharing receivable and $1.2 million of foreclosed assets. Liabilities with a fair value of $75.8 million were also assumed, including $71.9 million of non-brokered deposits. Customers Bank received cash consideration from the FDIC of $5.9 million. Furthermore, Customers Bank recognized a bargain purchase gain before taxes of $12.1 million, which represented 14.4% of the fair value of the total assets acquired. Customers Bank entered into this transaction to enhance book value per share, add capital and enter the New Jersey market in a more efficient manner than de novo expansion.

We believe we have structured acquisitions that limit our credit risk, which has positioned us for positive risk-adjusted returns.

Recent Developments

Set forth below is a discussion of our financial information at and for the three months ended March 31, 2012. This data was not audited, but in the opinion of management, reflects all adjustments necessary for a fair presentation. All of the adjustments are normal and recurring. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results of operations that may be expected for the entire year.

We expect net income of $3.1 million for the first quarter of 2012 compared to $3.2 million in the fourth quarter of 2011 and a net loss of $1.7 million for the first quarter of 2011. Diluted earnings per share were $0.27 in the first quarter of 2012 as compared to $0.28 per share in the fourth quarter of 2011 and a diluted loss per share of $0.18 in the first quarter of 2011.

Return on average equity was 8.4% and return on average assets was 0.7% in the first quarter of 2012 as compared to negative 6.1% and negative 0.5%, respectively, for the same period in 2011.

Net interest income was $13.5 million for the first quarter of 2012 compared to $14.1 million for the fourth quarter of 2011 and $6.3 million for the first quarter of 2011. Net interest margin increased 114 basis points to 2.98% in the first quarter of 2012 from 1.84% in the first quarter of 2011. Increases in income and margin were related to reductions in cash and growth in the loan portfolio, along with planned runoff of high cost CDs being replaced with lower cost core deposits and demand deposits. Net interest margin in the first quarter of 2012 fell 5 basis points relative to the fourth quarter of 2011 due to normal seasonal reductions in warehouse loans outstanding, continued growth in deposits and increases in cash balances.

Provision for loan loss in the first quarter of 2012 fell to $1.8 million, which is $1.1 million lower than the fourth quarter of 2011 and $1.0 million lower than the first quarter of 2011. Reductions in the level of non-performing loans coupled with loan growth in lower risk loan portfolios, such as warehouse lending and multi-family lending, contributed to this reduction in expense.

Non-interest income for the first quarter of 2012 increased $436,000 over the first quarter of 2011 to $3.7 million. This increase was primarily from fees related to warehouse lending and investment security gains offset by lower FDIC indemnification asset income. Non-interest income for the first quarter of 2012 decreased $644,000 over the fourth quarter of 2011 due to a reduction in investment security gains of $1.1 million offset by increases in warehouse lending fees of $0.3 million.

Non-interest expense for the first quarter of 2012 was up $1.5 million over the first quarter of 2011 to $10.6 million. This increase was caused by additional staffing and occupancy costs from the Berkshire Bank acquisition along with infrastructure and technology spending to support loan and deposit growth. Expenses decreased slightly from the fourth quarter 2011.

Total loans at March 31, 2012 fell slightly from December 31, 2011 due to a seasonal decline of $57 million in warehouse loans offset by $25 million of growth in multi-family and commercial lending. Total non-covered loans increased by $668.6 million to $1.19 billion at March 31, 2012 compared to $523.8 million at March 31, 2011, largely due to increases in warehouse lending loans and secondarily due to growth from the Berkshire acquisition and growth in multi-family lending.

Total deposits at March 31, 2012 grew by $221.3 million in the first quarter as compared to year end 2011. Approximately one-third of the growth was in core deposits. Most of the growth came from the New York and Berks County markets. The average cost of deposits fell 7 basis points in the first quarter to 1.23% as compared to the fourth quarter of 2011. Total

deposits grew by $414.9 million from $1.39 billion at March 31, 2011 to $1.80 billion at March 31, 2012. Approximately one-quarter of the growth came from the Berkshire acquisition with the remainder coming from organic growth.
Investments at March 31, 2012 were $309.4 million, a decrease of $89.3 million from December 31, 2011, due to the sale of approximately $49 million of available-for-sale investments and normal repayments. Total investments fell by $288.7 million from $598.0 million at March 31, 2011 to $309.4 million at March 31, 2012 due to sales of available-for-sale investments and repayments.

Borrowings at March 31, 2012 fell by $320.0 million as compared to December 31, 2011 due to $221.3 million of deposit growth coupled with a $102.6 million reduction in total assets. Borrowings were unchanged at March 31, 2012 as compared to March 31, 2011.

Total non-performing loans in the non-covered portfolio fell by $10.2 million to $34.9 million at March 31, 2012 as compared to December 31, 2011. Total non-performing loans in the covered portfolio were essentially flat quarter over quarter at $45.3 million. Other real estate owned declined to $12.3 million at March 31, 2012 from $13.5 million at December 31, 2011.

Customers Bancorp, Inc. and Subsidiary

Summary Selected Consolidated Financial Information

(Unaudited)

(Dollars in 000s)

	Three Months Ended (1)		
	March 31, 2012	Dec. 31, 2011	March 31, 2011
Interest income	$18,695	$19,493	$11,839
Interest expense	5,226	5,422	5,555
Net interest income	13,469	14,070	6,284
Provision for loan losses	1,800	2,900	2,800
Total non-interest income	3,652	4,296	3,217
Total non-interest expense	10,606	10,707	9,072
Income (loss) before taxes	4,715	4,759	(2,372)
Income tax expense (benefit)	1,603	1,535	(696)
Net income (loss)	$3,112	$3,223	$(1,676)
Net income (loss) attributable to common shareholders	$3,112	$3,185	$(1,676)
Basic earnings (loss) per share (2)	$0.27	$0.29	$(0.18)
Diluted earnings (loss) per share (2)	$0.27	$0.28	$(0.18)
Return/(loss) on average assets	0.66%	0.66%	(0.47)%
Return/(loss) on average equity	8.36%	8.47%	(6.10)%
Book value per share (2)	13.26	13.02	12.18
Tangible book value per common share (2)(5)	13.07	12.88	12.18
Common shares outstanding (2)	11,347,683	11,347,683	9,786,464
Net charge offs	$1,431	$1,894	$631

Annualized net charge offs to average non-covered loans (4)	0.60 %	0.90 %	0.58 %

	At or for the Three Months Ended (1)		
	March 31, 2012	Dec. 31, 2011	March 31, 2011
At Period End			
Total assets	$ 1,974,905	$ 2,077,532	$ 1,607,526
Cash and cash equivalents	90,824	73,569	86,160
Investment securities (3)	309,368	398,684	598,042
Loans held for sale	175,868	174,999	175,010
Loans receivable not covered under FDIC loss sharing agreements, net (4)	1,192,414	1,216,265	523,820
Allowance for loan and lease losses	15,400	15,032	17,298
Loans receivable covered under FDIC loss sharing agreements (4)	120,559	126,276	158,194
FDIC loss sharing receivable (4)	14,149	13,077	16,229
Deposits	1,804,190	1,582,917	1,389,340
Other borrowings	13,000	333,000	13,000
Shareholders’ equity	150,491	147,748	119,235
Tangible common equity (5)	148,284	146,150	119,235
Selected Ratios & Share Data			
Net interest margin	2.98 %	3.04 %	1.84 %
Equity to assets	7.62 %	7.11 %	7.42 %
Tangible common equity to tangible assets (5)	7.52 %	7.04 %	7.42 %
Tier 1 leverage ratio - Customers Bank	7.46 %	7.33 %	8.28 %
Tier 1 leverage ratio - Customers Bancorp	7.68 %	7.59 %	-
Tier 1 risk-based capital ratio - Customers Bank	10.55 %	9.97 %	16.08 %
Tier 1 risk-based capital ratio - Customers Bancorp	10.85 %	10.32 %	-
Total risk-based capital ratio - Customers Bank	11.72 %	11.08 %	17.51 %
Total risk-based capital ratio - Customers Bancorp	12.02 %	11.43 %	-
Asset Quality			
Non-performing, non-covered loans (4)	$ 34,963	$ 45,137	$ 30,053
Non-performing, non-covered loans to total non-covered loans (4)	2.55 %	3.71 %	5.55 %
Other real estate owned - non-covered (4)	$ 5,935	$ 7,316	$ 3,261
Non-performing, non-covered assets (4)	40,898	52,453	33,314
Non-performing, non-covered assets to total non-covered assets (4)	2.21 %	2.70 %	2.31 %
Allowance for loan losses to total non-covered loans (4)	1.29	1.24	3.30
Allowance for loan losses to non-performing, non-covered loans (4)	44.05	33.30	57.56
Covered non-performing loans (4)	$ 45,300	$ 45,213	$ 47,781
Covered other real estate owned (4)	6,363	6,166	4,394
Covered non- performing assets (4)	51,663	51,379	52,175

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(1) On September 17, 2011, we completed our acquisition of Berkshire Bancorp, Inc. All transactions since the acquisition date are included in our consolidated financial statements.

(2) Effective September 17, 2011, Customers Bancorp, Inc. and Customers Bank entered into a plan of merger and reorganization pursuant to which all of the issued and outstanding common stock of the Bank was exchanged on a three to one basis. All share and per share information has been restated retrospectively to reflect the reorganization.

(3) Includes available-for-sale and held-to-maturity investment securities.

(4) Certain loans and other real estate owned (described as covered) acquired in the two FDIC assisted transactions are subject to loss sharing agreements between Customers Bank and the FDIC. If certain provisions within the loss sharing agreements are maintained, the FDIC will reimburse Customers Bank for 80% of the unpaid principal balance and certain expenses. A loss sharing receivable was recorded based upon the credit evaluation of the acquired loan portfolio and the estimated periods for repayments. Loans receivable and assets that are not subject to the loss sharing agreement are described as non-covered to provide comparability to previous periods presented.

(5) Our 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. Managementuses these non-GAAP measures to present historical periods comparable to the current period presentation. These disclosures should not be viewed as substitutes for results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other entities. We calculate tangible common equity by excluding preferred stock and goodwill from total shareholders' equity. Tangible book value per common share equals tangible common equity divided by common shares outstanding. A reconciliation of each of these non-GAAP financial measures against the most directly comparable GAAP measure is set forth below.

	March 31, 2012	Dec. 31, 2011	March 31, 2011
Shareholders’ equity	$ 150,491	$ 147,748	
Less:			
Preferred stock	—	—	—
Intangible assets	(2,207)	(1,598)	—
Tangible common equity	$ 148,284	$ 146,150	
Shares outstanding	11,348	11,348	9,786
Book value per share	$ 13.26	$ 13.02	$ 12.18
Less: effect of excluding intangible			
assets and preferred stock	(0.19)	(0.14)	—
Tangible book value per share	$ 13.07	$ 12.88	$ 12.18

Total assets	$ 1,974,905	$ 2,077,532	$ 1,607,526
Less: intangible assets	(2,207)	(1,598)	—
Total tangible assets	$ 1,972,698	$ 2,075,934	$ 1,607,526
Equity to assets	7.62 %	7.11 %	7.42 %
Less: effect of excluding intangible assets and preferred stock	(0.10)	(0.07)	—
Tangible common equity to tangible assets	7.52 %	7.04 %	7.42 %

Additional Information

Our principal executive offices are located at 1015 Penn Avenue, Suite 103, Wyomissing, Pennsylvania, 19610. Our telephone number is (610) 993-2000. Our Internet address is www.customersbank.com. Information on, or accessible through, our web site is not part of this prospectus.

The Offering

Voting Common Stock offered by us	7,142,858 shares of Voting Common Stock.
Option of underwriters to purchase additional shares of Voting Common Stock from us	1,071,429 shares of Voting Common Stock.
Common stock to be outstanding after this offering	15,646,399 shares of Voting Common Stock and 2,844,142 shares of Class B Non-Voting Common Stock. (1)
Holdings of Voting Common Stock by Directors, Officers and 5% Shareholders	The beneficial ownership and percentage of ownership of each of the (a) executive officers and directors of Customers Bank and Customers Bancorp as a group and (b) holders of more than 5% of our outstanding Voting Common Stock who are not directors or executive officers, as a group, are set forth below as of April 20, 2012 and as expected after the offering:

	4/20/12	Post-Offering
Officers and Directors	1,884,321 (21.3%)	1,884,321 (11.8%)
5% Shareholders	1,736,026 (20.3%)	1,736,026 (11.1%)

For additional information, see "Security Ownership of Certain Beneficial Owners and Management" and "Risk Factors - Our directors and executive officers may influence the outcome of shareholder votes and, in some cases, shareholders may have no opportunity to evaluate and affect the decision regarding a potential investment or acquisition transaction."

Use of proceeds	Assuming an initial public offering price of $14 per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our Voting Common Stock in this offering will be $91,800,011 (or $105,750,017 if the underwriters exercise in full their option to purchase additional shares of Voting Common Stock from us), after deducting estimated underwriting discounts and offering expenses. We intend to use our net proceeds from this offering (a) to fund our organic growth; (b) to fund the acquisition of depository and non-bank institutions; and (c) for working capital and other general corporate purposes. For additional information, see "Use of Proceeds."
Regulatory ownership restrictions	We are a bank holding company. A holder of shares of Voting Common Stock (or group of holders acting in concert) that (a) directly or indirectly owns, controls or has the power to vote more than 5% of the total voting power of the Company, (b) directly or indirectly owns, controls or has

	the power to vote 10% or more of any class of voting securities of the Company, (c) directly or indirectly owns, controls or has the power to vote 25% or more of the total equity of the Company, or (d) is otherwise deemed to "control" the Company under applicable regulatory standards, may be subject to important restrictions, such as prior regulatory notice or approval requirements and applicable provisions of the FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions. For a further discussion of regulatory ownership restrictions, see "Supervision and Regulation."
Voting Common Stock and Class B Non-Voting Common Stock	The Voting Common Stock possesses all of the voting power for all matters requiring action by holders of our common stock, with certain limited exceptions. Our articles of incorporation provide that, except with respect to voting rights, the Voting Common Stock and Class B Non-Voting Common Stock are treated equally.

Dividend Policy	We have never paid cash dividends to holders of our common stock. We do not expect to declare or pay any cash or other dividends on our common stock in the foreseeable future after the completion of this offering. For additional information, see “Dividend Policy.”
Recent Prices	There is no established public trading market for our Voting Common Stock. Bid quotations for the Voting Common Stock occur on the Pink Sheets. The last reported sale on the Pink Sheets of our Voting Common Stock on April 24, 2012 was $12.25 per share. See “Market Price of Common Stock and Dividends” for additional information.
Listing	We have applied to list our Voting Common Stock on the Nasdaq Global Market concurrently with this offering under the trading symbol “CUBI.”
Risk factors	Investing in our Voting Common Stock involves risks. Please read the section entitled “Risk Factors” beginning on page 16 for a discussion of various matters you should consider before making an investment decision to purchase our Voting Common Stock.

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(1) Based on 8,503,541 shares of Voting Common Stock and 2,844,142 shares of Class B Non-Voting Common Stock issued and outstanding as of March 31, 2012. Unless otherwise indicated, information contained in this prospectus regarding the number of shares of our common stock outstanding after this offering does not include shares underlying awards issuable under our Bonus Recognition and Retention Program* and an aggregate of up to 4,950,070 shares of Voting Common Stock and 241,920 shares of Non-Voting Common Stock as of March 31, 2012, which is comprised of:

- up to 1,071,429 shares of Voting Common Stock which may be issued by us upon exercise in full of the underwriters’ option to purchase additional shares of our Voting Common Stock;

- 92,320 shares of Voting Common Stock underlying restricted stock units awarded but not yet vested under the Amended and Restated 2004 Incentive Equity and Deferred Compensation Plan, as amended (the “2004 Plan”);

- 589,005 shares of Voting Common Stock and 81,036 shares of Class B Non-Voting Common Stock issuable upon exercise of outstanding warrants with exercise prices from $10.50 to $73.01 per share of which all were vested as of March 31, 2012;

- 1,065,195 shares of Voting Common Stock and 160,884 shares of Non-Voting Common Stock issuable upon exercise of outstanding stock options under our 2010 Stock Option Plan (the “2010 Stock Option Plan”) and 2004 Plan with a weighted average exercise price of $11.17 per share, of which 6,272 shares were vested as of March 31, 2012;

- 2,118,106 shares ** of Voting Common Stock and Class B Non-Voting Common Stock reserved for future issuance under the 2004 Plan and 2010 Stock Option Plan (excluding (i) the 1,318,399 shares issuable upon exercise of outstanding stock options and vesting of restricted stock units as noted above and (ii) the 15% limitation currently in place on the number of shares that can be awarded under the 2010 Stock Option Plan at any point in time – see footnote 3 to the disclosure under "Equity Compensation Plans" for more details on this 15% limitation); and

- 14,015 shares of Voting Common Stock issuable to directors as compensation for service as a director (see "Director Compensation" for details).

* The Bonus Recognition and Retention Program does not provide for a specific number of shares to be reserved under this formula-based plan. By its terms, the award of restricted stock units under this plan is limited by the amount of the cash bonuses paid to the participants in the plan. See the description of the Bonus Recognition and Retention Program in this prospectus under the heading "Executive Compensation - Bonus Recognition and Retention Program."

**For purposes of calculating the 4,950,070 shares of Voting Common Stock and 241,920 shares of Non-Voting Common Stock disclosed in the second sentence of this footnote (1), it is assumed that all of the 2,118,106 shares reserved for future issuance under the 2004 Plan and 2010 Stock Option Plan are shares of Voting Common Stock.

Summary Selected Historical Consolidated Financial Information

Customers Bancorp and Subsidiary

The following table presents Customers Bancorp's summary consolidated financial data. We derived our balance sheet and income statement data for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 from our audited financial statements. The summary consolidated financial data should be read in conjunction with, and are qualified in their entirety by, our financial statements and the accompanying notes and the other information included elsewhere in this prospectus.

Dollars in thousands except per share data

For the Period	2011(1)	2010(2)	2009	2008	2007
Interest income	$ 61,439	$ 30,907	$ 13,486	$ 15,502	$ 17,659
Interest expense	22,463	11,546	6,336	8,138	10,593
Net interest income	38,976	19,361	7,150	7,364	7,066
Provision for loan losses	9,450	10,397	11,778	611	444
Bargain purchase gain on bank acquisitions	—	40,254	—	—	—
Total non-interest income (loss) excluding bargain purchase gains	13,652	5,349	1,043	(350)	356
Total non-interest expense	37,309	26,101	9,650	7,654	6,908
Income (loss) before taxes	5,869	28,466	(13,235)	(1,251)	70
Income tax expense (benefit)	1,835	4,731	—	(426)	(160)
Net income (loss)	4,034	23,735	(13,235)	(825)	230
Net income (loss) attributable to common shareholders	$ 3,990	$ 23,735	$ (13,235)	$ (825)	$ 230
Basic earnings (loss) per share (3)	$ 0.40	$ 3.78	$ (10.98)	$ (1.23)	$ 0.33
Diluted earnings (loss) per share (3)	$ 0.39	$ 3.69	$ (10.98)	$ (1.23)	$ 0.33
At Period End					
Total assets	$ 2,077,532	$ 1,374,407	$ 349,760	$ 274,038	$ 272,004
Cash and cash equivalents	73,570	238,724	68,807	6,295	6,683
Investment securities (4)	398,684	205,828	44,588	32,061	40,779
Loans held for sale	174,999	199,970	—	—	—
Loans receivable not covered by Loss Sharing Agreements with the FDIC (5)	1,216,265	514,087	230,258	223,752	214,569
Allowance for loan and lease losses	15,032	15,129	10,032	2,876	2,460
Loans receivable covered under Loss Sharing Agreements with the FDIC (5)	126,276	164,885	—	—	—
	13,077	16,702	—	—	—

FDIC loss sharing receivable (5)										
Deposits		1,583,189		1,245,690		313,927		237,842		220,345
Other borrowings		331,000		11,000		—		—		—
Shareholders' equity		147,748		105,140		21,503		16,849		16,830
Tangible common equity (6)	$	146,150	$	105,140	$	21,503	$	15,869	$	16,830
Selected Ratios and Share Data										
Return on average assets		0.24%		3.40%		(4.69)%		(0.30)%		0.09%
Return on average equity		3.56%		41.29%		(65.35)%		(4.98)%		1.40%
Book value per share (3)	$	13.02	$	12.52	$	11.68	$	25.00	$	24.97
Tangible book value per common share (3) (6)	$	12.88	$	12.52	$	11.68	$	23.54	$	24.97
Common shares outstanding (3)		11,347,683		8,398,014		1,840,902		673,693		673,693

Net interest margin	2.44%	2.70%	2.62%	2.82%	2.83%
Equity to assets	7.11%	7.65%	6.14%	6.15%	6.19%
Tangible common equity to tangible assets (6)	7.04%	7.65%	6.14%	5.79%	6.19%
Tier 1 leverage ratio - Bank	7.33%	8.67%	6.68%	6.21%	6.22%
Tier 1 leverage ratio – Customers Bancorp	7.59%	— %	—%	—%	—%
Tier 1 risk-based capital ratio - Bank	9.97%	19.65%	9.76%	7.87%	8.03%
Tier 1 risk-based capital ratio - Customers Bancorp	10.32%	—%	—%	—%	—%
Total risk-based capital ratio - Bank	11.08%	21.14%	11.77%	10.50%	10.62%
Total risk-based capital ratio – Customers Bancorp	11.43%	—%	—%	—%	—%
Asset Quality - Non-Covered Assets					
Non-performing loans (5)	$ 45,137	$ 27,055	$ 19,150	$ 7,175	$ 2,069
Non-performing loans to total non-covered loans (5)	3.71%	5.26%	8.32%	3.21%	1.63%
Other real estate owned (5)	$ 7,316	$ 1,906	$ 1,155	$ 1,519	$ —
Non-performing assets (5)	$ 52,453	$ 28,961	$ 20,305	$ 8,694	$ 2,069
Non-performing, non-covered assets to total non-covered assets (5)	2.70%	2.41%	5.81%	3.17%	1.28%
Allowance for loan and lease losses to total non-covered loans (5)	1.24%	2.94%	4.36%	1.29%	1.15%
Allowance for loan and lease losses to non-performing, non-covered loans (5)	33.30%	55.92%	52.39%	40.08%	70.41%
Net charge offs	$ 9,547	$ 5,250	$ 4,622	$ 195	$ 13
Net charge offs to average non-covered loans(5)	1.13%	1.00%	2.05%	0.09%	0.01%
Asset Quality - Covered Assets					
Non-performing loans (5)	45,213	43,454	—	—	—
Non-performing loans to total covered loans	35.80%	26.35%	—%	—%	—%
Other real estate owned (5)	6,166	5,342	—	—	—
Non-performing assets (5)	51,379	48,796	—	—	—
Non-performing assets to total covered assets	38.79%	28.67%	—%	—%	—%

(1) On September 17, 2011, we completed our acquisition of Berkshire Bancorp, Inc. All transactions since the acquisition date are included in our consolidated financial statements.

(2) During the third quarter of 2010, we acquired two banks in FDIC assisted transactions. All transactions since the acquisition dates are included in our consolidated financial statements.

(3) Effective September 17, 2011, Customers Bank reorganized into the holding company structure pursuant to which all of the issued and outstanding common stock of the Bank was exchanged on a three to one basis for common stock of Customers Bancorp (i.e., each three shares of Customers Bank being exchanged for one share of Customers

Bancorp). All share and per share information has been restated retrospectively to reflect the reorganization.

(4) Includes available-for-sale and held-to-maturity investment securities.

(5) Certain loans and other real estate owned (described as "covered") acquired in the two FDIC assisted transactions are subject to Loss Sharing Agreements between Customers Bank and the FDIC. If certain provisions within the Loss Sharing Agreements are maintained, the FDIC will reimburse Customers Bank for 80% of the unpaid principal balance and certain expenses. A loss sharing receivable was recorded based upon the credit evaluation of the acquired loan portfolio and the estimated periods for repayments. Loans receivable and assets that are not subject to the Loss Sharing Agreement are described as "non-covered".

(6) Our 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, we believe the use of these non-GAAP measures provides additional clarity when assessing our financial results and use of equity. These disclosures should not be viewed as substitutes for results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other entities. We calculate tangible common equity by excluding preferred stock and goodwill from total shareholders' equity. Tangible book value per common share equals tangible common equity divided by common shares outstanding. A reconciliation of each of these Non-GAAP financial measures against the most directly comparable GAAP measures is set forth below.

	(Dollars in thousands, except per share data)				
	2011	2010	2009	2008	2007
Shareholders' equity	$ 147,748	$ 105,140	$ 21,503	$ 16,849	$ 16,830
Less:					
Preferred stock	—	—	—	(980)	—
Intangible assets	(1,598)	—	—	—	—
Tangible common equity	$ 146,150	$ 105,140	$ 21,503	$ 15,869	$ 16,830
Shares outstanding	11,348	8,398	1,841	674	674
Book value per share	$ 13.02	$ 12.52	$ 11.68	$ 25.01	$ 24.97
Less: effect of excluding intangible assets and preferred stock	(0.14)	—	—	(1.45)	—
Tangible book value per share	$ 12.88	$ 12.52	$ 11.68	$ 23.54	$ 24.97
Total assets	$ 2,077,532	$ 1,374,407	$ 349,760	$ 274,038	$ 272,004
Less: intangible assets	(1,598)	—	—	—	—
Total tangible assets	$ 2,075,934	$ 1,374,407	$ 349,760	$ 274,038	$ 272,004
Equity to assets	7.11 %	7.65 %	6.15 %	6.15 %	6.19 %
Less: effect of excluding intangible assets and preferred stock	(0.07)	—	—	(0.36)	—
Tangible common equity to tangible assets	7.04 %	7.65 %	6.15 %	5.79 %	6.19 %

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RISK FACTORS

Investing in our Voting Common Stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this prospectus, including our consolidated historical financial statements and the related notes thereto, before making an investment decision to purchase our Voting Common Stock. The occurrence or realization of any of the following risks could materially and adversely affect our business, prospects, financial condition, liquidity, results of operations, cash flows and capital levels. In any such case, the market price of our Voting Common Stock could decline substantially, and you could lose all or part of your investment.

Risks Related to Our Banking Operations

Our level of assets categorized as doubtful, substandard or special mention expose us to increased lending risk. 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 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;
- the duration of the loan;
- the credit history of a particular borrower; and
- changes in economic and industry conditions.

At December 31, 2011, our delinquent loans greater than 90 days and non-accrual loans not covered under the Loss Sharing Agreements with the FDIC totaled $38.9 million, which represented 2.77% of total loans not covered under the Loss Sharing Agreements, and our allowance for loan losses totaled $15.0 million, which represented 1.24% of total loans not covered under the Loss Sharing Agreements with the FDIC. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the probability of receiving 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 $126.3 million at December 31, 2011. 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 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. Material additions to our allowance 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 and mortgage warehouse lending may expose us to increased lending risks.

We intend to continue to emphasize the origination of commercial and specialty loans, including mortgage warehouse financing. Commercial loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. 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, since such loans generally entail greater credit risk than one- to four-family residential mortgage loans, we may need to increase our allowance for loan losses in the future to account for the likely increase in probable incurred credit losses associated with the growth of 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 mortgage warehouse lender, we provide a form of financing to mortgage bankers by purchasing 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 underlying residential borrower, any of which could result in credit losses. The risk of fraud associated with this type of lending includes, but is not limited to, the risk of financing nonexistent loans or fictitious mortgage loan transactions, or that the collateral delivered is fraudulent creating exposure that could result in the loss of the full amount financed on the underlying residential mortgage loan.

Decreased residential mortgage originations and pricing decisions of competitors may adversely affect our profitability.

We do not currently operate in the residential mortgage origination business. However we may originate, sell and service residential mortgage loans in the future. If we do, changes in interest rates and pricing decisions by our loan competitors may adversely affect demand for our residential mortgage 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, may be introduced and may increase costs and make it more difficult to operate a residential mortgage origination business.

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 FHLB announced on February 22, 2012 that a dividend would be paid and capital stock repurchase would resume, capital stock repurchases from member banks are reviewed on a quarterly basis by the FHLB. Such dividends and capital stock repurchases may not continue in the future. As of December 31, 2011, we held $17.9 million of FHLB capital stock.

The fair value of our investment securities can fluctuate due to market conditions outside of our control.

As of December 31, 2011, the fair value of our investment securities portfolio was approximately $409.9 million. We have historically taken a conservative investment strategy, with concentrations of 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 and structured credit products. 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.

We may not be able to meet the cash flow requirements of deposit withdrawals and other business needs or support earnings growth unless we maintain sufficient liquidity.

We need adequate liquidity to fund our balance sheet growth in order for us to be able to successfully grow our revenues, make loans and to repay deposit and other liabilities as they become due or are demanded by customers. 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, which is defined as wholesale deposits (primarily certificates of deposit) and borrowed funds (FHLB advances, Federal advances and Federal fund line borrowings). Wholesale funding at December 31, 2011 represented approximately 17.6% of total funding compared with approximately 6.0% at December 31, 2010. Wholesale funding generally costs more than deposits generated from our traditional branch system and is subject to certain practical limits such as the FHLB's maximum borrowing capacity and our liquidity policy limits. Additionally, regulators might consider wholesale funding beyond certain points to be imprudent and might suggest that future asset growth be reduced or halted. In the absence of wholesale funding sources, we might need to reduce earning asset growth through the reduction of current production, sale of assets, and/or the participating out of future and current loans or leases. Alternatively, we may need to seek third party funding or other sources of liquidity. This in turn might reduce our future net income.

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 currently unknown. However, in addition to causing economic and financial market disruptions, the recent 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 that we hold, 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 retain or develop a strong core deposit base or other low-cost funding sources.

We depend on checking, savings and money market deposit account balances and other forms of customer deposits as our primary source of funding for our lending activities. Our future growth will largely depend on our ability to retain and grow a strong, low-cost deposit base. Because 45% of our deposit base as of December 31, 2011 is time deposits, the large majority of which we acquired, it may prove harder to maintain and grow our deposit base than would otherwise be the case, especially since many of them currently pay interest at above-market rates. During the 12 months following December 31, 2011, $495.4 million of our time deposits are scheduled to mature.

We are working to transition certain of our customers to lower cost traditional banking services as higher cost funding sources, such as high interest time deposits, mature. Many banks in the United States are struggling to maintain depositors in light of the recent financial crisis, and there may be competitive pressures to pay higher interest rates on deposits, which could increase funding costs and compress net interest margins. Customers may not transition to lower yielding savings and investment products, which could materially and adversely affect us. In addition, with recent concerns about bank failures, customers have become concerned about the extent to which their deposits are insured by the FDIC, particularly customers that may maintain deposits in excess of insured limits. Customers may withdraw deposits in an effort to ensure that the amount that they have on deposit with us is fully insured and may place them in other institutions or make investments that are perceived as being more secure. Further, even if we are able to grow and maintain our deposit base, the account and deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing 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, which could materially and adversely affect us.

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

We have had periods in which we experienced operating losses, including in 2009, portions of 2010 and the first quarter of 2011. Although we made a profit in the second, third and fourth quarter of 2011 and for the fiscal year ended December 31, 2011, we may not be able to remain profitable in future periods, of, if profitable, our earnings may not remain consistent or increase in the future. Our earnings also may be reduced by any 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, which remain guarded. If the U.S. economy is unable to steadily emerge from the recent recession that began in 2007 or we experience worsening economic conditions, such as a so-called “double-dip” recession, we could be materially and adversely affected. Weak economic conditions may be characterized by deflation, fluctuations in debt and equity capital markets, including 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. All of these factors would be detrimental to our business. Our business is significantly affected by monetary and related policies of the U.S. federal government, its agencies and government-sponsored entities. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and could have a material adverse effect on us.

Downturns in the local economies and depressed banking markets could materially and adversely affect our financial condition and results of operations.

Our loan and deposit activities are largely based in Suburban Philadelphia, Central New Jersey and Southeastern New York State. As a result, our financial performance depends largely upon economic conditions in this region. This region has recently experienced deteriorating local economic conditions and a continued downturn in the regional real estate market that 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 further decline in real estate values, the collateral for our loans will provide less security. As a result, the ability to recover on defaulted loans by selling the underlying real estate will be diminished, and we will be more likely to suffer losses on defaulted loans. Additionally, a significant portion of our loan portfolio is invested in commercial real estate loans. Often in a commercial real estate transaction, repayment of the loan is dependent on rental income.

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 and lease 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 their 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. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments in recent years. Additionally, we may restructure originated or acquired loans if we believe the borrowers are likely to fully repay their restructured obligations. We may also be subject to legal or regulatory requirements for restructured loans. For our originated loans, if interest rates or other terms are modified subsequent to extension of credit or if terms of an existing loan are renewed because a borrower is experiencing financial difficulty and a concession is granted, we may be required to classify such action as a troubled debt restructuring (which we refer to in this prospectus as a “TDR”). 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. In situations where a TDR is unsuccessful and the borrower is unable to satisfy the terms of the restructured loan, the loan would be placed on nonaccrual status and written down to the underlying collateral value less estimated selling costs.

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 respective employment agreements or may choose not to renew their respective employment agreements upon expiration. 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.

Consumer and commercial 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 an advantage by being capable of maintaining numerous banking locations in more convenient sites, 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.

We 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. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume and revenues usually decline during periods of rising or high interest rates and increase during periods of declining or low interest rates. 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 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. Many of our competitors have greater resources to invest in technology than we do 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.

We intend to engage in acquisitions of other businesses from time to time. 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.

On September 17, 2011, we completed the acquisition of Berkshire Bancorp, Inc. 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. 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 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;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- the time and expense required 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; or
- significant problems relating to the conversion of the financial and customer data of the entity being acquired into our financial and customer product systems.

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 may not 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. Generally, any acquisition of target financial institutions, banking centers or other banking assets by us will require approval by, and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve, the Office of the Comptroller of the Currency 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 of 1977 (the "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 would 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 acquisition 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.

The success of future acquisition 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. 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, 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. Projections are 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.

In evaluating potential acquisition opportunities we may seek to acquire failed banks through FDIC-assisted acquisitions. We recently completed the acquisition, from the FDIC, of (1) assets of the former USA Bank, which had been headquartered in Port Chester, New York, and (2) assets of the former ISN Bank, which had been headquartered in Cherry Hill, New Jersey. 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.

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 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 branches.

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 and 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 Agreements that require the FDIC to fund a portion of the 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 consents 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 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, which 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.

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.

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

We plan to open approximately four to six new branches each year over the next few years in and around our target markets of southeastern Pennsylvania, New Jersey, New York, Maryland, Connecticut and Delaware. These plans may change. The opening of new 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. These new branches may not 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 from December 31, 2010 to December 31, 2011, much of this growth has come from our warehouse lending business and loans that we have acquired. This warehouse lending business tends to be volatile and we have seen strong growth due to the low interest rate environmental and strong refinancing activity. If the Bank is unsuccessful with diversifying its loan originations, 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 depend to a large extent on our ability to successfully manage our rapid growth. Our rapid 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, financial, management and other internal risk controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships;
- scale our technology platform;
- integrate our acquisitions and develop consistent policies throughout the various businesses; and
- attract and retain management talent.

We may not successfully implement improvements to, or integrate, our management information and control systems, 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. Thus, our growth strategy may divert management from our existing franchises 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, we could be materially and adversely affected. In addition, if we are unable to manage future expansion in our operations, we may experience compliance and operational problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect us.

We may face risks related to minority investments.

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).

Some institutions we may acquire may have distressed assets and we may not be able to realize the value predicted from these assets or have sufficient provision for future losses, or accurately estimate the future write-downs taken in respect of, these assets.

The decline in real estate values in many markets across the United States and weakened general economic conditions may result in increases in delinquencies and losses in the loan portfolios and other assets of financial institutions that we acquire 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 significant deterioration in economic conditions and further 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. Current economic conditions have created an uncertain environment with respect to asset valuations and we may not be able to sell assets of target institutions, even if it is determined to be in our best interests to do so. The institutions we will 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. Intensive 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, which could materially and adversely affect subsequent attempts to locate and acquire or merge with another institution.

Risks Relating to the Regulation of Our Industry

The enactment of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) may have a material adverse effect on our business.

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, will 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. For a more detailed description of the Dodd-Frank Act, see “Business–Supervision and Regulation—Federal Banking Laws—Dodd-Frank Wall Street Reform and Consumer Protection Act.”

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 Deposit Insurance Fund (the “DIF”), these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividends or distributions that we can pay, restrict the ability of institutions to guarantee our debt, 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 under accounting principles generally accepted in the United States (“GAAP”). Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Our failure to comply with these laws and regulations, even if the failure follows a good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, 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.

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 many 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.

Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we become subject as a result of such examinations could materially and adversely affect us.

Federal banking agencies periodically conduct examinations of our business, including our compliance with laws and regulations. If, as a result of an examination, a federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that the Company or its management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, we could be materially and adversely affected.

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 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 Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, 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 increases the requirements for minimum common equity, minimum Tier 1 capital, and minimum total capital, to be phased in over time until fully phased in by January 1, 2019.

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. In particular, bank holding companies, many of which have long relied on trust preferred securities as a component of their regulatory capital, will no longer be permitted to count trust preferred securities toward their Tier 1 capital. While the Basel III changes and other regulatory capital requirements will likely result in generally higher regulatory capital standards, it is not known at this time how any new standards will ultimately be applied to us and our bank subsidiary.

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.

Risks Relating to Our Voting Common Stock

There is currently no public market for our Voting Common Stock and an active, liquid market for our Voting Common Stock may not develop.

Before this offering, there has been no established public market for our Voting Common Stock. We have applied to having our Voting Common Stock listed on the Nasdaq Global Market concurrently with this offering, but our application may not be approved. Even if approved, an active, liquid trading market for our Voting Common Stock may not develop. Accordingly, shareholders may not be able to sell their shares of our Voting Common Stock at the volume, prices and times desired. We cannot predict the extent to which investor interest will lead to an active trading market in our Voting Common Stock or how liquid that market might become. 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. The lack of an established market could have a material adverse effect on the value of our Voting Common Stock.

Even if an established trading market develops, the market price of our Voting Common Stock may be highly volatile, which may make it difficult for shareholders to sell their shares of our Voting Common Stock at the volume, prices and times desired. There are many factors that may impact the market price of our Voting Common Stock, including, without limitation:

- general market conditions, including price levels and volume;
- national, regional and local economic or business conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;
- our actual or projected financial condition, liquidity, results of operations, cash flows and capital levels;
- publication of research reports about us, our competitors or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- market valuations, as well as the financial and operating performance and prospects, of similar companies;
- future issuances or sales, or anticipated sales, of our common stock or other securities convertible into or exchangeable or exercisable for our common stock;
- additions or departures of key personnel;
- the availability, terms and deployment of capital;
- the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance);
- unanticipated regulatory or judicial proceedings, and related liabilities and costs;
- the timely implementation of services and products by us and the acceptance of such services and products by customers;

- our ability to continue to grow our business internally and through acquisitions and successful integration of new or acquired financial institutions, banking centers or other banking assets while controlling costs;
- compliance with laws and regulatory requirements, including those of federal, state and local agencies;
- our failure to satisfy the continuing listing requirements of the Nasdaq Global Market;
- our failure to comply with the Sarbanes-Oxley Act of 2002;
- changes in accounting principles, policies and guidelines;
- actual, potential or perceived accounting problems affecting us;
- rapidly changing technology;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and

- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core markets or the financial services industry.

The stock markets in general have experienced substantial fluctuations and volatility that has often been unrelated to the operating performance and prospects of particular companies. These broad market movements may materially and adversely affect the market price of our Voting Common Stock.

You will incur immediate dilution as a result of this offering.

If you purchase our Voting Common Stock in this offering, you will pay more for your shares than the pro forma net tangible book value of your shares. As a result, you will incur immediate dilution of $1.02 per share, assuming an initial public offering price of $14.00 per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, representing the difference between such assumed initial public offering price and our pro forma net tangible book value per share of common stock as of March 31, 2012. Accordingly, if we were liquidated at our pro forma net tangible book value, you would not receive the full amount of your investment. See “Dilution.”

You may incur dilution in your ability to affect and impact shareholder votes.

We may from time to time offer the holders of our issued and outstanding shares of Class B Non-Voting Common Stock the right to convert each share of Class B Non-Voting Common Stock held by them into one share of Voting Common Stock, subject to each holder not holding more than 4.9% of our Voting Common Stock after completion of the conversion. These conversions may occur simultaneously with the consummation of this offering. If all of the holders of our issued and outstanding shares of Class B Non-Voting Common Stock elect to convert all of their eligible shares of Class B Non-Voting Common Stock into shares of Voting Common Stock, there could be an additional 2,844,142 shares of Voting Common Stock issued and outstanding, with each share of Voting Common Stock entitling the holder thereof to one vote on all matters submitted to our shareholders for approval. As a result, you should expect that you will incur additional dilution in your ability to affect and impact shareholder votes. See "Security Ownership of Certain Beneficial Owners and Management."

We do not expect to pay 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 or paid 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.

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 subsidiary can pay to us as its holding company without regulatory approval. See “Market Price of Common Stock and Dividends - Dividends on Voting Common Stock” for further detail regarding restrictions on our ability to pay dividends.

We may issue additional shares of our common stock following this offering, 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 following this offering 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 our Voting Common Stock.

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. 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.

The market price of our Voting Common Stock could decline significantly if our existing shareholders sell their freely tradeable shares.

Almost all of our outstanding shares of Voting Common Stock are freely tradeable, and the holders thereof have had limited ability to sell their shares in the over-the-counter market. As of February 29, 2012, there were 8,084,541 shares of Voting Common Stock that are freely tradeable, and assuming all of our holders of Class B Non-Voting Common Stock convert into Voting Common Stock, there will be another 2,278,294 shares of Voting Common Stock that are freely tradeable. Of such freely tradeable shares of Voting Common Stock and Class B Non-Voting Common Stock, 1,511,908 will be subject to lock-up agreements for 180 days after the closing of this offering, but the balance will remain freely tradeable. Upon the listing of our shares of Voting Common Stock on NASDAQ, our existing shareholders not subject to such lock-up agreements may seek to sell their shares of Voting Common Stock and gain liquidity. Depending on how many shares may be offered for sale, the market price of our Voting Common Stock could be adversely affected and may decline significantly.

Future issuances of debt and equity securities, which would dilute the holdings of our existing holders of Voting Common 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. If we incur debt in the future, our future interest costs could increase, and adversely affect our liquidity, cash flows and results of operations. 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 preferred stock, if issued, would likely have a 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.

Our directors, executive officers and 5% shareholders may influence the outcome of shareholder votes and, in some cases, shareholders may have no opportunity to evaluate and affect the decision regarding a potential investment or acquisition transaction.

- As of April 20, 2012, the directors and executive officers of Customers Bancorp as a group beneficially owned an aggregate of 959,280 shares of Voting Common Stock, which represents approximately 10.9% of the issued and outstanding Voting Common Stock as of April 20, 2012 and approximately 6.0% after the offering (approximately 5.6% if the underwriters' option is exercised).

- As of April 20, 2012, directors of Customers Bank who are not directors of Customers Bancorp beneficially owned in the aggregate an additional 925,041 shares of Voting Common Stock, which if combined with the directors and executive officers of Customers Bancorp equals approximately 21.3% of the issued and outstanding Voting

Common Stock as of April 20, 2012 and approximately 11.8% after the offering (approximately 11.1% if the underwriters' option is exercised).

- As of April 20, 2012, holders of more than 5% of the issued and outstanding Voting Common Stock who are not directors or executive officers of Customers Bancorp or the Bank beneficially owned in the aggregate 1,736,026 shares, which represents approximately 20.3% of the issued and outstanding Voting Common Stock as of April 20, 2012 and approximately 11.1% after the offering (approximately 10.4% if the underwriters' option is exercised), which if combined with the directors and executive officers of Customers Bancorp and directors of the Bank equals approximately 41.6% of the issued and outstanding Voting Common Stock as of April 20, 2012 and approximately 22.9% after the offering (approximately 21.5% if the underwriters' option is exercised).

See “Security Ownership of Certain Beneficial Owners and Management” for more details on beneficial ownership of the officers, directors and 5% shareholders of Customers Bancorp. As a result of this ownership, these shareholders, if acting together, could have a significant influence over all matters requiring approval by shareholders, including election of directors and approval of significant transactions, and may also have a significant influence over our management, future operations and policies. This control may also have the effect of delaying or preventing a change in control of our company or discouraging others from making a tender offer for our shares, which could prevent shareholders from receiving a premium for their shares. Moreover, their ownership of Voting Common Stock may also increase if they convert their Class B Non-Voting Common Stock into Voting Common Stock, unvested restricted stock units vest or certain unvested stock options or warrants held by them are exercised, including stock options to be issued to Messrs. Sidhu, Ehst and Brugger in connection with this offering pursuant to the terms of their employment agreements. See “Executive Compensation,” “Transactions with Related Parties” and’ “Risk Factors – You May Incur Dilution in Your Ability to Affect and Impact Shareholder Votes” for more details.

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. In those instances, decisions 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, a shareholder may not have an opportunity to evaluate and affect the decision regarding potential investment or acquisition transactions.

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 recent policy statement imposing restrictions and criteria on private investors in failed bank acquisitions may apply to us and certain of our investors, including a prohibition on sales or transfers of our securities by such investors until three years from such investor's acquisition of shares of common stock without FDIC approval.

On August 26, 2009, the FDIC issued a policy statement imposing restrictions and criteria on certain institutions and 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 may 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.

In the event the policy statement applies to us, 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 DIF.

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. Our bank subsidiary also may be prohibited from extending any new credit to investors that own at least 10% of our equity.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including audited financial statements, as well as other written or oral communications made from time to time by us may contain certain forward-looking information within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (“Exchange Act”). 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, identify forward-looking statements, which are generally historical in nature. 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” 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 on various assumptions that may not prove to be correct. In addition to the risks described in the “Risk Factors” section of this Prospectus, important factors to consider and evaluate in 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 the federal prompt corrective action regulations;
- Changes in business strategy or an inability to execute strategy due to the occurrence of unanticipated events;
- Ability to identify potential candidates for, and consummate, acquisition or investment transactions;
- 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 Customers Bancorp and their customers;
- Ability to attract deposits and other sources of liquidity;
- Changes in the financial performance and/or condition of Customers Bancorp’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;
- Changes in Customers Bancorp’s capital structure resulting from future capital offerings or acquisitions;
- The integration of Customers Bancorp’s recent FDIC-assisted acquisitions may present unforeseen challenges;
- Inflation, interest rate, securities market and monetary fluctuations;
- The 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;
- The ability to increase market share and control expenses;
- Volatility in the credit and equity markets and its effect on the general economy;
- The effect 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 Bancorp and subsidiaries, not integrating successfully or such integration being more difficult, time-consuming or costly than expected;
- 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 the expected time frame, including as to the merger;

- Revenues following the merger being lower than expected; and
- Deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, being greater than expected.

These forward-looking statements are subject to significant uncertainties and contingencies, many of which are beyond the control of Customers Bancorp. Although the expectations reflected in the forward-looking statements are currently believed to be reasonable, future results, levels of activity, performance or achievements cannot be guaranteed. Accordingly, there can be no assurance that actual results will meet expectations or will not be materially lower than the results contemplated in this document and the attachments hereto. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or, in the case of documents referred to, the dates of those documents.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our Voting Common Stock in this offering will be approximately $91,800,011, or approximately $105,750,017 if the underwriters' option to purchase additional shares of our Voting Common Stock from us is exercised in full, assuming an initial public offering price of $14.00 per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and offering expenses. Each $1.00 increase (decrease) in the assumed initial public offering price of $14.00 per share of Voting Common Stock would increase (decrease) the net proceeds to us of this offering by approximately $6,642,858, or $7,639,287 if the underwriters' option to purchase additional shares of our Voting Common Stock from us is exercised in full, assuming that the number of shares of Voting Common Stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses.

We intend to use the net proceeds from this offering: (i) to fund our organic growth in a manner consistent with our growth strategy; (ii) to fund the acquisition of depository institutions through traditional unassisted and FDIC-assisted bank acquisitions, as well as through selective acquisitions of banking franchises and non-bank institutions that are consistent with our growth strategy; and (iii) for working capital and other general corporate purposes. While we are continually assessing various acquisition opportunities, we currently do not have any agreements, arrangements or understandings for any acquisitions.

Pending use of the net proceeds as described above, we intend to invest the net proceeds in bank accounts at Customers Bank.

DIVIDEND POLICY

We intend to follow a policy of retaining earnings, if any, to increase our net worth and reserves over the next few years. We have not historically declared or paid dividends on our Voting Common Stock and we do not expect to do so in the near future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including our earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, our ability to service any equity or debt obligations senior to Voting Common Stock, and other factors deemed relevant by our board of directors. See “Description of Capital Stock – Dividend Rights” and “Market Price of Common Stock and Dividends - Dividends on Voting Common Stock” for further detail regarding restrictions on our ability to pay dividends.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2012 on an actual basis and on an as adjusted basis to give effect to our sale of shares of Voting Common Stock in this offering at an assumed initial public offering price of $14.00 per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and offering expenses.

This table should be read in conjunction with "Selected Historical Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, as well as the statements of assets acquired and liabilities assumed and the related notes thereto appearing elsewhere in this prospectus.

	At March 31, 2012	
	Actual	As Adjusted
	(unaudited) (dollars in thousands, except share and per share data)	
Long-term debt	$ 13,000	$ 13,000
Shareholders' equity:		
Preferred stock, par value $1,000 per share; 100,000,000 authorized; none issued	—	—
Common stock, par value $1.00 per share; 100,000,000 shares of Voting Common stock authorized, 8,503,541 shares of Voting Common Stock issued and outstanding (actual), and 15,646,399 shares of Voting Common Stock issued and outstanding (as adjusted); 100,000,000 shares of Class B Non-Voting Common Stock authorized, 2,844,142 shares of Class B Non-Voting Common Stock issued and outstanding (actual) and 2,844,142 shares of Class B Non-Voting Common Stock issued and outstanding (as adjusted)	11,395	18,538
Additional Paid-in capital	122,313	206,970
Retained earnings	17,608	17,608
Accumulated other comprehensive income	(325)	(325)
Less: cost of treasury stock, 47,619 shares at December 31, 2011	(500)	(500)
Total shareholders' equity	$ 150,491	$ 242,291
Total capitalization	$ 163,491	$ 255,291

DILUTION

If you invest in our Voting Common Stock, your ownership interest will be diluted by the amount by which the initial offering price per share paid by the purchasers of Voting Common Stock in this offering exceeds the net tangible book value per share of our Voting Common Stock and Class B Non-Voting Common Stock following this offering. As of March 31, 2012, our net tangible book value was approximately $148.3 million, or $13.07 per share of common stock based on 11,347,683 shares of common stock issued and outstanding (including 8,503,541 shares of Voting Common Stock and 2,844,142 shares of Class B Non-Voting Common Stock). Net tangible book value per share equals total consolidated tangible assets minus total consolidated liabilities divided by the number of shares of our Voting Common Stock and Class B Non-Voting Common Stock outstanding.

Our net tangible book value, as of March 31, 2012 would have been approximately $240.1, or $12.98 per share of common stock based on 18,490,541 shares of common stock issued and outstanding (including shares of Voting Common Stock and 2,844,142 shares of Class B Non-Voting Common Stock), after giving effect to the sale by us of 7,142,858 shares of Voting Common Stock in this offering at an assumed initial public offering price of $14.00 per share, the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and offering expenses.

This represents an immediate decrease in the net tangible book value of $0.09 per share to existing stockholders and an immediate dilution in the net tangible book value of $1.02 per share to the new investors who purchase our Voting Common Stock in this offering.

The following table illustrates this per share dilution:

Assumed initial public offering price per share			$	14.00
Net tangible book value per share as of March 31, 2012	$	13.07		
Decrease in net tangible book value per share attributable to this offering		0.09		
Net tangible book value per share after this offering				12.98
Dilution per share to new investors			$	1.02

Each $1.00 increase (decrease) in the assumed initial public offering price of $14.00 per share of Voting Common Stock would increase (decrease) our net tangible book value as of March 31, 2012 by approximately $6.6 million, or approximately $0.36 per share, and the pro forma dilution per share to new investors in this offering by approximately $0.36 per share, assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses. The number of shares offered by us in this offering may be increased or decreased from the number of shares on the cover page of this prospectus. Each increase of 1.0 million shares in the number of shares offered by us, together with a $1.00 increase in the assumed offering price of $14.00 per share of Voting Common Stock, would increase our net tangible book value as of March 31, 2012 by approximately $20.6 million, or approximately $0.30 per share, and the pro forma dilution per share to new investors in this offering by approximately $1.63 per share. Similarly, a decrease of 1.0 million shares in the number of shares of Voting Common Stock offered by us, together with a $1.00 decrease in the assumed public offering price of approximately $14.00 per share, would decrease our net tangible book value, as of March 31, 2012, by approximately $18.7 million, or $0.41 per share, and the pro forma dilution per share to new investors in this offering would be approximately $0.34 per share. The as adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

If the underwriters exercise their option to purchase additional shares of our Voting Common Stock in full in this offering, our net tangible book value at March 31, 2012 would be $254.0 million, or $12.99 per share, representing an immediate decrease in the net tangible book value of $0.08 per share to existing stockholders and an immediate dilution in the net tangible book value of $1.01 per share to the new investors who purchase our Voting Common Stock in this offering.

The following table summarizes, as of March 31, 2012, the difference between existing stockholders and new investors with respect to the number of shares of Voting Common Stock and Class B Non-Voting Common Stock purchased from us. The calculation below reflecting the effect of shares purchased by new investors is based on the assumed initial public offering price of $14.00 per share, which is the midpoint of the offering price range set forth in the cover of this prospectus, before deducting estimated underwriting discounts and offering expenses.

	Shares Purchased	
	Number	Percent
Existing stockholders	11,347,683	61.4%
New investors	7,142,858	38.6
Total	18,490,541	100.0%

The discussion and tables above include 8,503,541 shares of Voting Common Stock and 2,844,142 shares of Class B Non-Voting Common Stock issued and outstanding as of March 31, 2012, and excludes 92,320 shares of Voting Common Stock underlying restricted stock units awarded but not yet vested under the 2004 Plan; 589,005 shares of Voting Common Stock and 81,036 shares of Class B Non-Voting Common Stock issuable upon exercise of outstanding warrants with exercise prices from $10.50 to $73.01 per share, of which all were vested as of March 31, 2012; 1,065,195 shares of Voting Common Stock and 160,884 shares of Non-Voting Common Stock issuable upon exercise of outstanding stock options issuable under our 2010 Stock Option Plan and 2004 Plan with a weighted average exercise price of $11.17 per share, of which 6,272 shares were vested as of March 31, 2012; and 14,015 shares of Voting Common Stock issuable to directors ("Director Compensation Shares") as compensation for service as a director (see "Director Compensation" for details).

To the extent any outstanding options or warrants are exercised, restricted stock units become vested or Director Compensation Shares are issued, there will be further dilution to new investors. To the extent all outstanding options and warrants had been exercised, restricted stock units vested and Director Compensation Shares issued as of March 31, 2012, the net tangible book value per share after this offering would be $12.78 and total dilution per share to new investors would be $1.22.

If the underwriters exercise their option to purchase additional shares in full:

- The percentage of shares of Voting Common Stock held by existing stockholders will decrease to approximately 58.0% of the total number of shares of our Voting Common Stock outstanding after this offering; and

- The number of shares held by new investors will increase to 8,214,287, or approximately 42.0% of the total number of shares of our Voting Common Stock outstanding after this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Customers Bancorp and Subsidiary

The following table presents Customers Bancorp's summary consolidated financial data. We derived our balance sheet and income statement data for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 from our audited financial statements. The summary consolidated financial data should be read in conjunction with, and are qualified in their entirety by, our financial statements and the accompanying notes and the other information included elsewhere in this prospectus.

Dollars in thousands except per share data

	2011 (1)	2010 (2)	2009	2008	2007
For the Period					
Interest income	$ 61,439	$ 30,907	$ 13,486	$ 15,502	$ 17,659
Interest expense	22,463	11,546	6,336	8,138	10,593
Net interest income	38,976	19,361	7,150	7,364	7,066
Provision for loan losses	9,450	10,397	11,778	611	444
Bargain purchase gain on bank acquisitions	—	40,254	—	—	—
Total non-interest income (loss) excluding bargain purchase gains	13,652	5,349	1,043	(350)	356
Total non-interest expense	37,309	26,101	9,650	7,654	6,908
Income (loss) before taxes	5,869	28,466	(13,235)	(1,251)	70
Income tax expense (benefit)	1,835	4,731	—	(426)	(160)
Net income (loss)	$ 4,034	$ 23,735	$ (13,235)	$ (825)	$ 230
Net income (loss) attributable to common shareholders	$ 3,990	$ 23,735	$ (13,235)	$ (825)	$ 230
Basic earnings (loss) per share (3)	$ 0.40	$ 3.78	$ (10.98)	$ (1.23)	$ 0.33
Diluted earnings (loss) per share (3)	$ 0.39	$ 3.69	$ (10.98)	$ (1.23)	$ 0.33
At Period End					
Total assets	$ 2,077,532	$ 1,374,407	$ 349,760	$ 274,038	$ 272,004
Cash and cash equivalents	73,570	238,724	68,807	6,295	6,683
Investment securities (4)	398,684	205,828	44,588	32,061	40,779
Loans held for sale	174,999	199,970	—	—	—
Loans receivable not covered by Loss Sharing Agreements with the FDIC (5)	1,216,265	514,087	230,258	223,752	214,569
	15,032	15,129	10,032	2,876	2,460

Allowance for loan and lease losses					
Loans receivable covered under Loss Sharing Agreements with the FDIC (5)	126,276	164,885	—	—	—
FDIC loss sharing receivable (5)	13,077	16,702	—	—	—
Deposits	1,583,189	1,245,690	313,927	237,842	220,345
Other borrowings	331,000	11,000	—	—	—
Shareholders' equity	147,748	105,140	21,503	16,849	16,830
Tangible common equity (6)	146,150	105,140	21,503	15,869	16,830
Selected Ratios and Share Data					
Return on average assets	0.24%	3.40%	(4.69)%	(0.30)%	0.09%
Return on average equity	3.56	41.29	(65.35)	(4.98)	1.40
Book value per share (3)	$ 13.02	$ 12.52	$ 11.68	$ 25.00	$ 24.97
Tangible book value per common share (3) (6)	12.88	12.52	11.68	23.54	24.97
Common shares outstanding (3)	11,347,683	8,398,014	1,840,902	673,693	673,693
Net interest margin	2.44%	2.70%	2.62%	2.82%	2.83%
Equity to assets	7.11	7.65	6.14	6.15	6.19
Tangible common equity to tangible assets (6)	7.04	7.65	6.14	5.79	6.19

Tier 1 leverage ratio - Bank	7.33%	8.67%	6.68%	6.21%	6.22%
Tier 1 leverage ratio – Customers Bancorp	7.59	—	—	—	—
Tier 1 risk-based capital ratio - Bank	9.97	19.65	9.76	7.87	8.03
Tier 1 risk-based capital ratio - Customers Bancorp	10.32	—	—	—	—
Total risk-based capital ratio - Bank	11.08	21.14	11.77	10.50	10.62
Total risk-based capital ratio – Customers Bancorp	11.43	—	—	—	—
Asset Quality - Non-Covered Assets					
Non-performing loans (5)	$ 45,137	$ 27,055	$ 19,150	$ 7,175	$ 2,069
Non-performing loans to total non-covered loans (5)	3.71%	5.26%	8.32%	3.21%	1.63%
Other real estate owned (5)	$ 7,316	$ 1,906	$ 1,155	$ 1,519	$ —
Non-performing assets (5)	52,453	28,961	20,305	8,694	2,069
Non-performing, non-covered assets to total non-covered assets (5)	2.70%	2.41%	5.81%	3.17%	1.28%
Allowance for loan and lease losses to total non-covered loans (5)	1.24	2.94	4.36	1.29	1.15
Allowance for loan and lease losses to non-performing, non-covered loans (5)	33.30	55.92	52.39	40.08	70.41
Net charge offs	$ 9,547	$ 5,250	$ 4,622	$ 195	$ 13
Net charge offs to average non-covered loans (5)	1.13%	1.00%	2.05%	0.09%	0.01%
Asset Quality – Covered Assets					
Non-performing loans (5)	$ 45,213	$ 43,454	$ —	$ —	$ —
Non-performing loans to total covered loans	35.80%	26.35%	—%	—%	—%
Other real estate owned (5)	$ 6,166	$ 5,342	$ —	$ —	$ —
Non-performing assets (5)	51,379	48,796	—	—	—
Non-performing assets to total covered assets	38.79%	28.67%	—%	—%	—%

(1) On September 17, 2011, we completed our acquisition of Berkshire Bancorp, Inc. All transactions since the acquisition date are included in our consolidated financial statements.

(2) During the third quarter of 2010, we acquired two banks in FDIC assisted transactions. All transactions since the acquisition dates are included in our consolidated financial statements.

(3) Effective September 17, 2011, Customers Bank reorganized into the holding company structure pursuant to which all of the issued and outstanding common stock of the Bank was exchanged on a three to one basis for common stock of Customers Bancorp (i.e., each of three shares of Customers Bank being exchanged for one share of Customers Bancorp). All share and per share information has been restated retrospectively to reflect the Reorganization.

(4) Includes available-for-sale and held-to-maturity investment securities.

(5) Certain loans and other real estate owned (described as “covered”) acquired in the two FDIC assisted transactions are subject to Loss Sharing Agreements between Customers Bank and the FDIC. If certain provisions within the Loss Sharing Agreements are maintained, the FDIC will reimburse Customers Bank for 80% of the unpaid principal balance and certain expenses. A loss sharing receivable was recorded based upon the credit evaluation of the acquired loan portfolio and the estimated periods for repayments. Loans receivable and assets that are not subject to the Loss Sharing Agreement are described as “non-covered”.

(6) Our 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, we believe the use of these non-GAAP measures provides additional clarity when assessing our financial results and use of equity. These disclosures should not be viewed as substitutes for results determined to be in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other entities. We calculate tangible common equity by excluding preferred stock and goodwill from total shareholders' equity. Tangible book value per common share equals tangible common equity divided by common shares outstanding. A reconciliation of each of these Non-GAAP financial measures against the most directly comparable GAAP measure is set forth below.

(Dollars in thousands, except per share data)

	2011	2010	2009	2008	2007
Shareholders' equity	$ 147,748	$ 105,140	$ 21,503	$ 16,849	$ 16,830
Less:					
Preferred stock	—	—	—	(980)	—
Intangible assets	(1,598)	—	—	—	—
Tangible common equity	$ 146,150	$ 105,140	$ 21,503	$ 15,869	$ 16,830
Shares outstanding	11,348	8,398	1,841	674	674
Book value per share	$ 13.02	$ 12.52	$ 11.68	$ 25.01	$ 24.97
Less: effect of excluding intangible assets and preferred stock	(0.14)	—	—	(1.45)	-
Tangible book value per share	$ 12.88	$ 12.52	$ 11.68	$ 23.56	$ 24.97
Total assets	$ 2,077,532	$ 1,374,407	$ 349,760	$ 274,038	$ 272,004
Less: intangible assets	(1,598)	—	—	—	—
Total tangible assets	$ 2,075,934	$ 1,374,407	$ 349,760	$ 274,038	$ 272,004
Equity to assets	7.11 %	7.65 %	6.15 %	6.15 %	6.19 %
Less: effect of excluding intangible assets and preferred stock	(0.07)	—	—	(0.36)	—
Tangible common equity to tangible assets	7.04 %	7.65 %	6.15 %	5.79 %	6.19 %

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
OF CUSTOMERS BANCORP

The following discussion and analysis presents material factors affecting our financial condition as of December 31, 2011 and December 31, 2010 and results of operations for the three years in the period ended December 31, 2011. This discussion and analysis should be read in conjunction with our financial statements, notes thereto and other financial information appearing elsewhere in this prospectus.

Critical Accounting Policies

We have adopted various accounting policies that govern the application of GAAP and that are consistent with general practices within the banking industry in the preparation of our financial statements. Our significant accounting policies are described in footnote 3 to our audited financial statements.

Certain accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of certain assets and liabilities. We consider 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 our assets and liabilities and our results of operations.

The following is a summary of the policies we recognize as involving critical accounting estimates: Allowance for Loan Losses, Stock-Based Compensation, Unrealized Gains and Losses on Available for Sale Securities, Fair Value, Acquisition Accounting, FDIC Receivable for Loss, and Deferred Income Taxes.

Allowance for Loan Losses. We maintain an allowance for loan losses at a level management believes is sufficient to absorb estimated probable credit losses. 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, current and anticipated 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 our results of operations in the future.

Stock-Based Compensation. We recognize compensation expense for stock options and their management stock purchase plans (collectively, stock based compensation plans) in accordance with FASB ASC 718 Compensation – Stock Compensation. Expense related to stock based compensation plans granted will generally be measured 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. We will utilize 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 and expected life of the option, the current price of the underlying stock and our expected volatility, the expected dividends on the stock and the current risk-free interest rate for the expected life of the option. Our estimate of the fair value of a stock option is based on expectations derived from historical experience and may not necessarily equate to our market value when fully vested.

Unrealized Gains and Losses on Securities Available for Sale. We receive 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 are mostly comprised of mortgage backed securities and U.S. government agency securities. We use various indicators in determining whether a security is other-than-temporarily impaired, including for equity securities, if the market value is below its cost for an extended period of time with low expectation of recovery or, for debt securities, when it is probable that the contractual interest and principal will not be collected. 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. The unrealized losses associated with securities that management does not intend to sell, and more likely than not that we will be required to sell prior to maturity or market price recovery, are not considered to be other than temporary as of December 31, 2011 and December 31, 2010, because the unrealized losses are related to changes in interest rates and do not affect the expected cash flows of the underlying collateral or issuer.

Fair Value. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management estimates the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, 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, we estimate fair value. 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. US 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 impaired loans and foreclosed property and the net assets acquired in business combinations.

Acquisition Accounting. Assets acquired and liabilities assumed in our FDIC-assisted acquisitions are recorded at their fair values. The fair value of a loan portfolio acquired in a business combination requires greater levels of management estimates and judgment than the remainder of purchased assets or assumed liabilities. The credit risks inherent and evidenced in the FDIC-assisted transactions resulted in substantially all loans purchased in the transaction being purchased with a credit discount. On the date of acquisition, when the loans have evidence of credit deterioration since their origination and we believe it is probable that we will not collect all contractually required principal and interest payments, we refer to the difference between contractually required payments and the cash flows expected to be collected as the non-accretable discount. We must estimate expected cash flows at each reporting date. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and adjusted accretable discount, which will have a positive effect on interest income.

Because we record loans acquired in connection with FDIC-assisted acquisitions at fair value, we record no allowance for loan losses related to the acquired covered loans on the acquisition date, given that the fair value of the loans acquired incorporates assumptions regarding credit risk. The acquired loans are recorded at fair value in accordance with the fair value methodology, exclusive of the loss share agreements with the FDIC.

The acquired covered loans are subject to the accounting prescribed by FASB ASC Topic 310 Receivables, and subsequent changes to the basis of the loss share agreements also follow that model. Deterioration in the credit quality of the loans (immediately recorded as an adjustment to the allowance for loan losses) would immediately increase the basis of the loss share agreements, with the offset recorded through the consolidated statement of operations. Increases in the credit quality or cash flows of loans (reflected as an adjustment to the discount and accreted into income over the remaining life of the loans) decrease the basis of the loss share agreements. That decrease is accreted into income over either the same period or the life of the loss share agreements, whichever is shorter. Loss assumptions used in the basis of the covered loans are consistent with the loss assumptions used to measure the FDIC receivable. Fair value accounting incorporates into the fair value of the FDIC receivable an element of the time value of money, which is accreted back into income over the life of the loss share agreements.

FDIC Receivable for Loss Share Agreements. The majority of the loans and other real estate assets acquired in an FDIC-assisted acquisition are covered under loss share agreements with the FDIC in which the FDIC has agreed to reimburse us for 80% of all losses incurred in connection with those assets. We estimated the amount that we will receive from the FDIC under the loss share agreements that will result from losses incurred as we dispose of covered loans and other real estate assets, and we recorded 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 we sell the assets. We 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. We review and update the fair value of the FDIC receivable prospectively as loss estimates related to covered loans and other real estate owned change. Subsequent decreases in the amount expected to be collected result in a provision for loan and lease losses, an increase in the allowance for loan and lease losses, and a proportional adjustment to the FDIC receivable for the estimated amount to be reimbursed. Subsequent increases in the amount expected to be collected results in the reversal of any previously-recorded provision for loan and lease losses and related allowance for loan and lease losses and adjustments to the FDIC receivable, or prospective adjustment to the accretable discount if no provision for loan and lease losses had been recorded. The ultimate realization of the FDIC loss sharing receivable depends on the performance of the underlying covered assets, the passage of time and claims paid by the FDIC. The accretion of the FDIC receivable discount is recorded into noninterest income using the level yield method over the estimated life of the receivable. In November 2010, we received the first reimbursement under the USA Bank Loss Sharing Agreement. During 2011, we received reimbursements under both the USA Bank and ISN Loss Sharing Agreements.

Deferred Income Taxes. We provide for deferred income taxes on the asset and liability method whereby deferred 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 and net operating loss carry-forwards and their tax basis. The valuation allowance previously applied to the net deferred tax assets was reversed when, in the opinion of management, it is more likely than not that the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. If the Bank concludes that it is more likely than not that some portion or all of the deferred tax asset will not be realized or if losses continue, the balance of deferred tax assets will be reduced by a valuation allowance.

Background and Reorganization

Customers Bancorp was formed in April 2010 to facilitate the Reorganization. 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 three-to-one basis for shares of Voting Common Stock and Class B Non-Voting Common Stock, respectively, of Customers Bancorp (i.e., each three shares of Customers Bank being exchanged for one share of Customers Bancorp). Customers Bancorp is authorized to issue up to 100,000,000 shares of Voting Common Stock, 100,000,000 shares of Class B Non-Voting Common Stock and 100,000,000 shares of preferred stock. All share and per share information has been restated to reflect the Reorganization.

In the Reorganization, the Bank's issued and outstanding shares of Voting Common Stock of 22,525,825 shares and Class B Non-Voting Common Stock of 6,834,895 shares converted into 7,508,473 shares of Customers Bancorp's Voting Common Stock and 2,278,294 shares of Customers Bancorp's Class B Non-Voting Common Stock. Cash was paid in lieu of fractional shares. Outstanding warrants to purchase 1,410,732 shares of the Bank's Voting Common Stock with a weighted-average exercise price of $3.55 per share and 243,102 shares of the Bank's Class B Non-Voting Common Stock with a weighted-average exercise price of $3.50 per share were converted into warrants to purchase 470,260 shares of Customers Bancorp's Voting Common Stock with a weighted-average exercise price of $10.64 per share and warrants to purchase 81,036 shares of Customers Bancorp's Class B Non-Voting Common Stock with a weighted-average exercise price of $10.50 per share. Outstanding stock options to purchase 2,572,404 shares of the Bank's Voting Common Stock with a weighted- average exercise price of $3.50 per share and stock options to purchase 231,500 shares of the Bank's Class B Non-Voting Common Stock with a weighted-average exercise price of $4.00 per share were converted into stock options to purchase 855,774 shares of Customers Bancorp's Voting Common Stock with a weighted-average exercise price of $10.49 per share and stock options to purchase 77,166 shares of Customers Bancorp's Class B Non-Voting Common Stock with a weighted-average exercise price of $12.00 per share.

Accordingly, descriptions of balance sheet and income statement items prior to September 17, 2011 represent those of Customers Bank, and descriptions of balance sheet and income statement items after September 17, 2011 represent the consolidated results of Customers Bancorp. The consolidated results of operations and financial condition presented for those periods after the Reorganization Date, September 17, 2011, include combined results for Customers Bancorp and Customers Bank. All share and per share information has been retrospectively restated to reflect the Reorganization, including that each three shares of Customers Bank were exchanged for one share of Customers Bancorp in the Reorganization.

Overview

Like most financial institutions, we derive the majority of our income from interest we receive on our interest-earning assets, such as loans and investments. Our primary source of funds for making these loans and investments is our deposits, on which we pay interest. Consequently, one of the key measures of our success is our amount of net interest income, or the difference between the income on our interest-earning assets and the expense on our interest-bearing liabilities, such as deposits and borrowings. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate it pays on our interest-bearing liabilities, which is called our net interest spread.

There are risks inherent in all loans, so we maintain an allowance for loan losses to absorb probable losses on existing loans that may become uncollectible. We maintain this allowance by charging a provision for loan losses against our operating earnings. We have included a detailed discussion of this process, as well as several tables describing our allowance for loan losses.

The external environment continues to be very challenging as the economy struggles through a recession. Many business customers in our market experienced a loss of revenues and there was an increase in bankruptcies. Many overleveraged real estate customers were forced to take action to improve their cash flow due to high vacancy rates and a reduction in rents due to the reduced demand for space during the downturn. Unemployment flattened in 2011 after increasing throughout 2010 as companies reduced expenses to manage through the challenging times. These conditions produced stress in the asset quality of the loan portfolio, primarily the commercial real estate portfolio. There continues to be uncertainty in the external environment in 2012 and it is likely that these challenging conditions will continue in the next few years.

In the first quarter of 2011, we began executing on a plan to improve earnings, deploy excess cash on the balance sheet and match future loan growth with deposit growth. We deployed some cash into investments and deposit growth was slowed during 2011 while our loan origination platform was enhanced. We expanded our small business lending team, built a new consumer lending platform, expanded our warehouse lending platform and entered the multifamily lending business. We believe these efforts were successful as deposit growth is now aligned with loan originations. We believe there are significant opportunities for growth in both lending and deposit generation in 2012 and beyond. However, if there is a material change in the external environment or our management cannot successfully execute our plans, growth may be more difficult than expected.

Results of Operations

For the years ended December 31, 2011 and 2010

We had net income of $4.0 million for the year ended December 31, 2011 compared to a net income of $23.7 million for the year ended December 31, 2010. Net interest income increased $19.6 million for the year ended December 31, 2011 to $39.0 million compared to $19.4 million for the year ended December 31, 2010. The decrease in provision for loan losses of $947,000 over that in 2010 was primarily due to the shift in reserve allocations from specific reserves to general reserves based on impaired loan valuations and charge-off activity. Year over year, general reserves increased by $1.9 million while the specific reserve decreased by $2.0 million. The Bank provided provisions in its general reserve that replaced loan charge-offs on the loans that had specific reserves. Also, an increase in non-covered loan balances does not correlate to a pro rata increase in the allowance for loan and lease loss reserves (“ALLL”) as these loans may carry lower credit risk based on stricter underwriting guidelines and, consequently, are assigned a lower loss factor. Loan balances were allocated reserves based on the assigned factors in the ALLL calculation. The increase in delinquencies was considered in the qualitative factor analysis within the ALLL calculation. In addition, charge-offs, all of which relate to the Pre-2009 segment of the portfolio were included in the historical loss factor allocation in the ALLL calculation. See the Asset Quality disclosure and table beginning on page 60 in this Management’s Discussion and Analysis section.

The charge-offs incurred in 2011 decreased the specific reserves by $2 million and provided a cushion for additional provision required in the general reserve. The ALLL ratio for non-covered loans declined to 1.24% at December 31, 2011 from 2.94% at December 31, 2010 primarily due to the significant growth in the non-covered loan balance during 2011. Non-interest income increased $8.3 million to $13.7 million for the year ended December 31, 2011 compared to $5.4 million for the year ended December 31, 2010 excluding the bargain purchase gains on bank acquisitions of $40.3 million for the year ended December 31, 2010. This net increase (excluding the bargain purchase gains) in non-interest income was due to an increase in mortgage warehouse transactions fees, an increase in bank-owned life insurance income, a net gain on sales of investment securities, and an increase in income related to the FDIC loss-sharing receivable. The increase of $11.1 million in non-interest expense to $37.3 million for the year ended December 31, 2011 from $26.1 million for the year ended December 31, 2010 was due to the acquisitions completed in 2011, an increase in the number of employees and branches in connection with our growth strategy, expenses related to loan workouts, increased charges for impaired loans, and increased premiums for FDIC insurance. On a diluted per share basis, the net income was $0.39 per share for 2011 compared to a net income of $3.69 per share for 2010. Our return on average assets was 0.24% in 2011. Our return on average equity was 3.56% in 2011.

For the years ended December 31, 2010 and 2009

We had net income of $23.7 million for the year ended December 31, 2010 compared to a net loss of $13.2 million for the year ended December 31, 2009. Net interest income increased $12.2 million for the year ended December 31, 2010 to $19.4 million compared to $7.2 million for the year ended December 31, 2009. The decrease in provision for loan losses of $1.4 million over that in 2009 was primarily due to the non-performing loans not increasing as significantly in 2010 when compared to 2009 and the addition of new loan products that do not require as high a level of reserves. The allowance for loan and lease losses to non-covered loans ratio declined to 2.94% at December 31, 2010 from 4.36% at December 31, 2009. Non-interest income increased $4.3 million to $5.4 million, when excluding the bargain purchase gains on bank acquisitions of $40.3 million for the year ended December 31, 2010 compared to $1.1 million for the year ended December 31, 2009. The increase of $16.5 million in non-interest expense to $26.1 million for the year ended December 31, 2010 from $9.7 million for the year ended December 31, 2009 was due to the two bank acquisitions completed in 2010 and an increase in the number of employees at Customers Bancorp in connection with Customers Bancorp's growth strategy, expenses related to loan workouts, increased charges for impaired loans, and increased premiums for FDIC insurance, higher technology costs and additional expenses to maintain and expand the current infrastructure. On a diluted per share basis, the net income was $3.69 per share for 2010 compared to a net loss of $10.98 per share for 2009. Customers Bancorp's return on average assets was 3.40% in 2010. Customers Bancorp's return on average equity was 41.3% in 2010.

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 Bancorp's earnings. The following table summarizes Customers Bancorp's net interest income and related spread and margin for the periods indicated (dollars in thousands):

	Year ended December 31, 2011			2010			2009	
	Average balance	Interest income or expense	Average yield or cost (%)	Average balance	Interest income or expense	Average yield or cost (%)	Average balance	Inte incon expe
Assets								
Interest earning deposits	$ 164,468	$ 415	0.25 %	$ 128,133	$ 303	0.24 %	$ 11,578	$ 6
Federal funds sold	2,285	3	0.13	11,176	20	0.18	2,411	7
Investment securities, taxable (1)	481,106	14,064	2.92	49,569	1,382	2.79	27,375	1,1
Investment securities, non taxable (1)	2,080	86	4.13	2,516	110	4.37	4,507	191
Loans (2)	938,134	46,682	4.98	523,753	29,021	5.54	225,436	12,
Restricted stock	11,739	189	1.61	3,219	71	2.21	1,845	33
Total interest-earning assets	1,599,812	61,439	3.84	718,366	30,907	4.30	273,152	13,
Allowance for loan and lease losses	(15,316)			(13,310)			(6,454)	
Non-interest-earning assets	68,051			157,028			45,201	
Total assets	$ 1,652,547			$ 862,084			$ 311,899	
Liabilities								
Interest checking	$ 20,499	96	0.47 %	$ 12,009	68	0.57 %	$ 10,186	89
Money market	505,269	6,705	1.33	190,972	3,609	1.89	35,372	461
Other Savings	13,407	91	0.68	11,222	76	0.68	11,218	98
Certificates of deposit	808,637	14,969	1.85	369,757	7,359	1.99	168,996	5,0
Total interest bearing deposits	1,347,812	21,861	1.62	583,960	11,112	1.90	225,772	5,7
Other borrowings	68,553	602	0.88	13,582	434	3.20	17,233	607
Total interest-bearing liabilities	1,416,365	22,463	1.59	597,542	11,546	1.93	243,005	6,3
Non-interest-bearing deposits	98,036			50,708			17,715	

Total deposits and borrowings	1,514,401	1.48	648,250	1.78	260,720
Other non-interest-bearing liabilities	24,743		144,820		32,003
Total liabilities	1,539,144		793,070		292,723

Shareholders' equity	113,403			69,014			19,176	
Total liabilities & shareholders' equity	$ 1,652,547			$ 862,084			$ 311,899	
Net interest earnings		38,976			19,361			7,150
Tax equivalent adjustment (3)		44			57			98
Net interest earnings tax equivalent		$ 39,020			$ 19,418			$ 7,248
Interest spread			2.36 %			2.52 %		
Net interest margin			2.44 %			2.70 %		
Net interest margin tax equivalent (3)			2.44 %			2.70 %		

(1) 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.
(2) Includes non-accrual loans, the effect of which is to reduce the yield earned on loans, and deferred loan fees.
(3) Full tax equivalent basis, using a 35% statutory tax rate to approximate interest income as a taxable asset.

The following table presents the dollar amount of changes in interest income and interest expense for the major categories of our 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:

	2011 vs. 2010 Increase (decrease) due to change in			2010 vs. 2009 Increase (decrease) due to change in		
	Rate	Volume	Total	Rate	Volume	Total
	(dollars in thousands)					
Interest income						
Interest earning deposits	$ 16	$ 96	$ 112	$ 22	$ 275	$ 297

Federal funds sold	(5)	(12)	(17)	(3)	16	13
Investment securities, taxable	64	12,618	12,682	(350)	625	275
Investment securities, non taxable	(6)	(18)	(24)	15	(96)	(81)
Loans	(2,954)	20,615	17,661	338	16,541	16,879
Restricted stock	(19)	137	118	8	30	38
Total interest income	$ (2,904)	$ 33,436	$ 30,532	$ 30	$ 17,391	$ 17,421
Interest expense						
Interest checking	$ (12)	$ 40	$ 28	$ (31)	$ 10	$ (21)
Money market	(1,075)	4,171	3,096	209	2,939	3,148
Savings	-	15	15	(21)	(1)	(22)
Certificates of deposit	(513)	8,123	7,610	(1,724)	4,002	2,278
Total interest bearing deposits	(1,600)	12,349	10,749	(1,567)	6,950	5,383
Borrowings	(315)	483	168	(55)	(118)	(173)
Total interest expense	(1,915)	12,832	10,917	(1,622)	6,832	5,210
Net interest income	$ (989)	$ 20,604	$ 19,615	$ 1,652	$ 10,559	$ 12,211

For the years ended December 31, 2011 and 2010

Net interest income was $39.0 million for the year ended December 31, 2011, compared to $19.4 million for the year ended December 31, 2010, an increase of $19.6 million or 101%. This net increase was attributable to increases in average volume of average interest-earning assets, offset by an increase in average interest-bearing liabilities, as a result of:

- the inclusion of the acquired USA Bank and ISN Bank loans and deposits, for all of 2011, as opposed to less than six months in 2010;
- the acquisition of Berkshire Bancorp in September 2011;
- the purchase of a $105.8 million manufactured housing loan portfolio in August 2010;
- a $172.3 million increase in average mortgage warehouse loans due to our strategy to grow the mortgage warehouse lending business;
- significant increases in average money market accounts and average certificates of deposit due to our efforts to obtain new business and the related increase in average investment securities as a result of the deployment of the cash flow generated by these deposit accounts; and
- increases in interest-bearing deposits due to the USA Bank, ISN Bank, and Berkshire Bank acquisitions.

The key measure of our net interest income is net interest margin. Our net interest margin decreased to 2.44% for 2011 from 2.70% for 2010. This decrease was primarily the result of a decrease in the yield of average loans of 56 basis points as well as a decrease of 60 basis points in restricted stock. This was offset by a decrease in the total interest-bearing deposits of 28 basis points, primarily driven by a decrease in the cost of funds of money market accounts which dropped 56 basis points. These decreases in yields were attributable to the continuing lower interest rate environment.

For the years ended December 31, 2010 and 2009

Net interest income was $19.4 million for the year ended December 31, 2010, compared to $7.1 million for 2009, an increase of $12.2 million or 170%. Interest income was $31.0 million in 2010 compared to $13.5 million in 2009, an increase of $17.5 million or 129%. The yield on interest earning assets decreased to 4.30% in 2010 from 4.94% in 2009. Interest expense was $11.5 million in 2010, an increase of $5.2 million or 82%, from $6.3 million in 2009. The increase in interest income reflects the increase in average earning assets of $445.2 million primarily from the acquisitions of two banks in the second half of 2010 that contributed interest earning assets of approximately $180 million, the purchase of a $105.8 million manufactured housing loan portfolio on August 6, 2010, and an increase in interest bearing cash from the new branches opened in 2010. The increase in interest expense was due to an increase in average interest bearing liabilities of $354.5 million of which approximately $77 million is related to the two 2010 bank acquisitions and an increase of $281.7 million in interest bearing liabilities from new branches and organic growth. The cost of funds decreased to 1.78% in 2010 from 2.43% in 2009 due to changes in the interest rates charged on time deposit accounts.

The key measure of our net interest income is its net interest margin. Our net interest margin increased slightly to 2.70% in 2010 from 2.65% in 2009. This slight increase was primarily attributable to an increase in loans with higher yields offset by a higher volume of deposits and other borrowings. Deposit costs were close to a floor as short-term market interest rates hovered around 0% throughout the year.

PROVISION FOR LOAN LOSSES

For the years ended December 31, 2011 and 2010

We establish an allowance for loan and lease losses through a provision for loan losses charged as an expense on the statement of operations. The loan portfolio is reviewed and evaluated on a quarterly basis to evaluate our outstanding loans and to measure both the performance of the portfolio and the adequacy of the allowance for loan and lease losses. Future adjustments may be necessary to the provision for loan losses, and consequently the allowance for loan and lease losses, if economic conditions or loan quality differ substantially from the assumptions management used in the evaluation of the level of the allowance for loan and lease losses as compared to outstanding loans.

During 2011, the provision for loan losses was $9.5 million, a decrease of $947,000 from $10.4 million in 2010. This decrease was primarily due to the shift in reserve allocations from specific reserves to general reserves based on impaired loan valuations and charge-off activity. The charge-offs incurred in 2011 decreased the specific reserves by $2 million and provided a cushion for additional provision required in general reserve. The level of delinquent, non-performing, and impaired loans have continued to increase throughout 2011 due the continued decline in the economy and commercial real estate market.

As is typical with community banks, we have a high concentration (89.4%) of our loans secured by real estate. Construction and commercial real estate represent 25.3% of the total loan portfolio, a slight decrease from 2010. It is in the construction and commercial real estate secured portion of the loan portfolio that we are experiencing the most difficulty with delinquent and non-accrual loans. Although we believe that we have identified and appropriately allocated reserves against the riskiest of our loans in the construction and commercial real estate portfolios, the possibility of further deterioration before the real estate market turns presents the need for potential increased allocations of the allowance for loan and lease losses in that area in the future.

Other than the concentrations in construction and commercial real estate, we have no large exposures in other risky industries such as restaurants, home heating oil businesses or other industries that are typically viewed as high risk. The majority of our borrowers are small, local businesses and individuals with investments in residential or commercial real estate. The typical borrower provides self-prepared or accountant assisted financial statements and tax returns that are not audited and therefore are less reliable than information that would be obtained from more sophisticated borrowers. The absence of objectively verified financial information is a challenge to all community banks and represents a layer of risk that must be considered in judging the adequacy of the allowance for loan and lease losses.

Net charge-offs were $9.5 million and $5.3 million, respectively, for the years ended December 31, 2011 and 2010.

See “Credit Risk” and “Asset Quality” sections for further information regarding our provision for loan losses, allowance for loan losses and net charge-offs generally, and additional discussion of our non-performing loans.

For the years ended December 31, 2010 and 2009

During 2010, the provision for loan losses was $10.4 million, a decrease of $1.4 million from $11.8 million in 2009. This decrease was primarily due to a stabilization of the elevated volumes of non-performing non-covered loans in the second half of 2010. Real estate values in our market area decreased during 2010 related to the significant economic downturn faced by the national and regional economies in 2010.

As is typical with community banks, we have a high concentration (93.1%) of our loans secured by real estate. Construction and commercial real estate represent 30.9% of the total loan portfolio, a significant decrease from 2009. Construction loans decreased to $13.4 million from our historical portfolio or 2.6% of the total loan portfolio, a decrease from 9.5% in 2009. In 2010, our loan portfolio mix changed to 44.7% of the total loan portfolio being comprised of loans to provide liquidity to mortgage originators under mortgage warehouse repurchase facilities and 11.9% of manufactured housing loans in 2010, when these two portfolio segments were 7.5% of the total loan portfolio in 2009. It is in the construction and commercial real estate secured portion of the loan portfolio that we experienced the most difficulty with delinquent and non-accrual loans.

The majority of our borrowers are small, local businesses and individuals with investments in residential or commercial real estate. The typical borrower provides self-prepared or accountant assisted financial statements and tax returns that are not audited and therefore are less reliable than information that would be obtained from more sophisticated borrowers. The cost of audited financial statements would be prohibitive for many of our small borrowers. The absence of objectively verified financial information is a challenge to all community banks and represents a layer of risk that must be considered in judging the adequacy of the allowance for loan and lease losses.

Net charge-offs were $5.3 million and $4.6 million, respectively, for the years ended December 31, 2010 and 2009.

NON-INTEREST INCOME

The chart below shows our results in the various components of non-interest income for each of the years ended December 31, 2011, 2010 and 2009.

	Years Ended December 31,		
	2011	2010	2009
	(dollars in thousands)		
Service fees	$ 698	$ 643	$ 458
Mortgage warehouse transaction fees	5,581	2,631	70
Bank owned life insurance	1,404	228	229
Net gain on sales of investment securities	2,731	1,114	236
Gains on sales of SBA loans	329	98	—
Impairment charge on investment securities	—	—	(15)
Bargain purchase gain on bank acquisitions	—	40,254	—
Accretion of FDIC loss sharing receivable	1,955	—	—
Gain (loss) on sale of OREO	367	(67)	(31)
Other	587	702	96
Total non-interest income	$ 13,652	$ 45,603	$ 1,043

For the years ended December 31, 2011 and 2010

Non-interest income was $13.7 million for the year ended December 31, 2011, a decrease of $32.0 million from non-interest income of $45.6 million for the year ended December 31, 2010. This net decrease primarily was due to $40.3 million in bargain purchase gains on bank acquisitions recognized in 2010. In addition, mortgage warehouse transaction fees for 2011 increased $3.0 million, when compared to 2010. Furthermore, during 2011, we recognized increased income on bank-owned life insurance of $1.2 million, increased gains on the sales of investment securities of $1.6 million, and net adjustments of $2.0 million related to our FDIC loss sharing receivable in 2011.

- The increase in mortgage warehouse transactional fees for 2011 was the result of increased volume in 2011.

- The increase in bank owned life insurance income was due to the purchase of an additional $20 million of BOLI in December 2010 and the acquisition of $2.5 million in BOLI relating to Berkshire Bancorp, Inc.

- The increase in net gains on sales of investment securities was the result of our sales of $180.0 million of investment securities for net gains of $2.7 million. In 2010, we sold $153.2 million of investment securities for net gains of $1.1 million.

- The increase in income related to our FDIC loss sharing receivable was the result of additional adjustments to the loss sharing assets, charge-offs of covered loans, and impairments of covered OREO.

For the years ended December 31, 2010 and 2009

In July 2010 and September 2010, we acquired two banks in FDIC assisted transactions and recorded a bargain purchase gain of $40.3 million. Excluding the bargain purchase gain on bank acquisitions, non-interest income increased $4.3 million from $1.1 million to $5.4 million. The increase was primarily related to the transactional fees earned by the mortgage warehouse division of $2.6 million. The mortgage warehouse division was started in the second half of 2009. Also, the gains of $1.1 million on the sales of investment securities recognized in 2010 increased compared to a gain of $236,000 in 2009.

Service fees, including mortgage warehouse fees, represent the largest component of non-interest income and were $3.3 million in 2010, an increase of $2.7 million from $528,000 in 2009 primarily due to an increase in loan fee income and the growth in the mortgage warehouse division in 2010. Late fees on loans were $89,000 in 2010.

We sold investment securities in 2010 for a gain of $1.1 million, compared to a gain of $236,000 in 2009. The gain in 2010 was primarily due to the sales of $56.2 million of mortgage backed securities.

Other non-interest income included $520,000 of increases in the FDIC loss sharing receivable recorded for the two FDIC assisted transactions and $98,000 gain on the sale of an SBA loan.

NON-INTEREST EXPENSE

The chart below shows our results in the various components of non-interest expense for each of the years ended December 31, 2011, 2010 and 2009.

	Years Ended December 31,		
	2011	2010	2009
	(dollars in thousands)		
Salaries and employee benefits	$ 16,718	$ 14,031	$ 4,267
Occupancy	3,242	1,897	1,261
Technology, communication and bank operations	3,169	2,431	1,000
Advertising and promotion	994	1,007	191
Professional services	4,837	2,833	510
Merger related expenses	531	-	-
FDIC assessments, taxes, and regulatory fees	2,366	1,613	892
Impairment charges on other real estate owned	576	635	350
Loan workout and other real estate owned	1,988	682	531
Other	2,888	972	648
Total non-interest expenses	$ 37,309	$ 26,101	$ 9,650

For the years ended December 31, 2011 and 2010

Non-interest expense was $37.3 million for the year ended December 31, 2011, an increase of $11.2 million when compared to non-interest expense of $26.1 million for the year ended December 31, 2010. Salaries and employee benefits, which represent the largest component of non-interest expense, increased $2.7 million; occupancy expense increased $1.3 million; technology, communications, and bank operations expense increased $700,000; professional services expense increased $2.0 million; FDIC assessments, taxes, and regulatory fees increased $800,000; loan workout and other real estate owned expenses increased $1.3 million; and other expenses increased $1.9 million.

- The increase in salaries and employee benefits expense primarily was due to an increase in the total number of employees from 133 full-time equivalents at December 31, 2010 to 205 full-time equivalents at December 31, 2011. This increase in our workforce was the result of the Berkshire acquisition and the need for additional employees to support our growth strategy. In addition, share-based compensation expense decreased $1.3 million from December 31, 2010 to December 31, 2011 because there were one-time share-based awards in 2010 that vested immediately.

- The increase in occupancy expense was the result of the Berkshire acquisition which added five additional branches and the opening of additional branches to support our growth strategy.

- The increase in technology, communications, and bank operations expense was due to the Berkshire acquisition, our expanded branch network and additional network support for the opening of the two new branches and executive offices in Wyomissing, Pennsylvania.

- The increase in professional services expense was primarily attributable to legal expenses related to regulatory filings and ongoing litigation with a vendor from one of the acquired banks.

- The increase in FDIC assessments, taxes, and regulatory fees was attributed to increases in FDIC premiums primarily as a result of the growth of our assessment base (average consolidated total assets minus average tangible equity) and additional Pennsylvania shares tax expense in 2011 also due to our increased asset size.

- The increase in loan workout and other real estate owned expenses was due to increased volume of non-covered, non-performing assets.

- The increase in other expenses generally can be attributed to the Berkshire acquisition in 2011 and the USA Bank and ISN Bank acquisitions in 2010 as well as general growth of the infrastructure.

For the years ended December 31, 2010 and 2009

Non-interest expense increased $16.5 million from $9.7 million in 2009 to $26.1 million in 2010. Salaries and employee benefits represent the largest component of non-interest expense and were $14.0 million in 2010 compared to $4.3 million in 2009, an increase of $9.8 million. At December 31, 2009, we had sixty-two employees and grew to 133 employees at December 31, 2010, adding $4.7 million in salaries and benefits in 2010. The additional employees were added to continue to build our infrastructure and support the growth strategy of the management team added in 2009. Also, fifteen employees were added from the two banks that we acquired in 2010. In addition, the management stock purchase plan, incentive compensation items either through bonus or stock-based compensation and the supplemental executive retirement plan for Customers Bancorp's Chief Executive Officer came into effect in 2010. The management stock purchase plan and the SERP became vested in July 2010 and $1.8 million and $2.5 million, respectively, were recorded for each plan during the third quarter of 2010.

Occupancy expense increased $636,000 as a result of opening four new branches in Pennsylvania, New Jersey and New York. Technology, communications and bank operations expense was $2.4 million in 2010, an increase of $1.4 million or 143.1% over $1.0 million in 2009 due to the expansion of the Bank and employing technology to service customers in a proactive manner. Our advertising and promotion expense increased $816,000 in 2010 to $1.0 million for the promotion of the new Bank strategy and mission and to support an increased market area.

Expenses related to professional services increased 455.5% or $2.3 million to $2.8 million from $510,000 in 2009. This increase was primarily attributable to legal expenses related to regulatory filings, the two FDIC assisted acquisitions and litigation related to one of our vendors. Consulting fees increased to $507,000 in 2010 from $193,000 in 2009 to add the specialty knowledge and experience to support management in our growth.

FDIC assessments, taxes and regulatory fees increased 80.8% or $721,000 to $1.6 million in 2010 from $892,000 in 2009. This increase is attributable to a broader deposit base and increases in premiums.

Impairment charges on other real estate owned increased $285,000 to $635,000 in 2010 from $350,000 in 2009. This increase was primarily attributable to deteriorating market values on real estate and increased other real estate owned. Loan workout and other real estate owned expenses increased 28% or $151,000 to $682,000 in 2010 from $531,000 in 2009. This increase was attributable to an increase of expenses related to preparing properties for sale and an increase of other real estate properties from the two bank acquisitions in 2010. A portion of the expenses on the other real estate owned covered under the FDIC Loss Sharing Agreements are reimbursable from the FDIC, however, the remaining 20% of the expense is absorbed by us. At December 31, 2010, there were eighteen properties that we have acquired either through acquisition or foreclosure of loans with a book value of $7.2 million. In addition, loan workout expenses increased due to additional problem assets from the acquisitions of two failed banks in 2010 and a portion of the expenses incurred are reimbursable from the FDIC.

Other expenses increased 50.0% or $324,000 to $972,000 in 2010 from $648,000 in 2009. This increase was primarily attributable to increases in appraisal expenses in connection with expansion costs, director fees, and other miscellaneous expenses.

INCOME TAXES

For the years ended December 31, 2011 and 2010

The income tax provision was $1.8 million for the year ended December 31, 2011, compared to $4.7 million for the year ended December 31, 2010. The decrease in income tax provision was primarily due to the decrease in net income before taxes of approximately $22.6 million. In addition, the tax benefit from bank owned life insurance increased by approximately $423,000 due to the purchase of approximately $20.0 million of bank owned life insurance at the end of 2010. For additional information regarding our income taxes, refer to “Note 13 –Income Taxes” in the consolidated financial statements included herein.

For the years ended December 31, 2010 and 2009

The income tax provision was $4.7 million for the year ended December 31, 2010, compared to zero for the year ended December 31, 2009. The increase in the income tax provision is primarily due to the increase in net income before taxes of approximately $41.7 million. The income tax provision reflects a provision for approximately $11.3 million offset by a $6.6 million adjustment to reverse the deferred tax valuation allowance previously recorded on the net deferred tax asset through the second quarter of 2010. Due to the acquisitions of USA Bank and ISN Bank and the estimated taxable income to be generated over the life of the acquired assets, it is more likely than not that our net deferred tax asset will be realized. Accordingly, the valuation allowances recorded in 2010 and in the previous years were reversed. Income tax expense also increased due to the expansion into various jurisdictions.

FINANCIAL CONDITION

GENERAL

Our total assets were $2.08 billion at December 31, 2011. This represents a 52.0% increase from $1.37 billion at December 31, 2010. The main component of this change was a significant increase in loan volume. Our total liabilities were $1.93 billion at December 31, 2011, up 52.0% from $1.27 billion at December 31, 2010. The main component of this change was due to increased deposits and other borrowings.

On August 6, 2010, we purchased from Tammac Holding Corporation (“Tammac”) a $105.8 million manufactured housing loan portfolio for a purchase price of $105.8 million. On September 30, 2011, we purchased from Tammac $19.3 million of manufactured housing loans and a 1.50% interest only strip security with an estimated value of $3 million secured by a pool of $70 million of loans originated by Tammac. The total purchase price for these assets was $13 million. These purchases and other similar portfolio purchases made by us in recent periods were opportunistic purchases and may not be indicative of future strategies or purchases.

On September 17, 2011, we completed our acquisition of Berkshire Bancorp, Inc. (“Berkshire Bancorp”) and its subsidiary, Berkshire Bank (collectively, “Berkshire”). Berkshire Bank merged with and into the Bank immediately following the acquisition. Berkshire Bancorp served Berks County, Pennsylvania through the five branches of its subsidiary, Berkshire Bank.

On July 9, 2010 and September 17, 2010, we acquired the former USA Bank and ISN Bank in FDIC assisted transactions that resulted in two additional branches and expanded the our brand into New York and New Jersey to continue the growth into these markets.

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

	December 31, 2011	December 31, 2010
	(dollars in thousands)	
Cash and cash equivalents	$ 73,570	$ 238,724
Loans held for sale	174,999	199,970
Investment securities, available for sale	79,137	205,828
Investment securities, held-to-maturity	319,547	-
Loans receivable not covered under FDIC Loss Sharing Agreements	1,216,265	514,087
Total loans receivable covered under FDIC Loss Sharing Agreements	126,276	164,885
Total loans receivable, net of the allowance for loan and lease losses	1,327,509	663,843
Total assets	2,077,532	1,374,407
Total deposits	1,583,189	1,245,690
Federal funds purchased	5,000	-
Total other borrowings	331,000	11,000
Subordinated debt	2,000	2,000

Total liabilities	1,929,784	1,269,267
Total shareholders' equity	147,748	105,140

The following table sets forth a summary of assets acquired and liabilities assumed from the former USA Bank and ISN Bank at their respective acquisition dates (in thousands):

Total loans receivable, not covered under FDIC Loss Sharing Agreements	$ 1,440
Total loans receivable, covered under FDIC Loss Sharing Agreements	174,660
FDIC loss sharing receivables	28,337
Other real estate owned covered under FDIC Loss Sharing Agreements	4,640
Total deposits	251,239

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 $7.8 million at December 31, 2011. This represents a $1.4 million increase from $6.4 million at December 31, 2010. These balances vary from day to day, primarily due to variations in customers' deposits with us.

INTEREST-EARNING DEPOSITS WITH BANKS

Our interest earning deposits consist mainly of deposits at the Federal Home Loan Bank of Pittsburgh. These deposits totaled $65.8 million at December 31, 2011, which is a $159.8 million decrease from $225.6 million at December 31, 2010. The decline of interest earning deposits was primarily attributable to such deposits funding the organic loan growth, acquisitions of BBI and Tammac during the period ending December 31, 2011, as well as purchases of higher yielding investment securities. This balance varies from day to day, depending on several factors, such as variations in customers' deposits with us and the payment of checks drawn on customers' accounts.

FEDERAL FUNDS SOLD

Federal funds sold consist of overnight interbank lending through Atlantic Central Bankers Bank. There were no funds sold at December 31, 2011, compared to $6.7 million at December 31, 2010. This balance varies day-to-day, based upon the short-term fluctuations in our net cash position.

INVESTMENT SECURITIES

Our investment securities portfolio is an important source of interest income and liquidity. It consists of U.S. Treasury, government agency and mortgage-backed securities (guaranteed by an agency of the United States government and non-agency guaranteed), municipal securities, domestic corporate debt, and asset-backed securities. In addition to generating revenue, we maintain the investment portfolio 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.

Management determines the appropriate classification of securities at the time of purchase. In accordance with ASC 320 Investments—Debt and Equity Securities, investment securities are classified as: (a) investment securities held to maturity ("HTM"), which are classified as such based on management's intent and ability to hold the securities to maturity; (b) trading account securities, which are bought and held principally for the purpose of selling them in the near term; and (c) securities available for sale ("AFS"), which include those securities that may be sold in response to changes in interest rates, changes in pre-payment assumptions, the need to increase regulatory capital or other similar requirements. We do not necessarily intend to sell our AFS securities, but have classified them as AFS to provide flexibility to respond to liquidity needs.

At December 31, 2011, $79.1 million of our investment securities were classified as AFS. This represents a decrease of 61.6% from $205.8 million at December 31, 2010. The decrease was largely due to the sales of investment securities to fund strong loan growth primarily due to warehouse and manufactured housing lending. Unrealized gains and losses on AFS securities, although excluded from the results of operations, are reported as a separate component of shareholders' equity, net of the related tax effect. At December 31, 2011 we held $319.5 million of investment securities that were classified as HTM.

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

	December 31, 2011	2010	2009
Available for Sale:	(dollars in thousands)		
U.S. Treasury and government agencies	$1,002	$1,711	$435
Mortgage-backed securities	55,818	204,182	39,314
Asset-backed securities	622	719	843
Municipal securities	2,071	2,088	4,048
Corporate bonds	20,000	-	-
	$79,513	$208,700	$44,640
Held to Maturity:			
Mortgage-backed securities	319,547	-	-
	$319,547	$-	$-

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 on our securities portfolio. Floating rate securities are included in the “Due in 1 Year or Less” bucket. Yields are not reported on a tax equivalent basis.

(dollars in thousands)	December 31, 2011 Amortized Cost < 1yr	1 -5 yrs	5 -10 yrs	After 10 yrs	No Specific Maturity	Total	Fair Value
Available for Sale							
U.S. Treasury and government agencies	$ 1,002	$ -	$ -	$ -	$ -	$ 1,002	$ 1,001
Yield	1.39 %	-	-		-	1.39 %	-
Mortgage-backed securities	-	-	-	-	55,818	55,818	56,292
Yield	-	-	-	-	2.01 %	2.01 %	-
Asset-backed securities	100	406	77	39	-	622	627
Yield	1.58 %	1.58 %	1.84 %	2.16 %	-	1.65 %	-
Municipal securities	-	2,071	-	-	-	2,071	2,000
Yield	-	4.15 %	-	-	-	4.15 %	-
Corporate bonds	-	20,000	-	-	-	20,000	19,217
Yield	-	3.87 %	-	-	-	3.87 %	-

Total	$ 1,102	$ 22,477	$ 77	$ 39	$ 55,818	$ 79,513	$ 79,137
Yield	1.41 %	3.85 %	1.84 %	2.16 %	2.01 %	2.52 %	

	December 31, 2011						
	Amortized Cost						
(dollars in thousands)	< 1yr	1 -5 yrs	5 -10 yrs	After 10 yrs	No Specific Maturity	Total	Fair Value
Held to Maturity							
Agency Residential Mortgage-Backed Debt Securities	-	-	-	-	$319,547	$319,547	$330,809
Yield	-	-	-	-	3.20 %	3.20 %	-

At December 31, 2011, we held $2.4 million in securities that were impaired based on having a fair value lower than amortized cost for at least twelve consecutive months. We consider these securities to be temporarily impaired primarily due to interest rate changes and a lack of liquidity in the market. We do not intend to sell and, it is more likely than not, that we will not be required to sell the securities prior to maturity or market price recovery. Management believes that there is no other than temporary impairment of these securities as of December 31, 2011. $311.4 million and $2.1 million of investment securities were pledged at December 31, 2011 and 2010, respectively. Securities are pledged to the Federal Home Loan Bank of Pittsburgh to be used as collateral for borrowing purposes and to the Federal Reserve for contingency liquidity planning purposes.

LOANS

The composition of net loans receivable at December 31, 2011 and 2010 is as follows (dollars in thousands):

	2011	2010	2009	2008	2007
Construction	$ 37,926	$ 50,964	$ -	$ -	$ -
Commercial real estate	51,619	72,281	-	-	-
Commercial and industrial	10,254	13,156	-	-	-
Residential real estate	22,465	23,822	-	-	-
Manufactured housing	4,012	4,662	-	-	-
Total loan receivable covered under FDIC Loss Sharing Agreements (1)	126,276	164,885	-	-	-
Construction	15,271	13,387	21,742	-	-
Commercial real estate	352,635	144,849	133,433	-	-
Commercial and industrial	69,178	35,942	25,290	188,192	180,926
Mortgage warehouse	619,318	186,113	16,435	-	-
Manufactured housing	104,565	102,924	-	-	-
Residential real estate	53,476	28,964	27,422	8,592	8,260
Consumer	2,211	1,581	5,524	26,448	24,848
Unearned origination (fees) costs, net	(389)	327	452	520	535
Total loan receivable not covered under FDIC Loss Sharing Agreements	1,216,265	514,087	230,298	223,752	214,569

Allowance for loan and lease losses	(15,032)	(15,129)	(10,032)	(2,876)	(2,460)
Loans receivable, net	$ 1,327,509	$ 663,843	$ 220,266	$ 220,876	$ 212,109

(1) Covered loans receivable acquired from the former USA Bank and ISN Bank are covered under the FDIC Loss Sharing Agreements over a five to ten year period, depending upon the type of loan.

Loans receivable, net increased $663.7 million from December 31, 2010 to December 31, 2011. An increase of $433.2 million in the mortgage-warehouse category, which we attribute to our successful strategy of expanding our warehouse lending platform and that funded balances as a percentage of commitments were unusually high in late 2011, accounted for 65.3% of the total increase. We expect that this short term market anomaly will dissipate in the first half of 2012. Over the long-term, we expect continued growth in this business but expect a reduction in the warehouse mix of total assets due to faster growth in their loan portfolios. We expect warehouse mix will make up about 25% of assets over time which is down from 38% at December 31, 2011. In addition, we also focused on our multi-family and commercial real estate product line, and as a result, the outstanding balance is this category increased $207.8 million from December 31, 2010 to December 31, 2011. Finally, in September 2011, we acquired loans with a fair value of $98.4 million in the Berkshire Bancorp acquisition, which consisted primarily of $55.7 million in commercial real estate loans.

The following table sets forth certain categories of loans as of December 31, 2011, in terms of contractual maturity date:

	Within one year	After one but within five years	After five years	Total
		(dollars in thousands)		
Types of Loans:				
Construction	$ 36,569	$ 11,925	$ 4,703	$ 53,197
Commercial real estate	53,788	136,026	214,440	404,254
Commercial and industrial	15,432	18,876	45,124	79,432
Total	$ 105,789	$ 166,827	$ 264,267	$ 536,883
Amount of such loans with:				
Predetermined rates	$ 45,987	$ 135,785	$ 127,266	$ 309,039
Floating or adjustable rates	59,802	31,042	137,001	227,844
Total	$ 105,789	$ 166,827	$ 264,267	$ 536,883

* Includes covered and non-covered loans.

CREDIT RISK

We manage credit risk by maintaining diversification in our loan portfolio, by establishing and enforcing rigorous underwriting standards, by intensive collection efforts, and by establishing and performing periodic loan classification reviews. Management also attempts to anticipate and allow for credit risks by maintaining an adequate allowance for loan and lease losses, to which credit losses are charged as they are incurred, and to which provisions are added periodically as management and the board of directors deem appropriate.

The provision for loan losses was $9.5 million, $10.4 million, and $11.8 million for the years ended December 31, 2011, 2010, and 2009, respectively. The allowance for loan and lease losses was $15.0 million, or 1.24% of total non-covered loans, at December 31, 2011 and $15.1 million, or 2.94% of total non-covered loans, at December 31, 2010. Net charge-offs were $9.5 million for the year ended December 31, 2011, an increase of $4.3 million compared to the $5.3 million for the year ending December 31, 2010. In addition, we have approximately $126.3 million in loans that are covered under loss share arrangements with the FDIC as of December 31, 2011 compared to $164.9 million as of December 31, 2010.

The chart below depicts Customers Bancorp's allowance for loan and lease losses for the periods indicated.

	December 31, 2011	2010	2009	2008	2007
Balance of the allowance at the beginning of the year	$ 15,129	$ 10,032	$ 2,876	$ 2,460	$ 2,029
Loan charge-offs					
Construction	1,179	1,214	920	100	-
Commercial real estate	5,775	964	2,597	79	-
Commercial and industrial	2,543	1,699	1,080	-	9
Residential real estate	109	1,366	-	1	-
Consumer and other	55	22	33	15	5
Total Charge-offs	9,661	5,265	4,630	195	14
Loan recoveries					
Construction	2	-	-	-	-
Commercial real estate	94	-	-	-	-
Commercial and industrial	11	6	8	-	1
Residential real estate	-	9	-	-	-
Consumer and other	7	-	-	-	-
Total Recoveries	114	15	8	-	1
Total net charge-offs	9,547	5,250	4,622	195	13
Provision for loan losses	9,450	10,397	11,778	611	444
Transfer (1)	-	(50)	-	-	-
Balance of the allowance for loan and lease losses at the end of the year	$ 15,032	$ 15,129	$ 10,032	$ 2,876	$ 2,460
Net charge-offs as a percentage of average non-covered loans	1.13%	1.00%	2.05%	0.09%	0.01%

(1) In 2010, we had a reserve of $50,000 for unfunded commitments previously included in the allowance for loan and lease losses. The reserve for unfunded loan commitments was reclassified to other liabilities.

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 collectability 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 interest credited to income is reversed. Interest received on non-accrual loans is applied against principal until all principal has been repaid. Thereafter, interest payments are recognized as income until all unpaid interest has 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 collectability of the total contractual principal and interest is no longer in doubt.

The allowance for loan and lease losses is based on a periodic evaluation of the loan portfolio and is maintained at a level that management considers adequate to absorb potential losses. All loans are assigned risk ratings, based on an assessment of the borrower, the structure of the transaction and the available collateral and/or guarantees. All loans are monitored regularly and the risk ratings are adjusted when appropriate. This process allows us to take corrective actions on a timely basis. 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 the appropriate level of allowance for loan and lease losses. Management reviewed various factors to develop an aggregate reserve under ASC 450-10 Contingencies (general reserve).The ALLL methodology determines the fair value on impaired loans and utilizes our historical loss experience to project losses in the foreseeable future for performing loans. See "Asset Quality."

This methodology includes an evaluation of loss potential from individual problem credits, as well as anticipated specific and general economic factors that may adversely affect collectability. This assessment includes a review of changes in the composition and volume of the loan portfolio, overall portfolio quality and past loss experience, review of specific problem loans, current economic conditions that may affect borrowers' ability to repay, and other factors that may warrant current recognition. In addition, our internal and external auditors, loan review auditors and various regulatory agencies periodically review the adequacy of the allowance as an integral part of their examination process. Such agencies may require us to recognize additions or reductions to the allowance based on their judgments of information available at the time of their examination.

Approximately 75-80% of our 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"). Our lien position on the real estate collateral will vary on a loan by loan basis. Current appraisals are received when our 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 nonaccrual 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. On a quarterly basis, if necessary, the collateral values or discounted cash flow models are used to determine the estimated fair value of the underlying collateral for the quantification of a specific reserve for impaired loans. Appraisals used within this evaluation process do not typically age more than two years before a new appraisal is obtained. 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 determine the fair value of the underlying collateral.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

These evaluations, however, are inherently subjective as they require material estimates, including, among others, the amounts and timing of expected future cash flows on impaired loans, estimated losses in the loan portfolio, and general amounts for historical loss experience, economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios, all of which may be susceptible to significant change. Pursuant to ASC 450 Contingencies and ASC 310-40 Troubled Debt Restructurings by Creditors, impaired loans, consisting 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 if principal repayment is expected to come from the sale or operation of such collateral.

The following table shows how the allowance for loan and lease losses is allocated among the various loan portfolios that we have outstanding. This allocation is based on management's specific review of the credit risk of the outstanding loan portfolios in each category as well as historical trends.

	December 31,					
	2011		2010		2009	
	Amount	Percent of Loans in each category to total	Amount	Percent of Loans in each category to	Amount	Percent of Loans in each category to total

		loans (a)			total loans (a)			loans	
				(dollars in thousands)					
Construction	$ 4,656	4.0	%	$ 2,126	7.7	%	$ 2,349	9.5	%
Commercial real estate	7,030	30.1		6,280	32.7		4,874	58.0	
Commercial and industrial	1,441	5.9		1,663	8.7		1,350	11.0	
Residential real estate	844	5.7		3,988	7.8		1,284	19.1	
Consumer and other	77	0.1		11	0.1		75	2.4	
Mortgage warehouse	929	46.1		465	27.7		—	—	
Manufactured housing	1	8.1		—	15.3		—	—	
Unallocated	54	—		596	—		100	—	
	$ 15,032	100.0	%	$ 15,129	100.0	%	$ 10,032	100.0	%

	December 31,			
	2008		2007	
	Amount	Percent of Loans in each category to total loans	Amount	Percent of Loans in each category to total loans
	(dollars in thousands)			
Construction	$ 608	15.8%	$ 352	16.2%
Commercial real estate	856	53.3	757	34.2
Commercial and industrial	532	15.1	551	20.1
Residential real estate	696	12.2	724	27.9
Consumer and other	32	3.6	44	1.6
Mortgage warehouse	—	—	—	—
Manufactured housing	—	—	—	—
Unallocated	152	—	32	—
	$ 2,876	100.0%	$ 2,460	100.0%

(a) Total loans include covered and non-covered loans in 2011 and 2010. No covered loans were held prior to 2010.

ASSET QUALITY

We had impaired loans totaling $57.8 million at December 31, 2011, compared to $44.6 million at December 31, 2010. Non-accrual non-covered loans totaled $38.9 million at December 31, 2011, up from $22.2 million at December 31, 2010. We had net charge-offs of $9.5 million in 2011, compared with $5.3 million in 2010. We had recoveries of $114,000 in 2011, compared with $15,000 in 2010. There was $7.3 million and $1.9 million of non-covered other real estate owned as a result of foreclosure or voluntary transfer to us at December 31, 2011 and 2010, respectively.

To better understand our asset quality and related reserve adequacy, we break our loan portfolio into two categories; loans that we originated and loans that were acquired. Management believes that this additional information will allow investors to better understand the risk in our portfolio and the various types of credit reserves that are available to support loan losses in the future. Originated loans are supported with allowance for loan and lease loss reserves (“ALLL”). Acquired loans are supported with ALLL, non-accretable difference fair value marks and cash reserves as described below.

Originated Loans

Loans that the Bank has originated totaled $1.19 billion as of December 31, 2011 or about 77% of total loans. Of these, $141.4 million were loans originated prior to September 2009 (“Legacy Loans”), when the new management team lead by Jay Sidhu introduced new underwriting standards that management believes are more conservative. The loans originated prior to September 2009 have $34.6 million of non-performing assets (“NPAs”) or 99% of total NPAs for originated loans. Loans originated after September 2009 which total approximately $1.05 billion, have only $244,000 of NPAs.

The high level of non-performing loans (“NPLs”) in the Legacy Loan portfolio (22% NPL / Loans) are supported with $6.0 million of reserves or about 4.4% of total Legacy Loans. The newly originated portfolio is comprised of $619.3 million of warehouse loans and $175.0 million of mortgages held for sale. Held for sale loans are carried on our balance sheet at fair value so no ALLL is needed. Losses in warehouse lending have historically been very low and therefore the ALLL / warehouse loans is 0.15%. Commercial loans and multifamily loans totaled $237.2 million, which are supported with $2.0 million of ALLL. Consumer and mortgage loans totaled $21.0 million, which are supported by $170,000 of ALLL.

Loan Type	Total Loan	Current	30-90 (a)	Non Accrual (1) (b)	Restructured (2) (c)	NPLs (3)	
Originated Loans							
Legacy	$ 141,370	$ 109,075	$ 1,172	$ 28,473	$ 2,650	$ 31,123	$
Manufactured Originated	1,311	1,298	14	-	-	-	
Warehouse - Repo	619,318	619,318	-	-	-	-	
Warehouse - HFS	174,999	174,999	-	-	-	-	
MultiFamily	74,930	74,930	-	-	-	-	
Commercial Originated Post 09/2009	162,279	161,705	330	244	-	244	
Consumer/ Mortgage Originated Post 09/2009	19,734	19,734	-	-	-	-	
Total Originated Loans	$ 1,193,941	$ 1,161,057	$ 1,516	$ 28,717	$ 2,650	$ 31,367	$
Acquired Loans							
Berkshire	$ 96,801	$ 85,531	$ 1,124	$ 10,146	$ -	$ 10,146	$
Total FDIC - Covered	138,206	80,817	4,769	52,620	-	52,620	
Total FDIC - Non Covered	41	30	7	4	-	4	
Manufactured Housing 2010	94,396	89,963	3,451	-	982	982	
TAMMAC 2011	17,673	8,867	1,765	7,040	-	7,040	
Total Acquired Loans	$ 347,117	$ 265,209	$ 11,116	$ 69,810	$ 982	$ 70,792	$
Unallocated fees	$ 29	$ 29	$ -	$ -	$ -	$ -	$
Sub Total Portfolio	$ 1,541,087	$ 1,426,295	$ 12,633	$ 98,527	$ 3,632	$ 102,159	$
Fair Value/Acquisition Credit Marks/Fasb & Deferred Fees/Expenses	$ 23,547	$ 8,957	$ 143	$ 14,447	$ -	$ 14,447	$
Total Portfolio	$ 1,517,540	$ 1,417,338	$ 12,490	$ 84,080	$ 3,632	$ 87,712	$

(1) Includes restructured and non-performing
(2) Performing
(3) Amount is gross of credit mark.

Acquired Loans

As of December 31, 2011, we carried $347.1 million of acquired loans which is 23% of total loans. 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. As of December 31, 2011, (i) 28% of acquired loans are from the Berkshire Bancorp acquisition, (ii) 40% of acquired loans are from FDIC assisted acquisitions, which have loss share protection and 80% of credit losses are covered by the FDIC, and (iii) 32% of acquired loans were purchased from Tammac which is a consumer finance company. 84% of the loans purchased from Tammac are supported by a $6.5 million cash reserve which is maintained in a demand deposit account at the Bank. All losses and delinquent interest are covered with this reserve. We estimate that this cash reserve will be adequate to cover future losses and delinquent interest over the life of the portfolio.

Most of the acquired loans were purchased at a discount. The price paid factored in management’s judgment on the credit and interest rate risk inherent in the portfolio at the time of purchase. Every quarter, management reassesses the risk and adjusts the fair value to incorporate changes in the credit outlook. Total NPAs in the acquired portfolio were $80.8 million, or 70% of total NPAs. Of this total, 73% have FDIC loss share protection (80% FDIC coverage of losses). At December 31, 2011, the FDIC covered loans had $5.8 million of ALLL and $11.7 million of non-accretable difference fair value marks to support future credit losses. 17% of NPAs are from loans acquired from Berkshire, while 10% are from Tammac acquired loans.

Acquired loans have significantly higher non-performing assets than loans originated after September 2009. Management acquired these loans with the expectation that losses will be elevated and therefore incorporated that expectation into the price paid. Management also created a Special Assets group whose sole purpose is to workout these acquired non-performing assets.

Loan Type (Dollars in 000's)	Total Loans	ALLL	Non-Accretable Difference	Cash Reserve	Other	Total Credit Reserves
Originated Loans						
Legacy	$ 141,370	$ 6,018	$ -	$ -	$ -	$ 6,018
Manufactured Originated	1,311	1	-	-	-	1
Warehouse - Repo	619,318	929	-	-	-	929
Warehouse - HFS	174,999	-	-	-	-	-
MultiFamily	74,930	674	-	-	-	674
Commercial Originated Post 09/2009	162,279	1,343	-	-	-	1,343
Consumer/ Mortgage Originated Post 09/2009	19,734	170	-	-	-	170
Total Originated Loans	$ 1,193,941	$ 9,136	$ -	$ -	$ -	$ 9,136
Acquired Loans	$ -	$ -	$ -	$ -	$ -	$ -
Berkshire	96,801	-	3,578	-	-	3,578
Total FDIC - Covered	138,206	5,842	11,703	-	-	17,545
Total FDIC - Non Covered	41	-	-	-	-	-
Manufactured Housing 2010	94,396	-	-	6,534	-	6,534
TAMMAC 2011	17,673	-	8,251	-	-	8,251
Total Acquired Loans	$ 347,117	$ 5,842	$ 23,532	$ 6,534	$ -	$ 35,908
Un- allocated	$ -	$ 54	$ -	$ -	$ -	$ 54
Total Portfolio	$ 1,541,087	$ 15,032	$ 23,532	$ 6,534	$ -	$ 45,098
Fair Value/Acquisition Credit Marks/Fasb & Deferred Fees/Expenses	$ 23,547					
Total Portfolio	$ 1,517,540					

Loans not covered under loss sharing arrangements

The tables below set forth non-covered non-performing loans and non-performing assets and asset quality ratios at December 31, 2011, 2010, 2009, 2008 and 2007:

	December 31,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
Non-accrual loans	$ 38,868	$ 22,274	$ 10,341	$ 4,387	$ 2,058
	-	5	4,119	1,585	11

	2011	2010	2009	2008	2007
Loans 90+ days delinquent still accruing					
Restructured loans	6,133	4,776	4,690	1,203	-
Non-performing non-covered loans	45,001	27,055	19,150	7,175	2,069
OREO	7,316	1,906	1,155	1,519	-
Non-performing non-covered assets	$ 52,317	$ 28,961	$ 20,305	$ 8,694	$ 2,069

	December 31, 2011	2010	2009	2008	2007
Non-accrual non-covered loans to total non-covered loans	3.20 %	4.33 %	4.49 %	1.96 %	0.96 %
Non-performing non-covered loans to total non-covered loans	3.71	5.26	8.32	3.21	1.63
Non-performing non-covered assets to total non-covered assets	2.70	2.41	5.81	3.17	1.28
Non-accrual non-covered loans and 90+ days delinquent to total non-covered assets	2.00	1.97	4.13	2.18	0.76
Allowance for loan and lease losses to:					
Total non-covered loans	1.24	2.94	4.36	1.29	1.15
Non-performing non-covered loans	33.30	55.92	52.39	40.08	118.90
Non-performing non-covered assets	28.66	52.24	49.41	33.08	118.90

The table below sets forth types of non-covered loans that were non-performing at December 31, 2011, 2010, 2009, 2008 and 2007.

	December 31,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
Construction	$ 6,180	$ 4,673	$ 2,835	$ 1,443	$ 1,469
Residential real estate	3,559	1,793	672	350	-
Commercial real estate	31,486	15,879	14,786	5,232	411
Commercial and industrial	3,872	4,673	721	150	172
Consumer and other	40	5	136	-	17
Total non-performing loans	$ 45,137	$ 27,023	$ 19,150	$ 7,175	$ 2,069

We seek to manage 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.

Asset quality assurance activities include careful monitoring of borrower payment status and a review of borrower current financial information to ensure financial strength and viability. We have established credit policies and procedures, seek the consistent application of those policies and procedures across the organization, and adjust policies as appropriate for changes in market conditions and applicable regulations. The risk elements, which comprise asset quality, include loans past due, non-accrual loans, renegotiated loans, other real estate owned, and loan concentrations.

All loans are assigned risk ratings, based on an assessment of the borrower, the structure of the transaction and the available collateral and/or guarantees. All loans are monitored regularly and the risk ratings are adjusted when appropriate. This process allows us to take corrective actions on a timely basis.

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.

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 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.

Nonperforming loans and assets covered under FDIC Loss Sharing Agreements

The tables below set forth non-accrual covered loans and non-performing covered assets covered under FDIC Loss Sharing Agreements at December 31, 2011 and 2010 (in thousands).

December 31,

	2011	2010
Non-accrual covered loans	$45,213	$43,454
Covered other real estate owned	6,166	5,342
Total nonperforming covered assets	$51,379	$48,796

The table below sets forth the types of covered loans that were non-performing at December 31, 2011 and 2010 (in thousands).

	December 31, 2011	December 31, 2010
Construction	$21,480	$21,781
Residential real estate	5,534	4,017
Commercial real estate	17,666	15,675
Commercial and industrial	378	1,790
Manufactured housing	155	191
Total non-performing covered loans	$45,213	$43,454

FDIC LOSS SHARING RECEIVABLE

As of December 31, 2011, 9.41% of the outstanding principal balance of loans receivable and 45.74% of our other real estate assets were covered under loss share agreements with the FDIC in which the FDIC has agreed to reimburse us for 80% of all losses incurred in connection with those assets. We estimated the FDIC reimbursement that will result from losses or expenses incurred as we dispose of covered loans and other real estate assets, and we recorded the estimate as a receivable from the FDIC. The FDIC loss sharing receivable was approximately $13.1 and $16.7 million as of December 31, 2011 and 2010, respectively. Realized losses in excess of acquisition date estimates will result in an increase in the FDIC receivable for loss share agreements. Conversely, if realized losses are less than acquisition date estimates, the FDIC loss sharing receivable will be reduced. The discount on the FDIC receivable is accreted into noninterest income using the level yield method over the estimated life of the receivable, including estimates of the timing of cash flow receipts and the disposition of non-performing assets.

PREMISES AND EQUIPMENT AND OTHER ASSETS

Our premises and equipment, net of accumulated depreciation, was $9.4 million and $4.7 million at December 31, 2011 and 2010, respectively.

Our restricted stock holdings at December 31, 2011 and December 31, 2010 were $21.8 million and $4.2 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.

We owned BOLI of $29.3 million and $25.6 million at December 31, 2011 and 2010, respectively. Cash flow from these policies will occur over an extended period of time and flow through non-interest income. We periodically review the creditworthiness of the insurance companies that have underwritten the policies. The cash surrender values of the policies appear on our balance sheet and are subject to full regulatory capital requirements.

Other assets increased to $14.1 million at December 31, 2011 from $7.6 million at December 31, 2010. This increase primarily was the result of an increase in accrued interest receivable as a result of the loans acquired from Berkshire Bancorp and a $4.1 million in deferred tax asset related to the Berkshire Bancorp acquisition.

DEPOSITS

We offer a variety of deposit accounts, including checking, savings, money market and time deposits. Deposits are obtained primarily from our service area. Total deposits grew to $1.58 billion at December 31, 2011, an increase of $337.5 million, or 27%, from $1.25 billion at December 31, 2010, primarily from deposits acquired from the

Berkshire Bancorp acquisition and strong money market deposit initiation in the second half of 2011. We introduced many new initiatives to increase our deposits that continued through 2011. Sales management practices were introduced along with new marketing and pricing strategies.

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

	December 31, 2011	December 31, 2010
	(in thousands)	
Demand, non-interest bearing	$ 114,044	$ 72,268
Demand, interest bearing	739,463	387,013
Savings	16,922	17,649
Time, $100,000 and over	408,853	434,453
Time, other	303,907	334,307
Total deposits	$ 1,583,189	$ 1,245,690

Total time deposits decreased $56.0 million, or 7.3%, to $712.8 million at December 31, 2011 compared to $768.8 million at December 31, 2010. Time deposits of $100,000 or more were $408.9 million at December 31, 2011 compared to $434.5 million at December 31, 2010, a decrease of $25.6 million or 5.9%. We had no brokered deposits at December 31, 2011 compared to $46.0 million at December 31, 2010. During this period, non-interest bearing demand deposits increased $41.7 million, or 57.8%, to $114.0 million from $72.3 million. Interest bearing demand deposits increased $352.5 million, or 91.1%, to $739.5 million from $387.0 million. The majority of this increase was in money market accounts that increased to $702.4 million at December 31, 2011 from $373.6 million at December 31, 2010. Savings deposit accounts decreased $727,000, or 4.2%, to $16.9 million at December 31, 2011 from $17.6 million.

At December 31, 2011, the scheduled maturities of time deposits greater than $100,000 are as follows (in thousands):

3 months or less	$ 62,743
Over 3 through 6 months	56,604
Over 6 through 12 months	144,765
Over 12 months	144,741
	$ 408,853

OTHER BORROWINGS

Borrowed funds from various sources are generally used to supplement deposit growth. There were $5 million and $0 of Federal funds purchased as of December 31, 2011 and 2010, respectively. Federal funds typically mature in one day. An increase in mortgage warehouse funding has increased the need for us to borrow overnight funds. FHLB overnight advances totaled $320.0 million and $0 as of December 31, 2011 and 2010, respectively. We also had contractual maturities of fixed rate long-term advances as noted below as of December 31, 2011 and 2010 (in thousands):

	2011		2010	
	Amount	Rate	Amount	Rate
2013	$ 1,000	3.73 %	$ 1,000	3.73 %
2017	5,000	3.08	5,000	3.08
2018	5,000	3.31	5,000	3.31
	$ 11,000		$ 11,000	

SUBORDINATED DEBT

In June 2004, we issued $2.0 million in floating rate subordinated debt that matures on July 23, 2014. The quarterly interest rate at December 31, 2011 was 3.17%. Currently, 40% of this subordinated debt is included in Customers Bank and Customers Bancorp's Tier II regulatory capital requirement.

We issued a subordinated term note during the fourth quarter of 2008. The note was issued for $1.0 million at a fixed interest rate of 7.50% per annum. Quarterly interest payments are made on this note in January, April, July and October. The note was converted to common stock in the third quarter of 2009 due to a significant change in our board of directors, which triggered a change in control event.

PREFERRED STOCK

As part of the Berkshire Bancorp acquisition in September 2011, we exchanged outstanding Berkshire Bancorp TARP Shares Series A and Series B preferred shares for 2,892 shares of the Series A Shares of Customers Bancorp, having a liquidation preference of $1,000 per share, and 145 shares of the Series B Shares of Customers Bancorp, also having a liquidation preference of $1,000 per shares. On December 28, 2011, we repurchased these preferred shares from the U.S. Treasury for $3.0 million.

SHAREHOLDERS' EQUITY

Shareholders' equity increased to $147.7 million at December 31, 2011 from $105.1 million at December 31, 2010. The increase primarily was due to capital raises totaling $28.5 million in 2011, the net effect of the Berkshire Bancorp acquisition of $11.3 million, offset by the repurchase of $3.0 million in TARP-related preferred stock. For additional details relating to changes in our shareholders' equity, refer to the Statements of Changes in Shareholders' Equity and Note 10 – Shareholders' Equity to the consolidated financial statements included herein.

PRIVATE OFFERINGS OF COMMON STOCK

Since January 1, 2009, we raised approximately $106.3 million of capital, net of offering costs, through several private offerings of our securities. In the aggregate, we issued 6,644,047 shares of Voting Common Stock and 3,090,076 shares of Class B Non-Voting Common Stock pursuant to these private offerings. Several of the investors in these offering were deemed "lead investors," which entitled them to certain registration rights, pre-emptive rights and anti-dilution rights. In addition, as part of the private offerings, the lead investors, along with certain other investors received anti-dilution agreements providing them with protection from dilution until March 31, 2011. Except as noted below with respect to the September, 30, 2011 private placement, all of these contractual rights acquired by these investors have expired or we have performed our required obligations, and these rights are no longer in force or effect. In addition, some of these purchasers also received warrants in connection with their investment in us.

In connection with a private placement sale of 419,000 shares of Voting Common Stock and 565,848 shares of Class B Non-Voting Common Stock to an accredited investor on September 30, 2011, we granted this investor with piggyback registration rights entitling such investor to register all of his registrable securities as part of any public offering of common stock by Customers Bancorp. Pursuant to this investor's stock purchase agreement, we must give the investor written notice of our intention to file a registration statement with the SEC. If after giving this notice we determine that none of the registrable securities will be registered, we may give written notice of this determination to the investor if the investor has requested registration and we will be relieved of our obligation to register any registrable securities in connection with the abandoned registration. If we determine to delay registration of the registrable securities, we may delay the registration of the investor's registrable securities for the same period as the delay in registering our registrable securities. Additionally, the managing underwriters may, under certain circumstances, limit the number of registrable securities to be sold on account of the investor, if the managing underwriters determine that the amount of registrable securities to be registered on behalf of the investor is greater than the amount that can be offered without adversely affecting the success of the offering.

We have also changed our capital structure since 2009 pursuant to certain private exchange transactions. In addition to the exchange described above under “Preferred Stock,” in conjunction with our 2009 private offering, in July 2009 all shares of 10% Series A Non-Cumulative Perpetual Convertible Preferred Stock issued in the 2009 private offering were exchanged for 59,388 shares of our Voting Common Stock at an average per share price of $16.50 per share, and 8,167 warrants to purchase our Voting Common Stock at an exercise price of $16.50 per share. We also anticipate that from time to time we may offer to convert the Class B Non-Voting Stock into Voting Common Stock on a one-to-one basis; provided, however, this conversion would be only be to the extent the holder would not own greater than 4.9% of our outstanding Voting Common Stock after conversion.

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. We coordinate our management of liquidity with our interest rate sensitivity and capital position. We strive to maintain a strong liquidity position.

Our 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 stock issuance, deposits, principal and interest payments on loans, and other funds from operations. We also maintain borrowing arrangements with the Federal Home Loan Bank and the Federal Reserve Bank of Philadelphia to meet short-term liquidity needs. As of December 31, 2011, our borrowing capacity with the Federal Home Loan Bank was $571.3 million of which $320 million was used in short-term borrowings. As of December 31, 2011, our borrowing capacity with the Federal Reserve Bank of Philadelphia was $72 million.

Our operating activities provided $29.9 million and used $221.5 million for the years ended December 31, 2011 and 2010, respectively.

Investing activities used $760.5 million and $348.8 million for the years ended December 31, 2011 and 2010, respectively. This increase was primarily due to the higher volume of investment securities transactions and an increase in loan activity, primarily mortgage warehouse loans, in 2011 compared to 2010.

Financing activities provided $565.4 million and $740.2 million for the years ended December 31, 2011 and 2010, respectively. The decrease was primarily due to increased growth of deposits of $215.5 million in addition to an increase in short-term borrowed funds of $325.0 million in 2011.

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 within the foreseeable future.

CAPITAL ADEQUACY

The Board of Governors of the Federal Reserve System has adopted risk-based capital and leverage ratio requirements for bank holding companies like Customers Bancorp and banks like Customers Bank that are members of the Federal Reserve System. The Pennsylvania Department of Banking also sets minimum capital requirements. At December 31, 2011 and 2010, Customers Bancorp met each of its minimum capital requirements. Management believes that we would be deemed "well capitalized" for regulatory purposes as of December 31, 2011 and 2010. Banking regulators have discretion to establish an institution's classification based on other factors, in addition to the institution's numeric capital levels.

Management is not aware of any developments that have occurred and that could, or would be reasonably likely to, cause our classification to be reduced below a level of "well capitalized" for regulatory purposes. Our capital classification is determined pursuant to "prompt corrective action" regulations, and to determine levels of deposit insurance assessments, and may not constitute an accurate representation of our overall financial condition or prospects. The following table summarizes the required capital ratios and the corresponding regulatory capital positions of Customers Bancorp and Customers Bank for the periods or dates indicated:

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	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2011:						
Total capital (to risk weighted assets)						
Customers Bancorp	$ 162,228	11.43%	$ 113,504>	8.0%	N/A	N/A
Customers Bank	$ 157,228	11.08%	$ 113,504 >	8.0%	$ 141,880>	10.0%
Tier 1 capital (to risk weighted assets)						
Customers Bancorp	$ 146,395	10.32%	$ 56,752>	4.0%	N/A	N/A
Customers Bank	$ 141,395	9.97%	$ 56,752>	4.0%	$ 85,128>	6.0%
Tier 1 capital (to average assets)						
Customers Bancorp	$ 146,395	7.59 %	$ 77,166>	4.0%	N/A	N/A
Customers Bank	$ 141,395	7.33 %	$ 77,166>	4.0%	$ 96,457>	5.0%
As of December 31, 2010:						
Total capital (to risk weighted assets)	$ 115,147	21.1%	$ 43,571>	8.0%	$ 53,464>	10.0%
Tier 1 capital (to risk weighted assets)	$ 107,036	19.7%	$ 21,557>	4.0%	$ 32,335>	6.0%
Tier 1 capital (to average assets)	$ 107,036	8.7%	$ 49,397>	4.0%	$ 61,747>	5.0%

As our assets grow, our capital ratios decrease. In general, in the past few years, balance sheet growth has been offset by earnings and increases in capital from sales of common stock and growth of the allowance for loan and lease losses.

We do not presently have any commitments for significant capital expenditures. We are 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. Management also believes that, under current requirements and regulations, we will meet our minimum capital requirements for the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

We are a party to 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, our exposure 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. We use the same credit policies in making commitments and conditional obligations as for on-balance sheet instruments. Since they involve credit risk similar to extending a loan, they are subject to our Credit Policy and other underwriting standards.

As of December 31, 2011 and December 31, 2010, the following off-balance sheet commitments, financial instruments and other arrangements were outstanding:

	December 31, 2011	December 31, 2010
	(in thousands)	
Commitments to fund loans	$ 106,227	$ 23,446
Unfunded commitments to fund mortgage warehouse loans	294,681	221,706
Unfunded commitments under lines of credit	66,936	42,840
Letters of credit	1,374	1,085

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. Since 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 purchase mortgage loans from mortgage bankers that agree to purchase the loans back in a short period of time or to sell to third party mortgage originators. These commitments generally fluctuate monthly as existing loans are repurchased by the mortgage bankers and new loans are purchased by us.

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, 2011. Interest on subordinated debentures and long-term borrowed funds is calculated based on current contractual interest rates.

(in thousands)

	Total	Within one year	After one but within three years	After three but within five years	More than 5 years
Operating leases	$ 10,568	$ 1,859	$ 3,289	$ 1,985	$ 3,435
Benefit plan commitments	4,500	-	-	300	4,200
Contractual maturities on time deposits	712,760	495,444	98,049	119,065	202
Subordinated notes and the interest expense (1)	2,174	63	2,111	-	-
Loan commitments	467,844	456,701	1,181	695	9,267
Long term debt	11,000	-	1,000	-	10,000
Interest on long term debt	2,030	357	656	639	378
Standby letters of credit	1,374	1,374	-	-	-
Total	$ 1,212,250	$ 955,798	$ 106,286	$ 122,684	$ 27,482

(1) Includes interest on long-term debt and subordinated debentures at a weighted rate of 3.24% and 3.17%, respectively.

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 to the consolidated financial statements included herein.

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 terms 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, 2011, based upon the assets, liabilities and off-balance sheet financial instruments in existence at December 31, 2011. We have also estimated changes to that estimated net interest income based upon interest rates rising or falling immediately ("rate shocks"). Rate shocks assume that all interest rates increase or decrease immediately. The following table reflects the estimated ercentage change in estimated net interest income for the year ending December 31, 2011, resulting from changes in interest rates.

Net change in net interest income

Rate Shocks	% Change
Up 3%	4.4%
Up 2%	5.2
Up 1%	3.3
Down 1%	(4.9)
Down 2%	(9.7)
Down 3%	(13.51)

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. 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, 2011, resulting from shocks to interest rates.

Percent Change Economic Value of Equity

Rate Shocks	From base	EVE assets capital (1)
Up 3%	(18.5)%	(16.5)%
Up 2%	(5.4)	(4.8)
Up 1%	(2.6)	2.3
Down 1%	(13.9)	(12.5)
Down 2%	(17.9)	(16.1)
Down 3%	(15.4)	(13.8)

(1) Capital defined as Tier 1 plus Tier 2 Capital as calculated under regulatory guidelines.

The percent changes of EVE with the exception of the "down 1%" and "down 2%" rate shocks are all within our interest risk policy guidelines. While the percent changes of EVE in the "down 1%" and "down 2%" rate shock scenarios are slightly outside our guidelines, management does not believe these scenarios are likely given the current interest rate environment.

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, 2011, 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, 2011, 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.

	At December 31, 2011						
	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
	(dollars in thousands)						
Interest earning deposits and federal funds sold	$ 65,805	$ -	$ -	$ -	$ -	$ 5,400	$
Investment securities	26,037	25,356	54,621	97,087	157,339	56,903	
Loans receivable (1)	986,072	35,904	61,315	93,464	169,266	183,786	
Total interest earning assets	1,077,914	61,260	115,936	190,551	326,605	246,089	
Non interest earning assets	-	-	-	-	-	60,724	
Total assets	$ 1,077,914	$ 61,260	$ 115,936	$ 190,551	$ 326,605	$ 306,813	$
Other interest bearing deposits	$ 702,419	$ -	$ -	$ -	$ -	$ 53,967	$
Time deposits	125,615	108,573	271,213	74,806	132,084	608	
Other borrowings	325,000	-	-	1,000	-	10,000	
Subordinated debt	2,000	-	-	-	-	-	
Total interest bearing liabilities	1,155,034	108,573	271,213	75,806	132,084	64,575	
Non interest bearing liabilities	-	-	-	-	-	125,659	
Shareholders' equity	-	-	-	-	-	146,135	
Total liabilities and equity	$ 1,155,034	$ 108,573	$ 271,213	$ 75,806	$ 132,084	$ 336,369	$
Interest sensitivity gap	$ (77,120)	$ (47,313)	$ (155,277)	$ 114,745	$ 194,521	$ (29,556)	
Cumulative interest sensitivity gap	-	$ (124,433)	$ (279,710)	$ (164,965)	$ 29,556	-	
Cumulative interest sensitivity gap to total assets	(3.7)%	(6.0)%	(13.5)%	(7.9)%	1.4%	-%	
	93.3%	90.2%	81.8%	89.8%	101.7%	100%	

Cumulative
interest
earning assets
to cumulative
interest
bearing
liabilities

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(1) Including loans held for sale

As shown above, we have a 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 needs 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.

BUSINESS

Business Summary

Customers Bancorp, through its wholly-owned subsidiary Customers Bank, provides financial products and services to small businesses, not-for-profits and consumers through its fourteen branches in Southeastern Pennsylvania (Bucks, Berks, Chester and Delaware Counties), Rye, New York (Westchester County) and Hamilton, New Jersey (Mercer County). Customers Bank also provides liquidity to the mortgage market nationwide through the operation of its mortgage warehouse business. At December 31, 2011, Customers Bancorp had total assets of $2.08 billion, including net loans (including held for sale loans) of $1.50 billion, total deposits of $1.58 billion and shareholders' equity of $147.8 million.

Our strategic plan is to become a leading regional bank holding company through organic growth and value-added acquisitions. We differentiate ourselves from our competitors through our focus on and understanding of the banking needs of small businesses, not-for-profits and consumers. We will also focus on certain low-cost, low-risk specialty lending segments such as warehouse lending. Our lending is funded by our branch model, which seeks higher deposit levels than a typical branch, combined with lower branch operating expenses, without sacrificing exceptional customer service. We also create franchise value through our disciplined approach to acquisitions, both in terms of identifying targets and structuring transactions, including FDIC-assisted transactions of troubled financial institutions. Risk management practices are also an important part of the strategies we initiate.

We have experienced significant growth since 2009. At December 31, 2009, we had total assets of $349.8 million, including net loans of $230.3 million, total deposits of $313.9 million and shareholders' equity of $21.5 million. At December 31, 2011, we had total assets of $2.08 billion, including net loans (including held for sale loans) of $1.50 billion, total deposits of $1.58 billion and shareholders' equity of $147.8 million.

This growth began after we built a solid foundation from June 2009 through the first quarter of 2010, which included recruiting and hiring an experienced management team, increasing our capital position, improving the liquidity of the Bank, enhancing our policies and procedures, improving systems and other infrastructure improvements. We also recruited an experienced board of directors during this infrastructure building period. We raised approximately $106 million since June 2009 through private offerings of our stock, including $67 million from June 2009 through March 31, 2010, to improve liquidity and to bolster our capital position to provide support for our strategic growth plan.

Our growth plan includes organic growth and growth by acquisition. See "Our Strategy" below for more detail. Most of our asset growth since 2009 has come from organic growth. Our organic growth has been driven by improving branch performance via our "High Touch, High Tech" strategy, which resulted in a significant increase in deposits at our existing branches, along with the opening of four new branches in 2010. See "Our Strategy" and "Our Competitive Strengths" below. We have also experienced significant increases in loans, much of which has come from warehouse lending. We started our warehouse lending business in 2009, which has been a profitable line of business that has grown to $794.3 million as of December 31, 2011, including loans held for sale. See "Business – Specialty Lending" for more details on our warehouse lending business. We have also experienced growth in our multi-family and commercial real estate lending business, which increased from $133.4 million at December 31, 2009 to $404.3 million at December 31, 2011 and by acquiring a portfolio of manufactured housing loans, which totaled $104.6 million at December 31, 2011. We also grew as a result of two acquisitions in 2010 and one in 2011. While the two FDIC-assisted acquisitions in 2010 provided limited assets, these added significant earnings and capital ($40 million in pretax bargain purchase gains). See "Our Acquisitions" below.

While we have grown significantly, a cornerstone of our strategy is to focus on profitability and a strong balance sheet by emphasizing asset quality and risk management. See "Our Strategy" below. We increased profits from a net loss of $13.2 million for 2009 to net income of $4.0 million for 2011 by achieving scale in our operations after building out our infrastructure and improving branch performance, along with completing acquisitions on favorable terms which have been accretive to earnings. Our organic strategy has resulted in a significant growth in deposits and loans, which has been a driver of our increase in net interest income.

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When new management joined the Bank in 2009 in an effort to address existing non-performing and distressed loans, they hired a consultant to coordinate and assist in collection, workout and foreclosure of distressed loans. We subsequently hired this consultant, who now manages a team of over 10 employees dedicated to problem loans, including loans that were assumed as part of acquisitions. New management also rewrote all of the underwriting policies in 2009, which management believes are much more conservative and less risky than prior practices. These policies have resulted in a relatively low rate of delinquencies for new loans originated after this change in policy. We do not currently have any brokered deposits, sub-prime, Alt-A or other non-conforming loans although we hold manufactured housing loans (approximately $104 million as of December 31, 2011) which were opportunistic purchases acquired with substantial cash reserves or at a significant discount.

Our management team consists of experienced banking executives. The team is led by our Chairman and Chief Executive Officer Jay Sidhu, who joined Customers Bank in June 2009. Mr. Sidhu brings 36 years of banking experience, including 17 years as the Chief Executive Officer of Sovereign Bancorp, Inc. and Sovereign Bank and 4 years as the Chairman of Sovereign Bancorp, Inc. and Sovereign Bank. In addition to Mr. Sidhu, most of the members of our current management team joined us following Mr. Sidhu's arrival in 2009 and have extensive experience working together at Sovereign with Mr. Sidhu. This team has significant experience in building a banking organization, in completing and integrating mergers and acquisitions, as well as developing existing community and business relationships in our core markets.

Background and History

Customers Bancorp was incorporated in Pennsylvania in April 2010 to facilitate the Reorganization. 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 three-to-one basis for shares of Voting Common Stock and Class B Non-Voting Common Stock, respectively, of Customers Bancorp (i.e., each three shares of Customers Bank being exchanged for one share 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.

In December 2010, Customers Bank changed its name from New Century Bank. New Century Bank was incorporated in 1994 and is a Pennsylvania state chartered bank and a member of the Federal Reserve System. New Century Bank commenced operations in 1997. Customers Bank's deposits are insured by the Federal Deposit Insurance Corporation. Customers Bank's corporate headquarters are located at 99 Bridge Street, Phoenixville, Pennsylvania 19460. The main telephone number is (610) 933-2000.

Our Markets

Market Criteria

We look to grow organically as well as through selective acquisitions in our current and prospective markets. We believe there is significant opportunity to both enhance our presence in our current markets and enter new complementary markets that meet our objectives.

We focus on markets that we believe are characterized by some or all of the following:

· Population density

- Concentration of business activity
- Attractive deposit bases; large 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
- Management experience in the applicable markets

Current Markets

Our current markets are broadly defined as the greater Philadelphia region and Berks County in Pennsylvania, Mercer County, New Jersey and Southeastern New York. The table below describes certain key statistics regarding our presence in these markets as of June 30, 2011:

Market	Deposit Market Share Rank	Offices	Deposits (in millions)	Deposit Market Share
Philadelphia-Camden-Wilmington, PA, NJ, DE, MSA	27	8	$947.6	0.23%
Berks County, PA(1)	9	6	271.9	3.07
Mercer County, NJ	19	1	141.7	1.17
Westchester County, NY	26	1	170.7	0.37

(1) Includes deposits and offices of Berkshire Bank. See "Berkshire Bank Acquisition."

Source: FDIC Website as of June 30, 2011

We believe that these markets have highly attractive demographic, economic and competitive dynamics that are consistent with our objectives and favorable to executing our organic growth and acquisition strategy. The table below describes certain key demographic statistics regarding these markets.

Market	Deposits ($bn)	# of Businesses (thousands)	Market Population (millions)	Population Density Current (#/sq. mi.)	Population Growth (%) (2000 to 2011)	Median Household Income ($) 2011	Top 3 Competitor Combined Deposit Market Share (%)
Philadelphia – Camden – Wilmington, PA-NJ-DE-MD	417.2	219	6.0	1,228.9	5.2	58,051	53
Berks, PA	8.8	14	0.4	482.0	10.5	54,769	59
Mercer, NJ	12.1	16	0.4	1,638.2	4.9	71,646	49
Westchester, NY	46.5	41	0.9	2,203.0	2.7	81,147	53
U.S.				88.0	10.4	50,227	33

Source: SNL Financial; Deposit data as of June 30, 2011

Prospective Markets

Our organic growth strategy focuses on expanding market share in our existing and contiguous markets by generating deposits through personalized service and taking advantage of technology and through our commercial, consumer and specialized lending products. Our acquisition strategy primarily focuses on undervalued and troubled community banks in Pennsylvania, New Jersey, New York, Maryland, Connecticut and Delaware, where such acquisitions further our objectives and meet our critical success factors. As we evaluate potential acquisition opportunities, we believe 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.

Our Competitive Strengths

- Experienced management team. An integral element of our business strategy is to capitalize on and leverage the prior experience of our executive management team. The management team is led by our Chairman and Chief Executive Officer, Jay Sidhu, who is the former Chief Executive Officer and Chairman of Sovereign Bancorp. In addition to Mr. Sidhu, most of the members of our current management team have extensive experience working together at Sovereign with Mr. Sidhu, including Richard Ehst, President and Chief Operating Officer of Customers Bancorp, Warren Taylor, President of Community Banking for Customers Bank, and Thomas Brugger, Chief Financial Officer of Customers Bancorp. During their tenure at Sovereign, the team established a track record of producing positive financial results, integrating acquisitions, managing risk, working with regulators and achieving organic growth and expense control. In addition, our warehouse lending group is led by Glenn Hedde, who brings more than 23 years of experience in this sector. This team has significant experience in successfully building a banking organization as well as existing community and business relationships in our core markets.

- Asset Generation Strategy. We focus on local market lending combined with relatively low-risk specialty lending segments. Our local market asset generation provides consumer lending products, such as mortgage loans and home equity loans. We have also established a multi-family and commercial real estate product line that is focused on the Mid-Atlantic region. 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, we earn interest income, fee income and generate commercial deposits. We also maintain a specialty lending business, warehousing lending, which is a national business where we provide liquidity to non-depository mortgage companies to fund their mortgage pipelines. Through the warehouse lending business, we earn interest income and generate fees.

- Risk Management. We have sought to maintain strong asset quality and moderate credit risk by using conservative underwriting standards and early identification of potential problem assets. We have also formed a special assets department to both manage our covered assets portfolio and to review our other classified and non-performing assets. As shown below, a significant portion of our loan portfolio has been subjected to acquisition accounting adjustments and, in some cases, is also subject to loss sharing agreements with the FDIC ("Loss Sharing Agreements"):

- as of December 31, 2011, approximately 22.87% of our loans (by dollar amount) were acquired loans and all of those loans were adjusted to their estimated fair values at the time of acquisition; and
- as of December 31, 2011, 8.32% of our loans and 45.74% of our other real estate owned ("OREO") (each by dollar amount) were covered by a loss sharing arrangement with the FDIC in which the FDIC will reimburse us for 80% of our losses on these assets.

Please refer to the Asset Quality disclosure and tables regarding legacy and acquired loans beginning on page 60 in the "Management's Discussion and Analysis" section.

- Community Banking Model. We expect to drive organic growth by employing our "concierge banking" strategy, which provides specific relationship managers for all customers, delivering an appointment banking approach available 12 hours a day, seven days a week. We believe this allows us to provide services in a personalized, convenient and expeditious manner. This approach, coupled with our modern technology, including remote account opening, remote deposit capture and mobile banking, results in a competitive advantage over larger institutions, which we also believe contributes to the profitability of our franchise and allows us to generate core deposits. Our "high tech, high touch," model requires less staff and smaller branch locations to operate, thereby significantly reducing our operating costs.

- Acquisition Expertise. The depth of our management team and their experience working together and completing acquisitions provides us with valuable insight in identifying and analyzing potential markets and acquisition targets. Our team's experience, which includes the acquisition and integration of over 20 institutions, as well as numerous branch acquisitions, provides us a substantial advantage in pursuing and consummating future acquisitions. Additionally, we believe our strengths in structuring transactions to limit our risk, our experience in the financial reporting and regulatory process related to troubled bank acquisitions, and our ongoing risk management expertise, particularly in problem loan workouts, collectively enable us to capitalize on the potential of the franchises we acquire. With our depth of operational experience in connection with completing merger and acquisition transactions, we expect to be able to integrate and reposition acquired franchises cost-efficiently and with a minimum disruption to customer relationships.

We believe our ability to operate efficiently is enhanced by our centralized management structure, our access to relatively low labor and real estate costs in our markets, and an infrastructure that is unencumbered by legacy systems. Furthermore, we anticipate additional expense synergies from the integration of our recent acquisitions, which we believe will enhance our financial performance.

Our Objectives and Strategies

Our strategic plan is to become a leading regional bank holding company through organic growth and value-added acquisitions. A key aspect of our current business strategy is to foster a community-oriented culture where our customers and employees establish long-standing and mutually beneficial relationships. We believe we can differentiate ourselves through our focus on and understanding of the banking needs of small businesses, not-for-profits, and consumers.

A central part of this strategy is generating core deposit customers to support growth of a strong and stable loan portfolio. We believe we can achieve this through convenience and pricing flexibility for deposits while remaining more responsive to our customers' needs and providing a high level of personal and specialized service. We will strive for flexibility and responsiveness in operating and growing our franchise, while maintaining tight internal controls and adhering to the following "Critical Success Factors:"

- Talent - Attract, retain and develop a seasoned and innovative executive management team, experienced high-producing relationship managers to accelerate organic growth and experienced business development officers;
- Profitability - Create a culture that focuses on profitability and delivering services in a cost-effective, efficient manner with the goal of increasing our revenues significantly faster than our expenses;
- Asset Quality - Develop and adhere to conservative underwriting policies while maintaining diversified portfolios of earning assets and a conservative level of loan loss reserves;
- Risk Management - Manage other enterprise-wide risks, including minimizing interest rate risk through positioning the balance sheet so as to not place directional speculation on interest rate movements; and
- Capital - Maintain an adequate capital cushion that insulates us from adverse economic climates.

We intend to achieve our objectives under these guidelines by adhering to a combination of the following strategies:

- Organic growth through "High Touch, High Tech" Strategy. We focus our customer service efforts on relationship banking, personalized service and the ability to quickly make credit and other business decisions. Relationship managers, available 12 hours a day, seven days a week, are assigned for all customers, establishing a single point of contact for all issues and products. This "concierge banking" approach allows Customers Bank to provide services in a convenient and expeditious manner, delivered by experienced bankers, and enhances the overall customer experience, offering pricing flexibility, speed and convenience. This approach is supplemented with technology services, such as remote deposit capture and mobile banking, collectively creating “virtual branch banks.” We can open accounts at the location of the customer and remote account opening is also available via our web site. To ensure functionality across the customer base, Customers Bank will not only provide the technology, but also set up and train customers on how to benefit from this technology. We believe that the combination of our “concierge banking” approach and creation of a more inexpensive network of “virtual” branches, which require less staff and smaller branch locations, provides greater convenience and cost savings. We believe this allows us to capture market share from and have a competitive advantage over larger institutions, which we expect will continue to contribute to the profitability of our franchise and allows us to generate core deposits.

- Value-Added Acquisitions. We plan to take advantage of acquisition opportunities that will add immediate value to our core franchise. The recent U.S. recession and the related crisis in the financial services industry present an opportunity for us to execute our acquisition strategy. Many banks are trading at historically low multiples and are in need of capital at a time when traditional sources of capital have diminished. The current weakness in the banking sector and the potential duration of any recovery provide us with an opportunity to successfully execute our strategy. Our management team has a long history of identifying targets, assessing and pricing risk and executing acquisitions. We believe our acquisition strategy will deliver transactions that add substantial value while minimizing potential risks.

Our acquisition strategy focuses on community banks, primarily in Pennsylvania, New Jersey, New York, Maryland, Connecticut and Delaware. We seek to achieve sufficient scale in each market that we enter by acquiring healthy, distressed, undercapitalized and weakened banking institutions that have stable core deposit franchises, local market share, quantifiable risks or that are acquired from the FDIC with federal assistance, and that offer synergies through add-on acquisitions, expense reduction and organic growth opportunities. We also seek to purchase assets and banking platforms, as well as assumptions of deposits from the FDIC and possibly enter into loss mitigation arrangements with the FDIC in connection with such purchases. While we are continually assessing various acquisition opportunities, we currently do not have any agreements, arrangements or understandings for any acquisitions.

- Creative and Efficient Integration. We will seek to integrate acquired banks into our existing model, where our operational strategies and systems will have already proven themselves in our core banking franchise. Our strategy includes maximizing customer retention, improving on the products and services offered to new customers, and a seamless integration and conversion focusing on achieving appropriate cost savings. As we grow our franchise, we will seek to capitalize on the existing goodwill, customer loyalty and brand values. We intend to actively manage banks we acquire, integrate and reposition existing management to maximize the use of their talents and evaluate the competitive models of our acquired franchises to determine how best our overall company can profit from the strongest features of each business.

- Lending initiatives focused on small business and specialty lending. We maintain a specialty lending line, warehouse lending, that is relatively low risk and low cost. Warehouse lending is a national business where we provide liquidity to non-depository mortgage companies to fund their mortgage pipelines. We have also established a multi-family and commercial real estate segment that is focused in the Mid-Atlantic region, which targets the refinancing of existing loans utilizing conservative underwriting standards.

- Expand fee-based services and products. We will provide fee-based services for core retail and small business customers, including cash management, deposit services, merchant services and asset management. We are working with vendors to expand our suite of fee-based services. Our management team has significant experience in building these capabilities and creating sales processes to increase fee revenue.

- Maintain strong risk management culture. We are very focused on maintaining a strong risk management culture. We employ conservative underwriting in our lending, with a loan committee chaired by our Chief Credit Officer. The Bank’s Risk Management Committee performs an independent review of all risks at Customers Bank, and the Bank’s Management Risk Committee, chaired by the Head of Enterprise Risk Management, reviews all risks. We intend to maintain strong capital levels and utilize our investment portfolio to primarily manage liquidity and interest rate risk.

Acquisitions

Since July 2010, we have completed three acquisitions, two of which were FDIC-assisted transactions. We believe we have structured acquisitions that limit our credit risk, which has positioned us for positive risk-adjusted returns. A summary of these acquisitions appears below.

Berkshire Bancorp Acquisition

On September 17, 2011, Customers Bancorp acquired Berkshire Bancorp, Inc. and its subsidiary Berkshire Bank. Berkshire Bancorp served Berks County, Pennsylvania through five branches. On the closing date, Berkshire Bancorp had total assets of approximately $132.5 million, including total loans of $98.4 million, and total liabilities of approximately $122.8 million, including total deposits of $121.9 million. Under the terms of the merger agreement, each outstanding share of Berkshire Bancorp common stock was exchanged for 0.1534 shares of Customers Bancorp’s Voting Common Stock, resulting in the issuance of 623,686 shares of Customers Bancorp’s Voting Common Stock. The total purchase price was approximately $11.3 million, representing a price to tangible book value of Berkshire Bancorp common stock of 1.25%. This transaction was immediately accretive to earnings.

In addition, as part of the transaction, Customers Bancorp exchanged shares of its preferred stock for the preferred stock that was issued by Berkshire Bancorp as part of the U.S. Treasury's Troubled Asset Relief Program. Those shares were subsequently redeemed. In addition, warrants to purchase shares of Berkshire Bancorp common stock were converted into warrants to purchase shares of Customers Bancorp's Voting Common Stock.

Berkshire Bancorp's operating results are included in our financial results from the date of acquisition, September 17, 2011, through December 31, 2011.

FDIC-Assisted Transactions

Acquisition of USA Bank

On July 9, 2010, Customers Bank acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all other liabilities of USA Bank from the FDIC, as receiver. The transaction consisted of assets with a fair value of $221.1 million, including $124.7 million of loans (with a corresponding unpaid principal balance ("UPB"), of $153.6 million), a $22.7 million FDIC loss sharing receivable and $3.4 million of foreclosed assets. Liabilities with a fair value of $202.1 million were also assumed, including $179.3 million of non-brokered deposits. Customers Bank also received cash consideration from the FDIC of $25.6 million. Furthermore, Customers Bank recognized a bargain purchase gain before taxes of $28.2 million, which represented 12.2% of the fair value of the total assets acquired.

Concurrently with the acquisition of USA Bank, the FDIC agreed to absorb a portion of all future credit losses and workout expenses through Loss Sharing Agreements that cover certain legacy assets, including the entire loan portfolio and OREO. At July 9, 2010, the covered assets consisted of assets with a book value of $126.7 million. The total UPB of the covered assets at July 9, 2010 was $159.2 million. Customers Bank acquired other USA Bank assets that are not covered by the Loss Sharing Agreements with the FDIC, including cash and certain investment securities purchased at fair market value. The Loss Sharing Agreements do not apply to subsequently acquired, purchased or originated assets. Customers Bank entered into this transaction to expand its franchise into a lucrative new market, accrete its book value per share and add significant capital.

Pursuant to the terms of the Loss Sharing Agreements, the FDIC will reimburse Customers Bank for 80% of losses, calculated, in each case, based on UPB plus certain interest and expenses. Customers Bank will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC has paid Customers Bank in reimbursement under the Loss Sharing Agreements.

Customers Bank has received an aggregate of $14.4 million from the FDIC in reimbursements under the Loss Sharing Agreements for claims filed for losses incurred through December 31, 2011.

Acquisition of ISN Bank

On September 17, 2010, Customers Bank acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all other liabilities of ISN Bank from the FDIC, as receiver. The transaction consisted of assets with a fair value of $83.9 million, including $51.3 million of loans (with a corresponding UPB of $58.2 million), a $5.6 million FDIC loss sharing receivable and $1.2 million of foreclosed assets. Liabilities with a fair value of $75.8 million were also assumed, including $71.9 million of non-brokered deposits. Customers Bank received cash consideration from the FDIC of $5.9 million. Furthermore, Customers Bank recognized a bargain purchase gain before taxes of $12.1 million, which represented 14.4% of the fair value of the total assets acquired.

Concurrently with the acquisition of ISN Bank, the FDIC agreed to absorb a portion of all future credit losses and workout expenses through Loss Sharing Agreements that cover certain legacy assets, including the entire loan portfolio and OREO. At September 17, 2010, the covered assets consisted of assets with a book value of $52.6 million. The total UPB of the covered assets at September 17, 2010 was $58.2 million. Customers Bank acquired other ISN Bank assets that are not covered by the Loss Sharing Agreements with the FDIC including cash, certain investment securities purchased at fair market value and other tangible assets. The Loss Sharing Agreements do not apply to subsequently acquired, purchased or originated assets. Customers Bank entered into this transaction to enhance book value per share, add capital and enter the New Jersey market in a more efficient manner than de novo expansion. Pursuant to the terms of the Loss Sharing Agreements, the FDIC will reimburse Customers Bank for 80% of losses, calculated, in each case, based on UPB plus certain interest and expenses. Customers Bank will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC has paid Customers Bank in reimbursement under the Loss Sharing Agreements.

Customers Bank has received an aggregate of $4.2 million from the FDIC in reimbursements under the ISN Loss Sharing Agreements for claims filed for losses incurred through December 31, 2011.

In accordance with the guidance provided in SEC Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions ("SAB 1: K") and a request for relief granted by the SEC, historical financial information of USA Bank and ISN Bank has been omitted from this prospectus. Relief is provided under certain circumstances, including transactions such as the acquisitions of USA Bank and ISN Bank in which an institution engages in an acquisition of a troubled financial institution for which audited financial statements are not reasonably available and in which federal assistance is an essential and significant part of the transaction.

Acquisition of Loan Portfolios

On August 6, 2010, we purchased from Tammac Holding Corporation ("Tammac") a $105.8 million manufactured housing loan portfolio for a purchase price of $105.8 million. On September 30, 2011, we purchased from Tammac $19.3 million of manufactured housing loans and a 1.50% interest only strip security with an estimated value of $3 million secured by a pool of $70 million of loans originated by Tammac. The total purchase price for these assets was $13 million. These purchases and other similar portfolio purchases made by us in recent periods were opportunistic purchases and may not be indicative of future strategies or purchases.

Products

We offer a broad range of traditional banking products and financial services to our commercial and consumer customers in Suburban Philadelphia, Pennsylvania, Central New Jersey and Southeastern New York. We offer an array of lending products to cater to our customers' needs, including small business loans, mortgage warehouse loans, multi-family and commercial real estate loans, residential mortgage loans and consumer loans. We also offer traditional depository 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.

Lending Activities

We focus our lending efforts to the following lending areas:

- Commercial Lending – includes business, small business and multi-family and commercial real estate lending
- Specialty Lending – Warehouse lending
- Consumer Lending – Local market mortgage lending and home equity lending

Our existing lending relationships are primarily with small businesses, not-for-profits and consumers in Berks, Chester and Delaware Counties in Pennsylvania, Westchester County in New York, Fairfield County in Connecticut, Bergen County in New Jersey and to a lesser extent in surrounding markets. We also provide warehouse financing nationwide and multi-family lending in the Mid-Atlantic states. Our lending strategies focus on the following key segments:

Commercial Lending

The Bank's commercial lending is segmented into three distinct groups: multi-family and commercial real estate, business banking and small business banking. This segmentation 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 business banking lending group focuses on companies with annual revenues ranging from $5.0 million to $20.0 million, which typically have credit requirements between $500,000 and $2.0 million.

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

The goal of our multi-family lending group is to build a portfolio of high quality multi-family and commercial real estate loans within our covered markets, while cross selling our 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 year ended December 31, 2011, we originated and closed $121.5 million of multi-family loans commitments.

As of December 31, 2011, we had $536.9 million in commercial loans outstanding, comprising approximately 35.3% of our total loan portfolio (which includes loans held for sale). During the year ended December 31, 2011, we originated and closed $167.7 million of commercial loans and commitments.

Specialty Lending

In 2009, we established a warehouse lending business, which 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 2007-2008 during the period of excessive market turmoil. There is an opportunity to provide liquidity to this segment at attractive spreads. There is also opportunity to attract escrow deposits and to generate fee income in this business. To date, there have been no losses in warehouse lending.

The goal of the warehouse group is to provide liquidity to mortgage companies. These facilities are used by mortgage companies to fund their pipelines from closing of individual mortgage loans until their sale into the secondary market. Most of the 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 strategy is to stay focused on providing the financing in the lowest risk segments in this business. Most of the revenue is derived from the interest income earned on the mortgage warehouse loans, but the business also generates fee income and deposits. We expect moderate growth in commitments in this business in 2012.

As of December 31, 2011, loans in our warehouse lending portfolio as well as loans held for sale totaled $794.3 million outstanding, comprising approximately 52.3% of our total loan portfolio (which includes loans held for sale). During the year ended December 31, 2011, we funded $7.7 billion of mortgage loans under warehouse facilities. The average yield on the warehouse lending portfolio for 2011 was 4.11%.

Management will assess other lending businesses in the future but will make sure that they are aligned with the Bank's critical success factors and strategic objectives.

Consumer Lending

We plan to expand our product offerings in real estate secured consumer lending. We will not offer indirect automobile loans, unsecured loans or credit cards. Initially, we will provide home equity and residential mortgage loans to customers. Underwriting standards for home equity lending will be conservative, focusing on FICO scores 720 and higher, and lending will be offered to solidify customer relationships and grow relationship revenues in the long term. This lending is important in our efforts to grow total relationship revenues for our consumer households.

As of December 31, 2011, we had $186.7 million in consumer loans outstanding, comprising 13.9% of our total loan portfolio (which includes loans held for sale). During the year ended December 31, 2011, we originated and closed $10.1 million of consumer loans.

Deposit Products and Other Funding Sources

We offer a variety of deposit products to our customers, including checking accounts, savings accounts, money market 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. As of December 31, 2011, our deposit portfolio was comprised of 54.9% of core deposits.

We intend to continue our efforts to attract deposits from our business lending relationships to maintain our low cost of funds and improve our net interest margin.

Deposit flows are significantly influenced by general and local economic conditions, changes in prevailing interest rates, internal pricing decisions and competition. Our deposits are primarily obtained from areas surrounding our banking centers. To attract and retain deposits, we rely on providing quality service and introducing new products and services that meet our customers' needs.

Financial Products and Services

In addition to traditional banking activities, we provide other financial services to our customers, including: 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).

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 convenience of availability of banking representatives.

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 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, 2011, Customers Bank had 205 full-time and 8 part-time employees.

SUPERVISION AND REGULATION

General

We are subject to extensive regulation, examination and supervision by the Pennsylvania Banking Department and, as a member of the Federal Reserve System, by the Board of Governors of the Federal Reserve System (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 a bank charges and collateral a bank 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 offices only after approval by the Pennsylvania Banking Department and 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 the proposed branch and bank "insiders" (directors, officers, employees and 10%-or-greater shareholders) 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, we are permitted to branch throughout Pennsylvania. Pennsylvania law also provides Pennsylvania state chartered institutions 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 Banking Department. The Pennsylvania Banking Code also imposes restrictions on payment of dividends, as well as minimum capital requirements.

Interstate Branching. Federal law allows the Federal Reserve and FDIC, and the Pennsylvania Banking Code allows the Pennsylvania Banking Department, 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 we 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 Banking Department. In the event that the Pennsylvania Banking Department and the applicable host state regulator disagree regarding whether a particular host state law is pre-empted, the Pennsylvania Banking Department 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 (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 such an acquisition. 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 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 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 automatic 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 us 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 such as us. 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 guidelines require all banks and bank holding companies to maintain two "risk-weighted assets" ratios. The first is a minimum ratio of total capital (Tier 1 and Tier 2 capital) to risk-weighted assets equal to 8.0%; 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 account for 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. A bank's exposure to declines in the economic value of its capital due to changes in interest rates is a factor that banking agencies will consider in evaluating a bank's capital adequacy. The rule does not codify an explicit minimum capital charge for interest rate risk. We currently monitor and manage our 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 our 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 a bank'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 and lease 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.

The Basel Committee on Banking Supervision (the “Basel Committee”) released a comprehensive list of proposals for changes to capital, leverage, and liquidity requirements for banks in December 2009 (commonly referred to as “Basel III”). In July 2010, the Basel Committee announced the design for its capital and liquidity reform proposals.

In September 2010, the oversight body of the Basel Committee on Banking Supervision announced minimum capital ratios and transition periods providing: (i) the minimum requirement for the Tier 1 common equity ratio will be increased from the current 2.0% level to 4.5% (to be phased in by January 1, 2015); (ii) the minimum requirement for the Tier 1 capital ratio will be increased from the current 4.0% to 6.0% (to be phased in by January 1, 2015); (iii) an additional 2.5% of Tier 1 common equity to total risk-weighted assets (to be phased in between January 1, 2016 and January 1, 2019); and (iv) a minimum leverage ratio of 3.0% (to be tested starting January 1, 2013). The proposals also narrow the definition of capital, excluding instruments that no longer qualify as Tier 1 common equity as of January 1, 2013, and phasing out other instruments over several years. It is unclear how U.S. banking regulators will define "well-capitalized" in their implementation of Basel III.

The liquidity proposals under Basel III include: (i) a liquidity coverage ratio (to become effective January 1, 2015); (ii) a net stable funding ratio (to become effective January 1, 2018); and (iii) a set of monitoring tools for banks to report minimum types of information to their regulatory supervisors.

Many of the details of the new framework related to minimum capital levels and minimum liquidity requirements in the Basel Committee's proposals will remain uncertain until the final release is issued. Implementation of the final provisions of Basel III will require implementing regulations and guidelines by U.S. banking regulators. Implementation of these new capital and liquidity requirements has created significant uncertainty with respect to the future liquidity and capital requirements for financial institutions. Therefore, we are not able to predict at this time the content of liquidity and capital guidelines or regulations that may be adopted by regulatory agencies or the impact that any changes in regulation may have on us.

Deposit Insurance Assessments. Our 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. Under this system, the amount of FDIC assessments paid by an individual insured depository institution, like us, is based on the level of 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 May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of September 30, 2009. The amount of the special assessment for any institution will not exceed 10 basis points times the institution's assessment base for the second quarter 2009. The special assessment was collected on September 30, 2009.

On October 12, 2009, the FDIC adopted a final rule to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The prepaid assessment was collected on December 30, 2009. For purposes of calculating the prepaid assessment, each institution's assessment rate was its total base assessment rate in effect on September 30, 2009. The prepayment attributable to 2011 and thereafter was calculated using the September 29, 2009 increase in 2011 base assessment rates. In addition, future deposit growth was reflected in the prepayment by assuming that an institution's third quarter 2009 assessment base increased quarterly at a 5 percent annual growth rate through the end of 2012. The Dodd-Frank Act changed the federal deposit insurance regime that will affect the deposit insurance assessments the Bank will be obligated to pay in the future. For example:

- The law permanently raises the federal deposit insurance limit to $250,000 per account ownership.

- The law makes deposit insurance coverage unlimited in amount for non-interest bearing transaction accounts until December 31, 2012.

- The law increases the insurance fund's minimum designated reserve ratio from 1.15 to 1.35, and removed the current 1.50 cap on the reserve ratio, leaving it, instead, to the discretion of the FDIC. The FDIC has recently exercised that discretion by establishing a long range fund ratio of 2%.

Each of these changes may increase the rate of FDIC insurance assessments to maintain or replenish the FDIC's deposit insurance fund. This could, in turn, raise our future deposit insurance assessment costs. On the other hand, the law changes the deposit insurance assessment base so that it will generally be equal to consolidated assets less tangible equity. This change of the assessment base from an emphasis on deposits to an emphasis on assets is generally considered likely to cause larger banking organizations to pay a disproportionately higher portion of future deposit insurance assessments, which may, correspondingly, lower the level of deposit insurance assessments that community banks like Customers Bank may otherwise have to pay in the future. While it is likely that the new law will increase our future deposit insurance assessment costs, the specific amount by which the new law's combined changes will affect our deposit insurance assessment costs is difficult to predict, particularly because the Dodd Frank Act gives the FDIC enhanced discretion to set assessment rate levels.

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

As of December 31, 2011 and 2010, our initial base assessment rate was 9.00 and 14.10 basis points, respectively.

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. The Financing Corporation assessment for the fourth quarter of 2011 was an annual rate of 1 basis point.

Community Reinvestment Act. Under the 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 of bank shares. Federal banking agencies have recently 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 our record of meeting the credit needs of our 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. We are 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 our part.

Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act 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 Federal Reserve, which will have 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;

- provides state attorney generals and other state enforcement authorities broader power to enforce consumer protection laws against banks;

- authorizes 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;

- grants 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 FDIC;

- gives 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, until December 31, 2012, the limit entirely for transaction accounts;

- permits banks to pay interest on business demand deposit accounts;
- extends the national bank lending (or loans-to-one-borrower) limits to other institutions like us;
- prohibits 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
- imposes 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 our 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 us in addition to or different from the provisions summarized above.

Memorandum Of Understanding

As a result of a March 31, 2009 regulatory examination prior to the arrival of new management, we entered into an August 24, 2009 Memorandum of Understanding ("MOU") with our regulators that called for a back-up Bank Secrecy Act officer and employee training, and precluded us from declaring or paying dividends that would cause our capital ratios to fall below the higher of the minimum levels for a "well capitalized" classification under Prompt Corrective Action standards or the internal ratios set in our capital plan, or redeeming our stock or issuing debt with maturity greater than one year without prior regulatory approval. The MOU required us to update plans relating to earnings and capital improvement, management and board oversight, credit risk management and liquidity risk, to enhance pre-purchase analysis of investment securities, and to revise to our allowance for loan and lease losses ("ALLL") methodology by November 15, 2009. The Federal Reserve notified us on April 19, 2012 that the MOU was terminated.

Bank Holding Company Regulation

As a bank holding company, we are also subject to additional regulation. The Bank Holding Company Act requires us to secure the prior approval of the Federal Reserve Board before we own or control, 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 Company 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.

We are 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 we may not extend credit, lease, sell property or furnish any service to a customer on the condition that the customer provide additional credit or service to us, to Customers Bank or to any of our other subsidiaries or on the condition that the customer not obtain other credit or service from a competitor of us, Customers Bank, or any other subsidiary.

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 regulations, while other activities require prior Federal Reserve Board approval. The types of permissible activities are subject to change by the Federal Reserve Board.

Properties

The table below summarizes our leases of branch and office properties, by county, as of March 31, 2012. We do not currently own any real property.

County	State	Number
Bank Branches		
Berks (1)	PA	4
Bucks	PA	3
Chester (2)	PA	4
Delaware	PA	1
Mercer	NJ	1
Westchester	NY	1
		14
Administrative Office Locations		
Berks (3)	PA	4
Chester (2)	PA	2
Mercer (4)	NJ	1
Westchester (5)	NY	1
		8

(1) Includes the full service branch at 1001 Penn Avenue, Wyomissing, PA as well as three branches acquired through the Berkshire Bancorp, Inc. acquisition.

(2) Includes the corporate headquarters of Customers Bank and a full service branch located in a freestanding building at 99 Bridge Street, Phoenixville, PA 19460, wherein we lease approximately 15,298 square feet on 2 floors. The lease on this location expires in 2022. Also includes the lease of 5,500 square feet of property at 513 Kimberton Road in Phoenixville, Pennsylvania where we maintain a full service commercial bank branch and corporate offices. The lease on this location expires in 2013.

(3) Includes the corporate headquarters of Customers Bancorp, which is located at 1015 Penn Avenue, Wyomissing, PA. The leased space covers a total of 8,000 square feet. This lease expires in 2015. Also, includes the administrative offices for the corporate lending group which is housed within the Exeter branch location and two other administrative offices for Company personnel. The leases on these locations expire in 2013 and 2014.

(4) We lease 5,059 square feet of space in Hamilton, New Jersey from which we conduct our mortgage warehouse and retail lending activities. The lease on this location expires in 2015.

(5) Represents the former Port Chester branch location which is currently being utilized as space for administrative offices.

The bank branch locations, which range in size from approximately 2,300 to 3,300 square feet have leases on these locations which expire between 2013 and 2021.

The total minimum cash lease payments for our current branches, administrative offices and mortgage warehouse lending locations amount to approximately $157,000 per month.

Legal Proceedings

Although from time to time we are involved in various legal proceedings in the normal course of business, other than as described below, there are no material legal proceedings to which we are a party or to which our property is subject.

On November 15, 2010, Customers Bank filed suit against Open Solutions, Inc. ("OSI") in the United States District Court for the Eastern District of Pennsylvania, seeking damages for failure to assist in the conversion of system and customer information associated with the former USA Bank and requesting injunctive relief to compel OSI to assist with the deconversion of the former USA Bank's systems. OSI filed counterclaims against Customers Bank on November 24, 2010, asserting claims for breach of contract and breach of settlement agreement. In support of its breach of contract claim, OSI alleged that Customers Bank "assumed" the former-USA Bank agreements and is bound by those agreements. OSI claimed that it has sustained damages in excess of $1 million. Customers Bank disputed that it has any liability to OSI. Prior to trial, OSI dismissed with prejudice its settlement agreement claim. Trial was held on February 24, 2011. On March 7, 2011, the Court ruled against Customers Bank and in favor of OSI as follows: judgment was entered against Customers Bank on OSI's claim that the agreements between OSI and USA Bank were assumed by Customers Bank and judgment was entered against Customers Bank on its claims against OSI; judgment was entered for OSI on its breach of contract claim under one agreement, in the amount of $104,000; the Court found there was no breach of the second agreement by Customers Bank and no proof of damages. OSI has filed a motion for payment of legal fees and costs associated with the litigation, which are estimated to be approximately $205,000. Customers Bank has filed a motion with the Court to vacate the judgment and to enter judgment in favor of Customers Bank on OSI's counterclaim. In addition, the FDIC has filed a motion to intervene in the litigation, and has also sought dismissal of OSI's counterclaims on jurisdictional grounds. On May 3, 2011, the Court granted the FDIC's motion to intervene, and directed that OSI respond to the motion to dismiss the counterclaim. On August 9, 2011, the Court granted the FDIC's motion to dismiss and vacated the judgment entered against Customers Bank. The Court denied the Bank's post-trial motion as moot because of the Court's vacatur of the judgment. On September 2, 2011, OSI filed a notice of appeal to the United States Court of Appeals for the Third Circuit, in which OSI appeals from the Court's August 9, 2011 Order granting the FDIC's motion to dismiss. The Third Circuit has not yet set a schedule for briefing or argument.

MANAGEMENT

The names, ages, positions and business backgrounds of each of the directors and executive officers of Customers Bancorp are provided below.

OUR BOARD OF DIRECTORS AND MANAGEMENT

The board members of Customers Bancorp are:

Name	Director Since*	Position	Age	Term Expires:
John R. Miller	2010	Director	65	2013
Daniel K. Rothermel	2009	Director, Lead Independent Director	74	2013
Jay S. Sidhu	2009	Director, Chairman and Chief Executive Officer	60	2012
T. Lawrence Way	2005	Director	63	2014
Steven J. Zuckerman	2009	Director	48	2014

*Includes services as a director of Customers Bank prior to the Reorganization.

Below are the biographies of our directors, as well as information on their experience, qualifications and skills that support their service as a director of Customers Bancorp:

Jay S. Sidhu, Chairman and Chief Executive Officer of Customers Bancorp and Customers Bank

Mr. Sidhu has served as Chairman and Chief Executive Officer of Customers Bank since the second quarter of 2009 and of Customers Bancorp since its inception in April 2010. Before joining Customers Bank, Mr. Sidhu was the Chief Executive Officer of Sovereign Bank from 1989 until his resignation and retirement in October 2006, and its Chairman from 2002 until December 2006. He was the Chairman and Chief Executive Officer of SIDHU Advisors, LLC, a Florida based private equity and financial services consulting firm, from 2007 to the first quarter of 2009. He has received Financial World's CEO of the year award and was named Turnaround Entrepreneur of the Year. He has received many other awards and honors, including a Hero of Liberty Award from the National Liberty Museum. Since 2010, Mr. Sidhu has been a director of Atlantic Coast Financial Corporation, the holding company for Atlantic Coast Bank, a federal savings bank with branches in Florida and Georgia, and has served as its Non-Executive Chairman of the board of directors since May 2011. Mr. Sidhu resigned as Non-Executive Chairman of the board of directors of Atlantic Coast Financial Corporation effective as of April 30, 2012. Mr. Sidhu has also served on the boards of numerous businesses and not-for-profits, including as a member of the board of Grupo Santander. He obtained an MBA from Wilkes University and is a graduate of Harvard Business School's Leadership Course. Mr. Sidhu also helped establish the Jay Sidhu School of Business and Leadership at Wilkes University.

Mr. Sidhu's demonstration of day-to-day leadership combined with his extensive banking sector experience provide the board with intimate knowledge of our direction and strategic opportunities.

Daniel K. Rothermel, Director

Mr. Rothermel has been the President and Chief Executive Officer of Cumru Associates, Inc., a private holding company located in Reading, Pennsylvania since 1989, and served over twenty years on the board of directors of Sovereign Bancorp and Sovereign Bank. At Sovereign, he was lead independent Director and served on the Audit, Governance, and Risk Management Committee and was chairman of the Executive Committee. He is a graduate of The Pennsylvania State University with a B.S. in Business Administration (finance and accounting) and of American University with a Juris Doctor.

Mr. Rothermel's background as an attorney and general counsel, plus his extensive service as a director of Sovereign Bank provide unique and valuable perspective to the board.

John R. Miller, Director

Mr. Miller has been a member of the Board of Trustees of Wilkes University since 1996, including as Chairman of the Board of Trustees from 2005 to 2008. Mr. Miller is presently in a second term as Chairman of the Board of Trustees of Wilkes University commencing June 2011. He has also been the Chairman of the Board of Trustees of the Osborn Retirement Community since 2006. Mr. Miller served in various capacities as an accountant at KPMG, LLP from 1968 to January 2005, including a tenure as Vice Chairman from 1999 to 2004, as a member of the Board of Directors from 1993 to 1997, and as a member of the Management Committee from 1997 to 2004. He was the Chairman of the United States Comptroller General's Governmental Auditing Standards Advisory Council from 2001 to 2008. He has received the Ellis Island Medal of Honor, recognizing distinguished Americans who have made significant contributions to the nation's heritage. Mr. Miller is a graduate of Wilkes University with a B.S. in Commerce and Finance and is registered as a certified public accountant in both Pennsylvania and New York.

Mr. Miller's 36 years of experience at KPMG, LLP and 7 years as Chairman of the US Comptroller's General Auditing Standards Advisory Council have given him valuable experience and insight into auditing, accounting and financial reporting, making him a valuable asset to Customers Bancorp's board.

Our board of directors has determined that Mr. Miller is an "audit committee financial expert" within the meaning of the rules of the Securities and Exchange Commission.

T. Lawrence Way, Director

Mr. Way is the retired President, CEO and Chairman of the Board of Directors of Alco Industries, Inc., an employee-owned diversified manufacturing company. Over his 34-year career with Alco, Mr. Way has held various positions at Alco, including serving as the President and CEO from October 2000 to September 2008, CEO from October 2008 to September 2010 and Chairman of the Board from 2004 to 2011. He continued as a member of the Board of Directors of Alco and chaired its Audit Committee until February 9, 2012. Mr. Way is a Certified Public Accountant, received a Master's in Business Administration from Mount St. Mary's College, a Juris Doctor degree from Rutgers-Camden School of Law, and graduated from Tufts University. He has experience in varied management, finance, operations and mergers and acquisitions.

Mr. Way's background as an attorney and certified public accountant, as well as his experience leading a company through the current economic, social and governance issues as Chairman and Chief Executive Officer of Alco Industries, Inc., make him well-suited to serve on the board.

Steven J. Zuckerman, Director

Mr. Zuckerman, President and CEO of Clipper Magazine, graduated from Franklin & Marshall College with a B.A. in Business Management in 1985. While in college, he co-founded the Campus Coupon Clipper, a predecessor to Clipper Magazine, now, a full-service media company, with numerous subsidiaries, including Loyal Customer Club, Spencer Advertising & Marketing, Clipper Web Development, The Menu Company, Total Loyalty Solutions, Clipper Graphics and Clipper TV. Clipper Magazine has over 550 individual market editions in over 31 states with 1,200 employees around the country, including approximately 500 in Lancaster County, Pennsylvania. He is a partner in Opening Day Partners, owner and operator of the Atlantic League of Professional Baseball Teams and Stadiums in New Jersey, Maryland and South Central Pennsylvania.

Mr. Zuckerman's experience in the advertising industry make him uniquely situated to provide the board with insight in the key areas of marketing and customer strategies.

Executive Officers

Richard Ehst, President and Chief Operating Officer of Customers Bancorp and Customers Bank - Age 66

Mr. Ehst has served as President and Chief Operating Officer of Customers Bank since August 2009 and of Customers Bancorp since its inception in April 2010. Mr. Ehst served as Regional President for Berks County of Sovereign Bank from May 2004 until January 2007, and as Executive Vice President, Commercial Middle Market, Mid-Atlantic Division, of Sovereign Bank from January 2007 until August 2009. Mr. Ehst also served as the Managing Director of Corporate Communications for Sovereign Bank from 2000 until 2004 where his responsibilities included reputation risk management and marketing services support systems. Before joining Sovereign Bank in 2000, Mr. Ehst was an independent consultant to more than 70 financial institutions in the mid-Atlantic region, including Sovereign Bank, where he provided guidance on regulatory matters, mergers and acquisitions, and risk management. Mr. Ehst also began serving as a Trustee of Albright College in 2010. Mr. Ehst has also served as a director of Customers Bank since August 2009.

Thomas Brugger, Executive Vice President, Chief Financial Officer and Treasurer of Customers Bancorp and Executive Vice President and Chief Financial Officer of Customers Bank - Age 45

Mr. Brugger has served as Executive Vice President and Chief Financial Officer of Customers Bank since September 2009 and as Executive Vice President, Chief Financial Officer and Treasurer of Customers Bancorp since its inception in April 2010. Prior to joining Customers Bank, Mr. Brugger was employed by Sovereign Bank for 15 years in the roles of Corporate Treasurer, Chief Investment Officer and Portfolio Manager. At Sovereign Bank, Mr. Brugger was responsible for investment portfolio management, wholesale funding, liquidity, regulatory and economic capital, securitization, interest rate risk, business unit profitability, budgeting, and treasury operations. He was Chairman of the Asset/Liability committee and all pricing committees. In addition, he participated in 19 acquisitions while at Sovereign Bank. Before Sovereign Bank, he worked in the treasury department and internal audit at Independence Bancorp.

Warren Taylor, President and Director of Community Banking for Customers Bank - Age 54

Mr. Taylor is the President and Director of Community Banking for Customers Bank. He joined Customers Bank in July 2009. Prior to Customers Bank, Mr. Taylor was employed by Sovereign Bank for 20 years in the role of Division President. At Sovereign Bank, Mr. Taylor was responsible for retail banking in various markets in southeastern Pennsylvania and central and southern New Jersey. Mr. Taylor was actively involved with team member selection from the branch manager role and higher.

Glenn A. Hedde, President of Mortgage Warehouse Lending for Customers Bank - Age 51

Mr. Hedde is the President of Customers Bank Mortgage Warehouse Lending. He joined Customers Bank in August 2009, and immediately prior to that he provided consulting services in the banking, mortgage banking and multi-family lending industries from August 2008 to July 2009. Mr. Hedde was the President of Commercial Operations at Popular Financial Holdings, LLC from 2000 to 2008. During his time at Popular Financial, Mr. Hedde was a member of a senior leadership team with direct responsibility for management of more than $300 million in mortgage warehouse lending assets. Additionally, Mr. Hedde was responsible for business development, risk management, collateral operations and compliance at Popular Financial. Mr. Hedde also previously worked in mortgage banking, business development, and credit quality management for various companies including GE Capital Mortgage Services, Inc. and PNC Bank.

BOARD GOVERNANCE

Director Independence

Of the directors of Customers Bancorp who have served since January 1, 2011, each of Messrs. Miller, Rothermel, Way and Zuckerman (who remain as current directors of Customers Bancorp) is considered independent, as independence for board members is defined under Nasdaq Rules. Bhanu Choudrie, a director of Customers Bancorp in 2011 until September 14, 2011, was also deemed independent. For the period in 2011 prior to the Reorganization, each of the following directors of Customers Bank were also considered independent under Nasdaq Rules: Bhanu Choudrie, Daniel Rothermel, T. Lawrence Way, Steven Zuckerman and John R. Miller. Jay Sidhu, Richard Ehst and Kenneth Mumma also served as directors of Customers Bank in 2011 prior to the Reorganization but were not considered independent. In determining these directors met the definition of an independent director, the board of directors considered routine banking transactions between Customers Bank or its affiliates and certain of the directors, their family members and businesses with whom they are associated, such as loans, deposit accounts, routine purchases of insurance or securities brokerage products, any overdrafts that may have occurred on deposit accounts, any contributions we made to non-profit organizations with whom any of the directors are associated, and any transactions that are discussed under "Transactions With Related Parties." In addition, when determining Mr. Zuckerman's independence, the board considered and deemed immaterial certain advertising arrangements we have with Clipper Magazine and its affiliates, for which Mr. Zuckerman is the Chief Executive Officer. See "Transactions With Related Parties" for more detail on these relationships.

Information about Board Committees

The table below highlights the current membership composition of our directors on our board committees for Customers Bancorp:

Name	Executive	Audit	Compensation	Nominating and Corporate Governance
Daniel Rothermel	X	X	X	X*
Jay Sidhu	X			
T. Lawrence Way	X	X*		X
Steven Zuckerman			X*	X
John R. Miller		X		X

* Committee Chair

In addition, for the period in 2011 prior to the Reorganization, Bhanu Choudhrie served as a member of the Customers Bank Audit Committee and Compensation Committee, Kenneth Mumma served as a member of the Customers Bank Executive Committee, Daniel Rothermel served as a member of the Customers Bank Executive Committee, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, John R. Miller served as a Member of the Customers Bank Audit Committee and Nominating and Corporate Governance Committee, Jay Sidhu served as a member of the Customers Bank Executive Committee, T. Lawrence Way served as a member of the Customers Bank Executive Committee, Audit Committee and Nominating and Corporate Governance Committee and Steven Zuckerman served as a member of the Customers Bank Compensation Committee and Nominating and Corporate Governance Committee.

Compensation Committee Interlocks and Insider Participation

Except for the relationships of Mr. Zuckerman described below, none of the members of our Compensation Committee had any relationship requiring disclosure pursuant to Item 404 of Regulation S-K under the Securities Act nor any other interlocking relationships as defined by the SEC. For the year ended December 31, 2011, Customers Bank paid, for advertising and marketing services, approximately $295,339 to Clipper Magazine and its division, Spencer Advertising Marketing. Additionally, for the year ended December 31, 2011, Customers Bank paid, for promotional items, approximately $48,486 to Jaxxon Promotions, Inc. Steven Zuckerman, a director of Customers Bancorp is the President and Chief Executive Officer of Clipper Magazine, an affiliate of Gannett Co., Inc., and holds 25% of the issued and outstanding capital stock of Jaxxon Promotions, Inc.

Risk Assessment of Compensation Policies and Practices

Our management team, with the assistance of compensation consultant Vistra Partners, LLC, conducted an assessment of the risks related to or arising from our compensation policies and practices. The Compensation Committee reviewed and discussed this risk assessment with management and Vistra Partners. Based on this assessment, the Compensation Committee determined that any risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company.

Federal Reserve Board Application to Appoint Director

We submitted an application to the Federal Reserve Board ("FRB") in 2011 requesting approval for Bhanu Choudhrie to serve as a director of Customers Bancorp, but have not yet received a determination from the FRB. If approved by the FRB, we intend to appoint Mr. Choudhrie to be a director of Customers Bancorp, subject to his consent to serve as a director at such time. If approved, his appointment may be subject to the board of directors increasing the size of the board or appointing Mr. Choudhrie to a vacancy (if one existed at the time). Alternatively, the Board may seek to nominate Mr. Choudhrie as a director for election by the shareholders at the next annual meeting of shareholders.

Mr. Choudhrie, age 33, served as a director of Customers Bank since July 2009. Mr. Choudhrie has been Executive Director of C&C Alpha Group Limited, a London based family private equity group, since November 2006, and was the Executive Director of C&C Business Solutions Ltd. from June 2003 to November 2006. In July 2010, Mr. Choudhrie became a director of Atlantic

Coast Financial Corporation, the holding company for Atlantic Coast Bank, a federal savings bank with branches in Florida and Georgia. Mr. Choudhrie is a private equity investor with investments in the United States, United Kingdom, Europe and Asia. C&C Alpha Group was founded in 2002. The company, with global headquarters in London, has established offices in several countries. Its team is comprised of entrepreneurs, financial analysts, project developers, project managers and strategy consultants.

Director Nominations

Our bylaws contain provisions that address the process by which a shareholder may nominate a director to stand for election to the board of directors at our Annual Meeting of Shareholders.

In evaluating director nominees, the Nominating and Corporate Governance Committee (the "Committee") considers the following factors:

• The appropriate size of our board of directors and its committees;

• The perceived needs of the board for particular skills, background, and business experience;

• The skills, background, reputation, and business experience of nominees compared to the skills, background, reputation, and business experience already possessed by other members of the board; and

• The nominees' independence.

There are no stated minimum criteria for director nominees, and the Committee may also consider such other factors as it may deem are in our best interests and the interests of our shareholders. The Committee does, however, believe it appropriate for at least one member of the board to meet the criteria for an "audit committee financial expert," that a majority of the members of the board meet the definition of "independent director" under Nasdaq Rules, and that one or more key members of management participate as members of the board.

While we have no formal policy with respect to diversity on the board, in order to enhance the overall quality of the board's deliberations and decisions, the Committee seeks candidates with diverse professional backgrounds and experiences, representing a mix of industries and professions with varied skill sets and expertise.

The Committee identifies nominees by first evaluating the current members of the expiring class of directors willing to continue in service. Current members of the expiring class with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by members of the expiring class with that of obtaining a new perspective. If any member of the expiring class does not wish to continue in service or if the Committee or the board decides not to re-nominate a member for reelection, the Committee identifies the desired skills and experience of a new nominee, and discusses with the board suggestions as to individuals that meet the criteria. The Committee has not in the past engaged third parties to identify, evaluate, or assist in identifying potential nominees, but relies on community and business contacts it has established through its directors, officers and professional advisors to help it identify potential director candidates when a specific need is identified.

The Committee will evaluate any recommendation for a director nominee proposed by a shareholder. In order to be evaluated in connection with the Committee's procedures for evaluating potential director nominees, any recommendation for director nominee must be submitted in accordance with our procedures for shareholder nominees described below. In particular, all nominations made by a shareholder must be made in writing, delivered or mailed by registered or certified mail, postage prepaid, return receipt requested, to the Secretary of the Company (at our corporate headquarters in Wyomissing, Pennsylvania) and received by the Secretary not less than ninety (90) days nor more than one hundred and twenty (120) days prior to any meeting of the shareholders called for the election of directors. If less than ninety seven (97) days' notice of the meeting is given to the shareholders (which notice may be provided by press release reported by a national news service or an SEC filing pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act")), the nomination shall be delivered or mailed to the Secretary and received by the Secretary not later than the close of business on the seventh (7th) day following the day on which notice of the meeting was given to shareholders (whether by mailing the notice of meeting or such other means described above). Every nomination must include: (a) the consent of the person nominated to serve as a director if elected; (b) the name, age, business address and residence address of the nominee; (c) the principal occupation or employment of the nominee; (d) the number of shares of the Company beneficially owned by the nominee; (e) the name and address of the notifying shareholder; (f) the number of shares of the Company owned by the notifying shareholder; and (g) all other information relating to the nominee and the notifying shareholder that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act and Rule 14a-11 there under (including such person's written consent to being named in the proxy statement as a nominee).

Code of Conduct

Each of our directors, officers and employees are required to comply with the Customers Bancorp, Inc. Code of Conduct adopted by us. The Code of Conduct sets forth policies covering a broad range of subjects and requires compliance with laws and regulations applicable to our business. The Code of Conduct is available on our website at www.customersbank.com, under the “About Us-Corporate Governance-Code of Conduct” captions. We will post to our website any amendments to the Code of Conduct, or waiver from the provisions thereof for executive officers or directors, under the “About Us-Corporate Governance-Code of Conduct” caption.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our executive compensation program and addresses how we made executive compensation decisions for our senior executive officers during fiscal year 2011. The senior executive officers covered by this Compensation Discussion and Analysis are the “named executive officers” set forth in the Summary Compensation Table beginning on page 98 of this prospectus (“Summary Compensation Table”).

Compensation Objectives and the Focus of Compensation Rewards

Our compensation program is designed to attract highly qualified individuals, retain those individuals in a competitive marketplace for executive talent and motivate performance in a manner that maximizes corporate performance while ensuring that these programs do not encourage unnecessary or excessive risks that threaten the value of the Company. We seek to align individual performance with long-term strategic business objectives and shareholder value, and believe that the combination of executive compensation provided fulfills these objectives.

Currently, our executive compensation program has three key elements: (1) salary, (2) bonus, and (3) long-term equity incentives. The mix of short term performance incentives versus long term incentives are reviewed annually by the Compensation Committee with the intention of achieving a reasonable balance of those incentives. However, we do not have set percentages of short term versus long term incentives. We also do not have a policy with respect to the mix between the cash and equity components of executive compensation, although as noted below certain portions of the annual bonus are paid in stock and subject to a long-term vesting period before payout.

Compensation philosophy is ultimately determined by the Board of Directors, based upon the recommendations of the Compensation Committee, which is comprised solely of independent directors as defined by the rules of Nasdaq. Our Chief Executive Officer makes recommendations to the Compensation Committee concerning the compensation of other executive officers, but does not participate in establishing his own compensation. As part of this process, the Compensation Committee reviews a report provided by its compensation consultant, Vistra Partners, LLC (“Consultant”), that compares each named executive officer’s compensation to peer group executive compensation (“Report”). The Compensation Committee generally seeks to provide salary and bonus compensation to the named executive officers at approximately the median of its competitors in the banking industry as reported by a compensation survey. In 2011, the Compensation Committee used the Towers Watson compensation survey for banks with assets below $2 billion, although the Compensation Committee (as ratified by the Board of Directors) generally paid salary and bonus levels for the named executive officers that were below the median due to the start-up nature of the Company at the time. As the Company matured and experienced significant growth in 2011, the Compensation Committee determined to increase salaries in February 2012 and used the SNL Financial Survey for banks as the relevant peer group, which decision was ratified by our Board of Directors and are described below under

"Salary." The Compensation Committee also reviewed the median salary and bonuses under the L.R. Webber survey as a market check on local compensation market practices. The Compensation Committee retains the flexibility to consider, in its sole discretion, various subjective factors when making compensation decisions.

The guiding principle of our compensation philosophy is that the compensation of executive officers should be based primarily on the financial performance of the Company, and partially on individual performance. While this "pay-for-performance" philosophy requires the Compensation Committee to first consider our profitability, the Compensation Committee does not intend to reward unnecessary or excessive risk taking. These principles are reflected in the specific elements of the compensation program, particularly the bonus and long-term equity income programs, as described below.

Role of the Compensation and Corporate Governance Committee

The Compensation Committee assists the Board of Directors in discharging its responsibilities regarding our compensation and benefit plans and practices. Authority granted to the Compensation Committee is established by the board of directors and also set forth in the charter of the Compensation Committee. In 2011, the Compensation Committee strongly considered the recommendations of the Chief Executive Officer regarding the other named executive officers. The recommendations of the Compensation Committee were presented for discussion and final approval at meetings of the full Board of Directors.

Specific Elements of the Compensation Program

Described below are the key elements of our compensation program for the named executive officers.

Salary

We believe that a key objective of the salary structure is to maintain reasonable "fixed" compensation costs, while taking into account the performance of the named executive officers. Base salaries are reviewed annually by the Compensation Committee to determine if any base pay changes should be made for the named executive officers. Base pay changes, if any, are normally determined after considering the executive's current base pay position relative to the peer group as reflected in the Report, our performance and the individual's contribution to that performance for the prior year and the national and regional economic conditions, their effect upon us and how the executive has dealt with them within his or her area of responsibility. All of the named executive officers joined us in 2009 and did not receive any increase in salary for 2010. In February 2011, the Compensation Committee reviewed the Report and, based on the recommendation of the Consultant, determined to increase the salary of the named executive officers, which decision was ratified by the Board of Directors and is disclosed in the Summary Compensation Table for 2011. These salaries were generally set below the median salary for the peer group for their position with the Company. In making this decision to increase salaries for 2011, the Compensation Committee also considered the strong performance of Customers Bank in 2010, including strong growth in assets, loans, customer base and return on equity, along with the Chief Executive Officer's leadership in driving this performance. With regard to the named executive officers other than the Chief Executive Officer, the Compensation Committee considered their contributions to the performance of Customers Bank (overall and in their functional area) in 2010 as reported by the Chief Executive Officer and his recommendation to increase their salary.

Given our significant growth and evolution as a bank since 2009, including raising more than $100 million in equity, increasing assets to over $2 billion and significantly increasing our equity base, in February 2012 the Compensation Committee reviewed the existing salaries against the peer group as reflected in the Report and determined to increase the salaries for 2012, which decision was ratified by the Board. The new salaries were generally set below the median for the peer group for their position, which 2012 salaries are disclosed in footnote 2 to the Summary Compensation Table.

Bonuses

Bonuses are designed to motivate executives by rewarding performance. For all of the named executive officers other than Mr. Hedde, bonuses for 2011 were determined at the discretion of the Compensation Committee, which considered our financial performance, including strong growth in assets, loans, customer base and return on equity, along with the recommendations of the Chief Executive Officer with regard to the other named executive officers. The decision of the Compensation Committee for 2011 bonuses was ratified by our Board of Directors. Based on these considerations, in February 2012 the Compensation Committee reviewed the Report and determined to pay a bonus to these named executive officers that was below the median bonus of the peer group for their position, which decision was ratified by the Board. The Chief Executive Officer also recommended these bonuses for the other executive officers, which was based on their respective contributions to the performance of the areas for which they are responsible. The amount of these cash bonuses for 2011 are disclosed in the footnotes to the "Bonus" column of the Summary Compensation Table for each of the named executive officers.

The 2011 bonus for Mr. Hedde is based on a bonus pool of 10% of the net profit of the mortgage warehouse division, which bonus pool is to be allocated among the employees of this division. Mr. Hedde's share of this bonus pool was determined by discussion between Mr. Hedde and the Chief Executive Officer in 2012 following the determination of the amount of the bonus pool, which amount was presented to the Compensation Committee as a recommendation from the Chief Executive Officer, and was also ratified by the Board. Mr. Hedde was awarded a total bonus of $679,090, which constituted 58% of the total bonus pool for the mortgage warehouse division. This bonus was paid 60% in cash and 40% in restricted stock units that vest on the third anniversary of the date of the award. The restricted stock portion was implemented to encourage a long-term view for the operation of this division.

The named executive officers, including Mr. Hedde, were also given the opportunity to participate in our Bonus Recognition and Retention Plan, and each deferred the receipt of a portion of their cash bonus to receive restricted stock in lieu of cash, which restricted stock will vest if the executive officer continues to be employed for five years after the date of the bonus award. See "Bonus Recognition and Retention Plan" for a description of this plan, along with the footnotes to the Summary Compensation Table for a description of the deferrals made by the named executive officers under this plan for their 2011 bonuses. These awards of stock are subject to forfeiture if the executive does not remain employed over the five year vesting period, which services to incentivize and retain executives.

Long-Term Equity Incentive Compensation

Long-term incentive compensation is intended to motivate and retain executives and reward them based on long-term company performance. The Compensation Committee believes that equity-based incentive arrangements are among the most effective means available to the Company of aligning the interests of executives with the objectives of shareholders generally, and of building their long term commitment to the organization. Our shareholders have approved the Management Stock Purchase Plan, the 2010 Stock Option Plan, the Amended and Restated 2004 Incentive Equity and Deferred Compensation Plan, and the Bonus Recognition and Retention Program (referred to collectively as “equity compensation programs”).

Our equity compensation programs permit the Compensation Committee to grant stock options, restricted stock, and other types of awards on a discretionary basis, subject to ratification by the board of directors. Upon determination of our performance for the prior fiscal year, in February of each year the Compensation Committee assesses if it will grant long-term equity awards, although it may grant awards at any time of the year in its discretion for new hires, outstanding performance or otherwise. In February 2011, the Compensation Committee granted Messrs. Taylor and Hedde options to purchase 16,666 and 8,333 shares of our Voting Common Stock, which award was ratified by our Board of Directors. The Chief Executive Officer made the recommendation to pay these awards based on the strong performance of their respective business units. In addition, pursuant to the terms of the employment agreement of each of Messrs. Sidhu, Ehst and Brugger, during 2011 they were each granted options to purchase common stock as a result of our successful capital raising activities and the acquisition of another bank. Each of these options rewarded the executive for transactions to increase the value of the Company, and the structure of these options also serve to retain and incentivize the executive due to the five year vesting of these options and the further vesting condition that the fair value of the common stock increase by 50% before they become exercisable. The options granted to Messrs. Taylor and Hedde have the same vesting provisions.

Given our significant growth and evolution as a bank since 2009, including raising more than $100 million in equity, increasing assets to over $2 billion and significantly increasing our equity base, in February 2012 the Compensation Committee determined to implement a restricted stock reward program that provided for the grant of restricted stock units to certain directors and senior executives of Customers and Customers Bank, which included awards to each of the named executive officers as set forth in the “Grant of Plan-Based Awards” table. This decision of the Compensation Committee was ratified by the Board. These awards create retention and va