

Customers Bancorp, Inc.  
Form 10-Q  
November 07, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

- x **Quarterly report pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 30, 2014**
  
- .. **Transition report pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**001-35542**

**(Commission File number)**

**(Exact name of registrant as specified in its charter)**

**Pennsylvania**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**27-2290659**  
**(IRS Employer**  
**Identification No.)**

**1015 Penn Avenue**

**Suite 103**

**Wyomissing PA 19610**

**(Address of principal executive offices)**

**(610) 933-2000**

**(Registrant's telephone number, including area code)**

**N/A**

**(Former name, former address and former fiscal year, if changed since last report)**

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

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

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

Large accelerated filer  Accelerated filer

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

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

On November 3, 2014, 25,613,305 shares of Voting Common Stock and 1,121,730 shares of Class B Non-Voting Common Stock were issued and outstanding.



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**CUSTOMERS BANCORP, INC. AND SUBSIDIARIES**

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

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
Cash and due from banks	\$ 89,728	\$ 60,709
Interest-earning deposits	241,578	172,359
Cash and cash equivalents	331,306	233,068
Investment securities available for sale, at fair value	409,303	497,573
Loans held for sale, (includes \$1,231,039 and \$747,593, respectively, at fair value)	1,395,720	747,593
Loans receivable not covered under Loss Sharing Agreements with the FDIC	4,065,672	2,398,353
Loans receivable covered under Loss Sharing Agreements with the FDIC	44,463	66,725
Allowance for loan losses	(31,083)	(23,998)
Total loans receivable, net of allowance for loan losses	4,079,052	2,441,080
FHLB, Federal Reserve Bank, and other restricted stock	85,732	43,514
Accrued interest receivable	13,744	8,362
FDIC loss sharing receivable	5,995	10,046
Bank premises and equipment, net	11,147	11,625
Bank-owned life insurance	137,575	104,433
Other real estate owned (includes \$10,208 and \$6,953, respectively, covered under Loss Sharing Agreements with the FDIC)	17,755	12,265
Goodwill and other intangibles	3,667	3,676
Other assets	41,439	39,938
<b>Total assets</b>	<b>\$ 6,532,435</b>	<b>\$ 4,153,173</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Liabilities:		
Deposits:		
Demand, non-interest bearing	\$ 697,415	\$ 478,103
Interest bearing	3,586,725	2,481,819
Total deposits	4,284,140	2,959,922
Federal funds purchased	0	13,000
FHLB advances	1,594,500	706,500
Other borrowings	88,250	63,250
Subordinated debt	112,000	2,000
Accrued interest payable and other liabilities	27,746	21,878

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Total liabilities	<b>6,106,636</b>	3,766,550
Shareholders' equity:		
Preferred stock, no par value or as set by the board; 100,000,000 shares authorized, none issued	<b>0</b>	0
Common stock, par value \$1.00 per share; 200,000,000 shares authorized; 27,267,295 and 24,756,411 shares issued as of September 30, 2014 and December 31, 2013; 26,735,035; and 24,224,151 shares outstanding as of September 30, 2014 and December 31, 2013	<b>27,267</b>	24,756
Additional paid in capital	<b>354,561</b>	307,231
Retained earnings	<b>55,245</b>	71,008
Accumulated other comprehensive loss, net	<b>(3,020)</b>	(8,118)
Treasury stock, at cost (532,260 shares as of September 30, 2014 and December 31, 2013)	<b>(8,254)</b>	(8,254)
Total shareholders' equity	<b>425,799</b>	386,623
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,532,435</b>	<b>\$ 4,153,173</b>

*See accompanying notes to the unaudited consolidated financial statements.*

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

(amounts in thousands, except share data)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Interest income:</b>				
Loans receivable	\$ 39,640	\$ 22,485	\$ 103,216	\$ 57,780
Loans held for sale	8,503	9,495	20,301	31,536
Investment securities	2,361	1,423	7,944	3,334
Other	794	342	1,805	789
<b>Total interest income</b>	<b>51,298</b>	<b>33,745</b>	<b>133,266</b>	<b>93,439</b>
<b>Interest expense:</b>				
Deposits	6,179	5,470	17,321	15,742
Other borrowings	1,494	789	3,834	868
FHLB advances	1,711	272	3,348	840
Subordinated debt	1,700	16	1,826	49
<b>Total interest expense</b>	<b>11,084</b>	<b>6,547</b>	<b>26,329</b>	<b>17,499</b>
<b>Net interest income</b>	<b>40,214</b>	<b>27,198</b>	<b>106,937</b>	<b>75,940</b>
Provision for loan losses	5,035	750	12,288	2,748
<b>Net interest income after provision for loan losses</b>	<b>35,179</b>	<b>26,448</b>	<b>94,649</b>	<b>73,192</b>
<b>Non-interest income:</b>				
Mortgage warehouse transactional fees	2,154	3,090	6,128	10,626
Bank-owned life insurance	976	615	2,646	1,658
Gain (loss) on sale of loans	695	(6)	1,266	402
Mortgage loan and banking income	212	50	2,175	50
Deposit fees	192	198	618	487
Gain on sale of investment securities	0	0	3,191	0
Other	873	714	3,298	1,784
<b>Total non-interest income</b>	<b>5,102</b>	<b>4,661</b>	<b>19,322</b>	<b>15,007</b>
<b>Non-interest expense:</b>				
Salaries and employee benefits	12,070	8,963	33,012	24,868
FDIC assessments, taxes, and regulatory fees	3,320	1,105	8,529	3,510
Occupancy	2,931	2,289	8,162	6,309
Professional services	1,671	1,191	5,834	3,149
Technology, communications and bank operations	1,485	1,121	4,666	3,023
Other real estate owned	603	401	1,845	962
Loan workout	388	928	1,306	1,674

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Advertising and promotion	261	450	1,104	973
Loss contingency	0	0	0	2,000
Other	1,950	1,899	6,592	5,254
Total non-interest expense	24,679	18,347	71,050	51,722
Income before income tax expense	15,602	12,762	42,921	36,477
Income tax expense	3,940	4,494	12,885	12,794
<b>Net income</b>	<b>\$ 11,662</b>	<b>\$ 8,268</b>	<b>\$ 30,036</b>	<b>\$ 23,683</b>
Basic earnings per share (1)	\$ 0.44	\$ 0.30	\$ 1.12	\$ 1.00
Diluted earnings per share (1)	0.42	0.30	1.08	0.98

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

*See accompanying notes to the unaudited consolidated financial statements.*



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

(amounts in thousands)

	<b>Three Months Ended</b>		<b>Nine Months</b>	
	<b>September 30,</b>		<b>Ended</b>	
	<b>2014</b>	<b>2013</b>	<b>September 30,</b>	<b>2013</b>
Net income	\$ 11,662	\$ 8,268	\$ 30,036	\$ 23,683
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on securities arising during the period (1)	(1,886)	(10)	11,335	(7,079)
Income tax effect (1)	660	3	(3,967)	2,478
Less: reclassification adjustment for gains on securities included in net income	0	0	(3,191)	0
Income tax effect	0	0	1,117	0
Net unrealized gains (losses)	(1,226)	(7)	5,294	(4,601)
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) on cash flow hedges arising during the period	661	0	(296)	0
Income tax effect	(235)	0	100	0
Net unrealized gains (losses)	426	0	(196)	0
Other comprehensive income (loss), net of tax	(800)	(7)	5,098	(4,601)
<b>Comprehensive income</b>	<b>\$ 10,862</b>	<b>\$ 8,261</b>	<b>\$ 35,134</b>	<b>\$ 19,082</b>

(1) Includes immaterial gains or losses on foreign currency items for the three and nine months ended September 30, 2014 and 2013.

See accompanying notes to the unaudited consolidated financial statements.

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**CUSTOMERS BANCORP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY UNAUDITED**

(amounts in thousands, except share data)

**For the nine months ended September 30, 2014**

<b>Shares of Common Stock Outstanding</b>	<b>Common Stock</b>	<b>Additional Paid in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income/(Loss)</b>
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