Customers Bancorp, Inc.
Form DEF 14A
April 17, 2019

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:
Preliminary Proxy Statement
Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Materials Pursuant to sec. 240.14a-12

Customers Bancorp, Inc.

(Name of Registrant as Specified in its Charter)

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(3) Filing Party:

(4) Date Filed:

CUSTOMERS BANCORP, INC.
1015 Penn Avenue
Wyomissing, Pennsylvania 19610
(610) 933-2000
April 17, 2019

Dear Shareholders:

You are invited to attend the 2019 Annual Meeting of Shareholders ("Annual Meeting") of Customers Bancorp, Inc. ("Customers Bancorp", "Customers", "Company", "we" or "our") to be held Thursday, May 30, 2019 beginning at 9:00 a.m. at The DoubleTree by Hilton Reading, located at 701 Penn Street, Reading, PA 19601. Further information about the Annual Meeting and the various matters on which the shareholders will vote is included in the Notice of Annual Meeting and Proxy Statement which follow this letter.

2018 Performance

2018 was a year of transition at Customers. We recognized that it would be prudent for the Company to strengthen its various capital ratios, reduce its reliance on wholesale funding, improve its net interest margin, and its core ROAA and ROCE with a goal of long-term shareholder value creation. In addition, we learned that even after our planned spin-off of 100% of our ownership in BankMobile, regulators would view Customers and the newly formed BankMobile spun-off company as affiliates because of the expected overlap in the two shareholder bases (including large passive institutional funds). As an affiliate of Customers, the newly formed BankMobile spun-off company's profitability would be adversely affected because it would no longer qualify for the small issuer exemption under the Durbin Amendment. Consequently, we determined that the best strategy for long-term shareholder value was to retain and operate BankMobile for 2-3 years and eventually pursue a divestiture strategy that does not involve a spin-off. Hence, we decided to maintain a balance sheet below $10 billion in total assets to improve capital ratios, enhance liquidity, expand net interest margin and maximize the return on average assets.

While we were not happy with our 2018 stock performance, there were several accomplishments of which we are proud. Customers Bancorp reported GAAP diluted earnings per share of $1.78 for 2018, a decrease from 2017 primarily due to losses realized from sales of lower-yielding investment securities and multi-family loans, merger and acquisition-related charges, and executive severance expense; however, excluding these items, Customers Bancorp reported core earnings per share (a non-GAAP measure) of $2.43 for 2018, a 10% increase from 2017.

Another significant accomplishment is BankMobile's partnership with T-Mobile. For nearly three years, BankMobile has been developing its first major White Label partnership. In late November 2018, the partnership went live in beta test phase, offering BankMobile's best in class banking products to T-Mobile's broad customer base, branded as T-Mobile Money. Even before any marketing or advertising efforts, the partnership generated over 7,800 funded deposit accounts, with over $10 million in total deposits. We expect account openings and deposit growth to accelerate in 2019.

In 2018, we put emphasis on improving the mix of both assets and liabilities given our strategic decision to improve our net interest margin, and we made good progress. We grew commercial and industrial loans $312 million (+20%) as we reduced multi-family, non-owner occupied commercial real estate, and construction loans $484 million (-10%). Of note, our commercial real estate concentration fell to 361% of total risk based capital from 418% a year ago, and the 3 year cumulative growth decelerated to 11%. On the funding side of the balance sheet, we grew total deposits $342 million (+5%) as we reduced borrowings $394 million (-19%). The benefits of the balance sheet remixing were reflected in a 10 basis point expansion in our net interest margin in fourth quarter 2018. We expect our net interest margin to exceed 2.75% by the end of 2019. The decision to keep the balance sheet flat also resulted in stronger capital ratios and greater capital flexibility. We ended 2018 with a tangible common equity ratio (a non-GAAP measure) of 7.36%, 36 basis points higher than 7.00% at the end of 2017 even as we began returning capital to shareholders through share repurchases. In early January 2019, we completed the share repurchase authorization we announced in 2018, and in total, we repurchased 2% of our shares outstanding at slightly less than 80% of tangible book value (a non-GAAP measure) as of December 31, 2018.

Credit quality is a long-term hallmark of Customers, and we are proud to report that for 2018, we had net charge-offs of just 4 basis points of average total loans, and ended the year with non-performing loans equal to just 32 basis points of total loans. Both metrics stack up favorably against our peers.

Shareholder Outreach and Enhancements to Corporate Governance and Executive Compensation

The Nominating and Corporate Governance and Compensation Committees, as well as the entire Board of Directors have taken significant actions in the last several years to improve our executive compensation practices and corporate governance matters. We have had extensive dialog with many of our shareholders through our outreach program seeking their input. This past year we engaged advisers to help us review and consider improved corporate governance practices, and decided to put forth a proposal in this Proxy Statement to shareholders to adopt a majority vote standard for the election of our directors in uncontested elections. We will continue to evaluate our corporate governance practices, evolving industry best practices, and opportunities for improvement as we move forward.

We described our new executive compensation for 2018 in last year's Proxy Statement. The new compensation plan includes both an updated short-term annual incentive plan and a new long-term incentive plan with significant performance based vesting and continuation of clawback provisions. Both plans are entirely quantitative and very transparent to investors. We followed those new plans in 2018, but the Compensation Committee made the further determination that there should be no cash annual incentive award in 2018 for our CEO, CFO, and COO; their annual incentive was paid entirely with Restricted Stock Units that vest ratably over three years to further align management's incentives with shareholders'. Our Board of Directors also determined in 2018 to move to an annual shareholder vote on "Say on Pay," providing us more regular, quantifiable feedback from shareholders about our executive compensation.

Diversity, Social Responsibility, and Supporting our Communities and Team Members

Customers prides itself on its diversity; and 42% of Directors are female or ethnically diverse. Support for our team members and communities is also important to Customers. In 2018, Customers' charitable contributions increased by 47% over 2017, principally supporting housing, education, and improvements in the quality of life in the communities we serve. Many of our team members and leaders are actively involved in supporting local charitable community organizations. They also serve on community and statewide boards of non-profits, service organizations, and charitable organizations. Their time, talent, and personal contributions further enhance our communities. Over the 2018 calendar year 100 Team Members participated in philanthropic events in their communities which the Company rewarded with Community Service PTO for their efforts and hours volunteered.

In January 2019, a new time off policy was created that will encourage team members to utilize up to 8 hours of PTO per calendar year to participate in learning and development opportunities. This time can be used for taking an online or onsite training, preparing or taking a certification exam, or attending a professional seminar or conference. Additionally, Customers' has a wellness program that 131 Team Members completed in 2018, which included over 69,000 hits to our participation logs and 184 biometric screenings.

We were also proud to be currently ranked among the top 10 Small Business Administration (SBA) lenders in Southeastern Pennsylvania and top 100 nationwide, supporting entrepreneurship and business creation in all our communities.

Looking Ahead - We Target $3 in Core EPS for 2020 and $4 or Better Within 3-4 Years

Looking to 2019 and beyond, we are excited about our prospects. Our strategic priorities in 2019 are: 1) create shareholder value through improved profitability; 2) focus and grow core banking operations; 3) achieve profitability at BankMobile and grow for 2-3 years before monetizing the investment; 4) strengthen our mix of assets and liabilities; and 5) deploy excess capital to benefit shareholders. We recently announced a core EPS target of $3 per share in 2020 as an important milestone on our path to $4 of core EPS within 3-4 years. We believe that the stock movement from current levels today to a trading price reflective of $4 of EPS over the next 3-4 years should drive significant shareholder value.

Additional Information About 2018 Results, Shareholder Meeting, and Your Vote

We encourage you to read Customers' 2018 Annual Report on Form 10-K, which can be located at https://www.sec.gov/Archives/edgar/data/1488813/000148881319000009/cubi-12312018x10k.htm (please copy and paste the link into your browser). The Board of Directors, management and our team members thank you for your interest in Customers Bancorp, Inc.

We hope you will be able to attend Customers' Annual Meeting on May 30, 2019. Even if you are planning to attend the Annual Meeting in person, we encourage you to vote your shares by internet, telephone, or complete, sign and return a proxy card prior to the Annual Meeting. This will ensure that your shares are represented at the Annual Meeting. The Proxy Statement explains more about the proxy voting process and contains additional information about the business to be conducted at the Annual Meeting. Please read the Proxy Statement carefully before voting your shares.

Every shareholder vote is important. To ensure your vote is counted at the Annual Meeting, please vote as promptly as possible.
Thank you for your investment in, and ongoing support of, our Company. We appreciate your confidence and will continue to work to build long term shareholder value.

Sincerely,

Jay S. Sidhu
Chairman and Chief Executive Officer

CUSTOMERS BANCORP

1015 Penn Avenue
Wyomissing, Pennsylvania 19610
(610) 933-2000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of the Shareholders of Customers Bancorp, Inc. (the "Company") will be held on May 30, 2019, at The DoubleTree Hotel by Hilton Reading, 701 Penn Street, Reading, PA 19601 at 9:00 a.m. to vote on the following matters:

1. To elect three Class II Directors of the Company to serve a three-year term;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019;
3. To approve a non-binding advisory resolution on executive officer compensation;
4. To approve an amendment to the Company's Amended and Restated Articles of Incorporation to adopt a majority voting standard in uncontested elections of directors;
5. To approve the 2019 Stock Incentive Plan; and
6. The transaction of such other business as may properly come before the Annual Meeting, and any adjournment or postponement of the Annual Meeting.

The Board of Directors has set the record date for the Annual Meeting as April 5, 2019 (the "Record Date"). Only holders of record of the Company's Voting Common Stock at the close of business on that date are entitled to vote at the Annual Meeting. As long as a quorum is present at the Annual Meeting, the affirmative vote of a majority of the Company's Voting Common Stock cast at the Annual Meeting is required to approve Proposals 2, 3, 4 and 5. The nominees receiving the highest number of votes cast shall be elected under Proposal 1. As of the record date, there were approximately 31,145,896 shares of the Company's Voting Common Stock outstanding.

The Board of Directors of the Company believes that Proposals 1 through 5 are in the best interests of the Company and its shareholders, and urge shareholders to vote "FOR" the election of each of the nominees recommended by the Board of Directors in Proposal 1 and "FOR" Proposals 2, 3, 4 and 5.

You may review the Proxy Statement and the Company's annual report to shareholders, or you may vote your shares at www.envisionreports.com/CUBI.

By Order of the Board of Directors
Michael De Tommaso, Corporate Secretary
To be mailed on or about April 17, 2019

YOUR VOTE IS IMPORTANT, REGARDLESS OF HOW MANY SHARES YOU OWN. WHETHER YOU PLAN TO ATTEND THE MEETING OR NOT, PLEASE FOLLOW THE INSTRUCTIONS ON THE ANNUAL SHAREHOLDER MEETING NOTICE TO REVIEW THE PROXY AND ANNUAL REPORT ONLINE AND FOR INTERNET AND TELEPHONE VOTING INSTRUCTIONS, OR TO REQUEST PHYSICAL DELIVERY OF THE PROXY STATEMENT, ANNUAL REPORT AND PROXY CARD WITH A PRE-ADDRESSED ENVELOPE. PLEASE RETURN THE PROXY CARD, IF REQUESTED, PROMPTLY IN THE ENCLOSED ENVELOPE PROVIDED WITH THE ANNUAL MEETING MATERIALS, OR FOLLOW THE INSTRUCTIONS ON THE PROXY CARD FOR INTERNET OR TELEPHONE VOTING. IF YOU ATTEND THE MEETING AND PREFER TO VOTE IN PERSON, YOU MAY DO SO, EVEN IF YOU SUBMIT YOUR PROXY PRIOR TO THE MEETING. YOU MAY REVOKE YOUR PROXY AT ANY TIME PRIOR TO ITS USE FOR ANY PURPOSE BY GIVING WRITTEN NOTICE OF REVOCATION TO OUR CORPORATE SECRETARY AT OUR WYOMISSING OFFICE AT 1015 PENN AVE. SUITE 102, WYOMISSING, PENNSYLVANIA 19610. YOU MAY ALSO APPEAR IN PERSON AT THE ANNUAL MEETING AND THEN VOTE IN PERSON. NOTE THAT

ATTENDANCE AT THE ANNUAL MEETING ALONE IS NOT SUFFICIENT TO REVOKE YOUR PROXY. A LATER DATED PROXY REVOKES AN EARLIER DATED PROXY.

PROXY STATEMENT

TABLE OF CONTENTS

PROXY STATEMENT SUMMARY	1
Items of Business and Voting Recommendations	1
Voting and Admission to Customers Bancorp, Inc.'s 2019 Annual Meeting of Shareholders	1
INFORMATION REGARDING THE ANNUAL MEETING	3
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 30, 2019	3
COMMONLY USED TERMS	3
QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING	4
COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS	7
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	7
PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING	9
PROPOSAL 1: ELECTION OF THREE CLASS II DIRECTORS OF THE COMPANY	9
PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	11
Audit and Other Fees Paid to Independent Registered Public Accounting Firm	12
Pre-approval of Audit and Non-Audit Services	13
PROPOSAL 3: A NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION	14
PROPOSAL 4: APPROVAL OF AN AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION TO ADOPT A MAJORITY VOTING STANDARD IN UNCONTESTED ELECTIONS OF DIRECTORS	15
PROPOSAL 5: APPROVAL OF THE 2019 STOCK INCENTIVE PLAN	17
AUDIT COMMITTEE REPORT	23
BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT	24
Board of Directors	24
Named Executive Officers	26
BOARD AND CORPORATE GOVERNANCE	28
Ongoing Shareholder Engagement and our Response	29
Corporate Governance Highlights	29
Corporate Governance Principles	30
Code of Ethics and Business Conduct	31
Risk Management	31
Director Independence Standards	32
Stock Ownership Requirements	33
Board Responsibilities	33
Director Qualifications	34
Director Nominations	34
Board Leadership and Oversight	34
Board Committees	35
Board Committee Descriptions and Responsibilities	37
COMPENSATION DISCUSSION AND ANALYSIS	40
Overview	40
Executive Summary	41
Executive Compensation Philosophy	46
Compensation Setting Process	46
Elements of 2018 Executive Compensation	49
Additional Compensation Policies and Practices	55
COMPENSATION COMMITTEE REPORT	58

EXECUTIVE COMPENSATION	59
Summary Compensation Table	59
Grants of Plan Based Awards	61
Outstanding Equity Awards at Fiscal Year End	62
Option Exercises and Stock Vesting	64
Pension Benefits	64
Nonqualified Deferred Compensation	64

Potential Payments Upon Termination Or Change In Control	65
CEO Pay Ratio	68
DIRECTOR COMPENSATION	68
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	69
TRANSACTIONS WITH RELATED PARTIES	69
SHAREHOLDER PROPOSALS	71
Shareholder Proposals for Inclusion in the 2020 Proxy Statement	71
Director Nominations and Other Shareholder Proposals for Presentation at the 2020 Annual Meeting	71
OTHER BUSINESS	71
ANNUAL REPORT	72
APPENDIX A: FULL TEXT OF THE PROPOSED AMENDMENT 4 TO THE EXISTING ARTICLES	A-1
APPENDIX B: 2019 STOCK INCENTIVE PLAN	B-1
APPENDIX C: RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES	C-1
PROXY CARD	

PROXY STATEMENT SUMMARY

This summary highlights certain information contained in this Proxy Statement. This summary does not contain all of the information you should consider. We encourage you to review all of the important information contained in this Proxy Statement carefully before voting.

Customers Bancorp, Inc. 2019 Annual Meeting of Shareholders

Date and Time:	Thursday, May 30, 2019 9:00 a.m., EDT
Place:	DoubleTree Hotel by Hilton Reading 701 Penn Street, Reading, PA 19601

Items of Business and Voting Recommendations

Items for Vote	Board Recommendation
1. Elect THREE Class II Directors;	FOR all nominees
2. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019;	FOR
3. Approve a non-binding advisory resolution on executive officer compensation;	FOR
4. Approve an amendment to the Company’s Amended and Restated Articles of Incorporation to adopt a majority voting standard in uncontested elections of directors; and	FOR
5. Approve the 2019 Stock Incentive Plan	FOR

In addition, shareholders may be asked to consider any other business properly brought before the meeting.

Voting and Admission to Customers Bancorp, Inc.'s 2019 Annual Meeting of Shareholders

Voting. Shareholders of record of the Company's Voting Common Stock as of the record date, April 5, 2019, are entitled to vote at the Annual Meeting. Each share of Voting Common Stock outstanding on the record date is entitled to one vote for each director nominee and one vote for the other proposals to be voted on at our Annual Meeting.

Even if you plan to attend our Annual Meeting in person, please cast your vote as soon as possible by:

Scanning the QR Barcode

Using the internet on your voting materials, where available

Most shareholders will not receive paper copies of the proxy materials unless they request them. Instead, the Important Notice Regarding Availability of Proxy Materials, which we refer to as the Notice and Access card, which has been mailed to our shareholders, provides instructions regarding how you may access and review all of the proxy materials on the Internet. The Notice and Access card also instructs you on how to submit your proxy vote via the Internet or telephone. Before voting, ensure that you have located your control number, which can only be found in the shaded bar in the top right corner of your Notice and Access card. This ID is unique to you and must be provided at the time of voting.

If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials printed on the Notice and Access card or as set forth below. There is no charge to you for requesting copies. Please make your request for copies as instructed below on or before May 17, 2019 to facilitate timely delivery.

1

Here's how to order a copy of the proxy materials and select a future delivery preference:
Paper copies: Current and future paper delivery requests can be submitted via the telephone, internet or email options below.
Email copies: Current and future email delivery requests must be submitted via the internet following the instructions below. If you request an email copy of current materials you will receive an email with a link to the materials.
PLEASE NOTE: You must use your control number in the shaded bar of the Notice and Access card when requesting a set of paper copies of the proxy materials.
Internet – Go to www.envisionreports.com/CUBI. Click Cast Your Vote or Request Materials. Follow the instructions to log in and order a copy of the current materials and submit your preference for email or paper delivery of future meeting materials.
Telephone – Call free of charge at 1-866-641-4276 and follow the instructions to log in and order a paper copy of the materials by mail for the current meeting. You can also submit a preference to receive a paper copy for future meetings.
Email – Send email to investorvote@computershare.com with "Proxy Materials Customers Bancorp, Inc." in the subject line. Include in the message your full name and address, plus the control number located in the shaded bar on the Notice and Access card, and state in the email that you want a paper copy of current meeting materials. You can also state your preference to receive a paper copy for future meetings.
To facilitate timely delivery, all requests for a paper copy of the proxy materials must be received by May 17, 2019.
Admission. Shareholders of record of the Company's Voting Common Stock as of the record date are entitled to attend the Annual Meeting. Our admission procedures require all shareholders attending the Annual Meeting to present proper verification of stock ownership and a valid photo ID. Please review the admission procedures under "Questions and Answers About the Annual Meeting and Voting" beginning on page 4.
YOUR VOTE IS IMPORTANT, REGARDLESS OF HOW MANY SHARES YOU OWN. WHETHER YOU PLAN TO ATTEND THE MEETING OR NOT, PLEASE FOLLOW THE INSTRUCTIONS ON THE NOTICE AND ACCESS CARD TO REVIEW THE PROXY AND ANNUAL REPORT AND FOR INTERNET AND TELEPHONE VOTING INSTRUCTIONS, OR TO REQUEST PHYSICAL DELIVERY OF THE PROXY STATEMENT, ANNUAL REPORT AND PROXY CARD WITH A PRE-ADDRESSED ENVELOPE. PLEASE RETURN THE PROXY CARD, IF REQUESTED, PROMPTLY IN THE ENCLOSED ENVELOPE PROVIDED WITH THE ANNUAL MEETING MATERIALS, OR FOLLOW THE INSTRUCTIONS ON THE PROXY CARD FOR INTERNET OR TELEPHONE VOTING. IF YOU ATTEND THE MEETING AND PREFER TO VOTE IN PERSON, YOU MAY DO SO, EVEN IF YOU SUBMIT YOUR PROXY PRIOR TO THE MEETING. YOU MAY REVOKE YOUR PROXY AT ANY TIME PRIOR TO ITS USE FOR ANY PURPOSE BY GIVING WRITTEN NOTICE OF REVOCATION TO OUR CORPORATE SECRETARY AT OUR WYOMISSING OFFICE AT 1015 PENN AVE. SUITE 102, WYOMISSING, PENNSYLVANIA 19610. YOU MAY ALSO APPEAR IN PERSON AT THE ANNUAL MEETING AND THEN VOTE IN PERSON. NOTE THAT ATTENDANCE AT THE ANNUAL MEETING ALONE IS NOT SUFFICIENT TO REVOKE YOUR PROXY. A LATER DATED PROXY REVOKES AN EARLIER DATED PROXY.

Proxy Statement
Customers Bancorp, Inc.
1015 Penn Avenue
Wyomissing, Pennsylvania 19610

INFORMATION REGARDING THE ANNUAL MEETING

This Proxy Statement is being furnished to holders of the Company's Voting Common Stock in connection with the solicitation of your proxy by the Board of Directors to be used at the Annual Meeting of Shareholders to be held on May 30, 2019. At the meeting, you will be asked to consider and vote to elect three Class II Directors of Customers Bancorp, Inc. to serve a three-year term, to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Customers Bancorp, Inc. for the fiscal year ending December 31, 2019, to approve a non-binding advisory vote on executive officer compensation, to approve an amendment to the Company's Amended and Restated Articles of Incorporation to adopt a majority voting standard in uncontested elections of directors, and to approve the 2019 Stock Incentive Plan.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 30, 2019

This Proxy Statement and the Company's annual report to shareholders are available at http://www.envisionreports.com/CUBI. This website also enables shareholders to vote their proxy.

Again this year, we are using the "Notice and Access" method of providing proxy materials to you via the internet instead of mailing printed copies. We believe that this process provides you with a convenient and quick way to access the proxy materials, including our Proxy Statement and 2018 Annual Report to Shareholders, and authorize a proxy to vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials.

Most shareholders will not receive paper copies of the proxy materials unless they request them. Instead, the Important Notice Regarding Availability of Proxy Materials, which we refer to as the Notice and Access card, which has been mailed to our shareholders, provides instructions regarding how you may access and review all of the proxy materials on the internet. The Notice and Access card also instructs you on how to submit your proxy vote via the internet or telephone. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials printed on the Notice and Access card.

If your shares are held by a brokerage house or other custodian, nominee or fiduciary in "street name," you will receive a Notice and Access card intended for their beneficial holders with instructions for providing to such intermediary voting instructions for your shares. You may also request paper copies of the proxy materials by following the instructions on the intermediary Notice and Access card. If you receive paper copies, many intermediaries provide instructions for their beneficial holders to provide voting instructions via the internet or by telephone.

If your shares are held in "street name" and you would like to vote your shares in person at the Annual Meeting, you must contact your broker, custodian, nominee or fiduciary to obtain a legal proxy form from the record holder of your shares and present it to the inspector of election with your ballot.

COMMONLY USED TERMS

For purposes of this Proxy Statement, any references to the " Company," " Customers," " we," " us," or " our" refer to Customers Bancorp, Inc. For purposes of this Proxy Statement, any references to the "Board of Directors" or the "Board" refer to the Board of Directors of Customers Bancorp, Inc.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Why am I receiving these proxy materials?

The Company has sent you a Notice and Access card regarding the availability of proxy materials for the shareholder meeting because the Board of Directors of the Company is soliciting your proxy to vote at the Annual Meeting. You are invited to attend the meeting to vote on the proposals described in this Proxy Statement. However, you do not need to attend the meeting to vote your shares. Instead, you may follow the instructions included in the Notice and Access card and vote using the internet or telephone, or you may request paper copies of the Proxy Statement, annual report, and proxy card and complete, sign, and return the proxy card or follow the instructions on the proxy card to vote using the internet or telephone.

The Company has separately mailed the Notice and Access card and a proxy card to all shareholders of record of our Voting Common Stock entitled to vote at the meeting and is making the Proxy Statement and 2018 Annual Report available to you electronically.

Who is entitled to vote at the meeting?

To be able to vote, you must have been a beneficial owner or a shareholder of record of the Company's Voting Common Stock on April 5, 2019, the record date set by the Board of Directors for shareholders to be entitled to notice of, and to vote at, the meeting (the "Record Date").

Shareholder of Record: Shares Registered in Your Name. If, at the close of business on the Record Date, your shares of Voting Common Stock were registered directly in your name, then you are a shareholder of record. As a shareholder of record you may vote in person at the meeting or by proxy. Whether or not you plan to attend the meeting, we urge you to vote using the internet or telephone, or if you request a paper copy of the proxy materials, complete and return the accompanying proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank, or Other Agent. If, at the close of business on the Record Date, your shares were not held directly in your name, but rather were held in an account at a brokerage firm, bank, or by another agent, you are the beneficial owner of shares held in "street name" and the notice of proxy materials is being forwarded to you by your broker, bank, or other agent. The broker, bank, or other agent holding your shares in that account is considered to be the shareholder of record for purposes of voting at the meeting.

As a beneficial owner, you have the right to direct your broker, bank, or other agent on how to vote the shares of Voting Common Stock in your account. You are also invited to attend the meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a legal proxy issued in your name from your broker, bank or other agent.

What am I being asked to vote on?

There are five matters scheduled for a vote at the meeting:

1. To elect three Class II Directors of the Company to serve a three-year term;
2. To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019;
3. To approve a non-binding advisory resolution on executive officer compensation;
4. To approve an amendment to the Company’s Amended and Restated Articles of Incorporation to adopt a majority voting standard in uncontested elections of directors; and
5. To approve the 2019 Stock Incentive Plan

The Company's Board of Directors recommends a vote "FOR" each of the nominees identified in this Proxy Statement, and "FOR" Proposals 2, 3, 4 and 5.

How many votes do I have?

Each holder of the Company's Voting Common Stock is entitled to one vote per share held as of the Record Date.

What is a quorum?

The presence, in person or by proxy, of holders of a majority of shares of the Company's Voting Common Stock will constitute a quorum for purposes of conducting business at the Annual Meeting. The shareholders present, in person or by proxy, at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

4

Shares of the Company’s Voting Common Stock represented by a properly executed and delivered proxy which casts a vote on any matter, other than a procedural matter, will be counted as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked or designated as casting a vote or abstaining on a particular matter. Shares of the Company’s Voting Common Stock represented by broker non-votes will be counted as present for purposes of determining a quorum if such shares have been voted on any matter other than a procedural matter. “Broker non-votes” are shares held in record name by brokers or other nominees on behalf of beneficial owners as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote; and (ii) the brokers or other nominees do not have discretionary voting power to vote such shares on a particular proposal.

If there is no quorum, a majority of all votes cast at the meeting may adjourn the meeting to another date.

What vote is required?

For Proposal 1, if a quorum is present, the candidates receiving the highest number of votes cast shall be elected. Cumulative voting is not permitted. "Withheld" votes and broker non-votes will not count as votes cast.

For Proposals 2, 3, 4 and 5, if a quorum is present, the affirmative vote of a majority of the shares of Voting Common Stock cast, in person or by proxy at the Annual Meeting, is required to approve such proposals. Abstentions and broker non-votes are not deemed to constitute "votes cast" and, therefore, do not count either for or against approval of those proposals.

For beneficial owners, the rules that guide how most brokers vote your stock have changed over the last several years. The rules provide that brokerage firms or other nominees may not vote your shares with respect to matters that are not "routine" under the rules. The rules now provide that the election of Directors is not a "routine" matter. The ratification of the appointment of our independent registered public accounting firm for 2019 is the only current proposal that is considered a "routine" matter under the rules and, therefore, brokerage firms and other nominees have the authority under the rules to vote your uninstructed shares only with respect to that matter if you have not furnished voting instructions within a specified period of time prior to the meeting.

How do I vote?

For Proposal 1, the election of Directors, you may vote "FOR" the director nominees or your authority may be "WITHHELD" for one or more of the nominees. For Proposals 2, 3, 4 and 5, you may vote "FOR" or "AGAINST" or "ABSTAIN" from voting. The procedures for voting are as follows:

Shareholder of Record: Shares Registered in Your Name. If you are a shareholder of record, you may vote in person at the meeting. Alternatively, you may vote by proxy by following the instructions on the Notice and Access card sent to you using the internet or telephone, or if you request paper copies of the proxy, annual report and proxy card, you may vote using the accompanying proxy card or by internet or telephone. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy. In such case, notify the Corporate Secretary before the meeting begins of your presence at the meeting and your intention to revoke your previously voted proxy.

To vote in person, come to the meeting and we will give you a ballot when you arrive.

If you received a Notice and Access card, to vote by internet or telephone, follow the instructions of the Notice and Access card. If you order paper copies of the Proxy Statement, annual report and proxy card, to vote by mail, simply complete, sign, and date the proxy card separately mailed to you and return it promptly in the envelope provided. To vote by internet or telephone, follow the instructions on the proxy card for internet or telephone voting.

If you return your signed proxy card to us before the meeting, or you vote by internet or telephone, we will vote your shares as you direct unless you revoke your proxy.

Beneficial Owner: Shares Registered in the Name of Broker, Bank, or Other Agent. If your shares of the Company's Voting Common Stock are held in "street name," that is, your shares are held in the name of a brokerage firm, bank, or other nominee, in lieu of a Notice and Access card you should receive a voting instruction form from that institution by mail. Complete and return the instruction card to ensure that your vote is counted.

If your shares are held in street name and you wish to vote in person at the meeting, you must obtain a legal proxy issued in your name from the record holder (that is, your brokerage firm, bank or other nominee) and bring it with you to the meeting. We recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the meeting.

What if I return a proxy card but do not make specific choices?
If you return a signed proxy card without marking any voting selections, your shares will be voted “FOR” Proposals 2, 3, 4 and 5, and “FOR” the nominees recommended by the Board of Directors. If any other matter is properly presented at the meeting, then one of the proxies named on the proxy card will vote your shares using his or her best judgment.

What if I receive more than one proxy card or voting instruction form?
If you receive more than one proxy card, Notice and Access card, or voting instruction card because your shares are held in multiple accounts or registered in different names or addresses, please be sure to complete, sign, date, and return each proxy card, or vote your shares online for each Notice and Access card received and return each voting instruction card to ensure that all of your shares will be voted. Only shares relating to proxy cards and voting instruction forms that have been signed, dated, and timely returned or shares that have been voted online relating to Notice and Access cards, will be counted in the quorum and voted.
Who will count the votes and how will my votes be counted?
Votes will be counted by the judge of election appointed by the Board of Directors for the Annual Meeting. The judge of election will count, "FOR," "AGAINST" or "ABSTAIN" votes, as applicable, for Proposals 2, 3, 4 and 5, and "FOR" and "WITHHELD" votes as applicable for Proposal 1.
Can I change my vote after I have sent you my proxy?
Yes. You can revoke your proxy at any time before the applicable vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy with a later date;
- You may send a written notice that you are revoking your proxy to our Corporate Secretary at our principal executive offices: 1015 Penn Ave. Suite 103, Wyomissing, Pennsylvania 19610; or
- You may attend the meeting and vote in person (however, simply attending the meeting will not, by itself, revoke your proxy; you must notify the Corporate Secretary before the meeting begins of your presence at the meeting and your intention to revoke your previously voted proxy).

If your shares are held by a broker, bank, or other agent, you should follow the instructions provided by them.
How may I communicate with the Board of Directors?
Please address any communications to the Company's Board of Directors, or any individual director, in writing to the Company's Corporate Secretary at 1015 Penn Ave., Wyomissing, Pennsylvania 19610. The Corporate Secretary will relay all shareholder communications to the Board of Directors or any individual director to whom communications are directed. This is also the process by which you may communicate with the Lead Independent Director and our non-employee Directors as a group.
Who will bear the cost of soliciting proxies?
The Company will bear the entire cost of the solicitation of proxies for the meeting, including the preparation, assembly, printing, and distribution of this Proxy Statement, the Notice and Access mailing, the proxy card and any additional solicitation materials furnished to shareholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others so that they may forward the solicitation materials to the beneficial owners. The Company may reimburse such persons for their reasonable expenses in forwarding solicitation materials to beneficial owners. The Company has engaged Georgeson, Inc. ("Georgeson"), a professional proxy solicitation firm, to assist in the solicitation of proxies for the 2019 Annual Meeting. Georgeson will be paid a fee of approximately five thousand dollars ($5,000). The solicitation of proxies may be supplemented by solicitation by personal contact, telephone, facsimile, email, or any other means by the Company's Directors, officers, or employees. No additional compensation will be paid to those individuals for any such services.
How can I find out the results of the voting at the meeting?
The Company will provide the voting results in a Form 8-K to be filed with the Securities and Exchange Commission ("SEC") no later than the fourth business day after the Annual Meeting.
What is the recommendation of the Board of Directors?
The Company's Board of Directors recommends a vote:
FOR each of the nominees for election as Class II Directors of the Company to serve a three-year term named in Proposal 1;
FOR Proposal 2 to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019;

FOR Proposal 3 to approve a non-binding advisory resolution on executive officer compensation;
FOR Proposal 4 to approve an amendment to the Company’s Amended and Restated Articles of Incorporation to adopt a majority voting standard in uncontested elections of directors; and

6

FOR Proposal 5 to approve the 2019 Stock Incentive Plan.

With respect to any other matter that properly comes before the meeting, the proxies will vote in accordance with their best judgment. The judge of election for the meeting will be a representative of our transfer agent, Computershare, Inc., or, in his or her absence, one or more other individuals to be appointed in accordance with the Company's bylaws.

If you vote pursuant to the Notice and Access cards, or using the proxy card, and you do not specify how you want to vote, the persons named as proxies will vote in accordance with the recommendations of the Company's Board of Directors with respect to each proposal, and in their discretion with respect to any other matter properly brought before the Annual Meeting.

Whom should I call if I have questions about the meeting?

You should contact Michael A. DeTommaso, our Corporate Secretary, at (484) 334-4233 for questions about the meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has continued to develop and enhance its programs to communicate and interact with shareholders and other current and potential investors.

The Communication Program builds on the Company's effort and includes:

- Quarterly investor presentations;
- Periodic "letters" to shareholders and investors;
- Investor days, which provide an opportunity for all investors to have dialog with our independent Directors
- Proxy statements, annual reports, other filings with the SEC and the Company's online presence;
- Attendance, presentations, and meetings at various investor conferences; and
- Direct shareholder and investor outreach to seek input on specific matters.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of shareholders holding more than 5.0% of our Voting Common Stock as of March 15, 2019:

Name and Address of Beneficial Owner	Voting Common Stock	Percent of Class of Voting Common Stock (1)	
BlackRock, Inc. 55 East 52 nd Street New York, NY 10055	4,480,650 (2)	14.40	%
Dimensional Fund Advisors LP 6300 Bee Cave Road Austin, TX 78746	2,661,955 (3)	8.55	%
Vanguard Group Inc. 100 Vanguard Blvd. Malvern, PA 19355	1,835,387 (4)	5.90	%

(1) Based on 31,117,093 shares of Customers Bancorp, Inc. common stock outstanding as of March 15, 2019.

(2) This information is based on Schedule 13G/A filed with the Securities and Exchange Commission on January 24, 2019 by BlackRock, Inc.

(3) This information is based on Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2019 by Dimensional Fund Advisors LP.

(4) This information is based on Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2019 by Vanguard Group Inc.

7

The following table sets forth information, as of March 15, 2019, with respect to the beneficial ownership of each Director, each named executive officer, and all Directors and named executive officers as a group.

Name and Address of Beneficial Owner [(2)]	Voting Common Stock [(1)] [(2)] [(3)]	Percent of Class of Voting Common Stock [(2)]	
Directors			
Andrea Allon [(4)]	13,747	*	
Rick Burkey [(5)]	54,443	*	
Bhanu Choudhrie [(6)]	671,704	2.16	%
Daniel K. Rothermel	73,744	*	
Jay S. Sidhu [(3)] [(7)]	1,776,309	5.59	%
T. Lawrence Way	208,771	*	
Steven J. Zuckerman [(8)]	44,567	*	
Executive Officers who are not Directors			
Richard A. Ehst	114,055	*	
Glenn A. Hedde [(3)]	73,884	*	
Steven J. Issa	101	*	
Carla A. Leibold	3,324	*	
All Directors and named executive officers as a group (11 persons)	3,034,649	9.54	%

* Less than 1%

(1) Based on information furnished by the respective individual and our share records. Shares are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares the power to vote or dispose of the shares, whether or not he or she has any economic interest in the shares. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.

(2) Beneficial ownership for each listed person as of March 15, 2019, includes shares issuable pursuant to options to purchase stock held by such person which are exercisable within 60 days of March 15, 2019. Shares subject to options exercisable within 60 days of March 15, 2019 are deemed outstanding for purposes of computing the percentage of class of Voting Common Stock attributable to the person or group holding such options, but are not deemed outstanding for purposes of computing the percentage of any other person or group. Unless otherwise indicated, the address for each beneficial owner is c/o Customers Bancorp, Inc., 1015 Penn Ave., Wyomissing, Pennsylvania 19610.

(3) Includes shares of our Voting Common Stock issuable upon the exercise of stock options in the following amounts: Mr. Sidhu – 679,701; Mr. Hedde – 12,834.

(4) Ms. Allon has an indirect beneficial ownership interest in 965 of these securities through her spouse.

(5) Mr. Burkey has an indirect beneficial ownership interest in 977 of these securities through his company, BB Investment Group and in 2,811 of these securities through his spouse.

(6) Mr. Choudhrie has an indirect beneficial ownership interest in 646,764 of these securities through his company, Lewisburg LLC.

(7) Mr. Sidhu also serves as Chief Executive Officer of Customers Bancorp, Inc.

(8) Mr. Zuckerman irrevocably transferred the current equivalent of 218,254 shares of Customers Bancorp, Inc. common stock to Sageworth Trust Company, Trustee of the Victoria H. Zuckerman 2006 MG Trust dated 8/21/2006 on May 8, 2012. Mr. Zuckerman has an indirect beneficial ownership interest in 6,815 shares through Steven J. Zuckerman Revocable Trust.

PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING
PROPOSAL 1
ELECTION OF THREE CLASS II DIRECTORS OF THE COMPANY
Our Board of Directors currently consists of seven members and is divided into three classes, with one class of Directors elected each year. Each of the members of our Board of Directors also serves as a Director of Customers Bank. Directors are elected to serve a three-year term or until their respective successors shall have been elected and qualified.
Three Directors comprising our Class II Directors will be elected at the Annual Meeting to serve a three-year term or until their respective successors shall have been elected and qualified. On the recommendation of our Nominating and Corporate Governance Committee, our Board of Directors has nominated Andrea Allon, Rick B. Burkey and Daniel K. Rothermel for election as Directors at the Annual Meeting as follows: Class II — Term to Expire in 2022.
Andrea Allon, Director – Age 57
Andrea Allon has served as the Chief Operating Officer of the Chamber of Commerce for Greater Philadelphia since May 2006, one of the largest and oldest chambers of commerce in the United States. Prior to joining the Chamber, Ms. Allon was a Partner of Ernst & Young LLP overseeing audit services provided to public companies primarily in the financial services and technology industries. Ms. Allon spent over 20 years with Ernst & Young in the Philadelphia and New York offices and has also taught accounting and auditing at the college level as an adjunct instructor. Ms. Allon earned her MBA from Columbia University and a Bachelor of Science from the Wharton School of the University of Pennsylvania.

Ms. Allon's long experience in public accounting as well as her experience with the Chamber of Commerce provide the Board with may insights on business, internal controls, and governance matters that are of great value to the Board.

Rick B. Burkey, Director – Age 73
Mr. Burkey graduated from Lehigh University with a B.S. degree in civil engineering. He has over 45 years of experience in Commercial and Industrial Construction and Real Estate Development. He currently serves as Chairman of the Board of Burkey Construction Co. and is a Director of Associated Construction & Management Corp. He is actively involved in the ownership and management of numerous real estate ventures including Industrial Park Development & Senior Housing. Previously serving on the Board of Berkshire Bank, Mr. Burkey now serves as a Director of Customers Bancorp, Inc., which acquired Berkshire Bank in 2011.

Mr. Burkey's insights into the real estate markets are important to the Board given Customers' loan portfolio composition.

Daniel K. Rothermel, Lead Director– Age 81
Mr. Rothermel has been the Chairman of the Board of Cumru Associates, Inc., a private holding company located in Reading, Pennsylvania, since January 1, 2013. Prior to that, and since 1989, he was President and Chief Executive Officer of Cumru Associates, Inc. Mr. Rothermel also 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 Committees and was chairman of the Executive Committee. He is a graduate of Pennsylvania State University with a B.S. in Business Administration (finance and accounting) and of the Washington College of Law of the 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, provides a unique and valuable perspective to the Board.

The persons named as proxies have advised us that, unless otherwise instructed, they intend at the Annual Meeting to vote the shares covered by validly executed proxies "FOR" the election of the nominees named above. The proxies cannot be voted for a greater number of persons than the number of nominees named above. The Board knows of no reason why the nominees will be unavailable or unable to serve as a Director.

The three candidates receiving the highest number of votes shall be elected.

THE BOARD RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES LISTED IN PROPOSAL 1 TO ELECT THREE CLASS II DIRECTORS OF THE COMPANY.

PROPOSAL 2
RATIFICATION OF APPOINTMENT
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Company's Board of Directors (the "Audit Committee") has appointed Deloitte & Touche LLP (“Deloitte”) as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019 subject to ratification by our shareholders at the Annual Meeting, and has further directed that management submit the selection of independent auditor for ratification by the shareholders at the Annual Meeting.

The Audit Committee conducted a competitive process to determine the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019. The Audit Committee invited several independent registered public accounting firms to participate in this process, including BDO USA, LLP ("BDO"), which audited the Company's financial statements for the fiscal years ended December 31, 2018 and 2017.

On March 4, 2019, after reviewing the proposals from the independent registered public accounting firms that participated in the process, the Audit Committee made the decision to change the Company's independent registered public accounting firm and the Company dismissed BDO as its independent registered public accounting firm.

The reports of BDO on the Company’s consolidated financial statements for the fiscal years ended December 31, 2018 and 2017 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through March 4, 2019, there have been no “disagreements” (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with BDO on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements if not resolved to the satisfaction of BDO would have caused BDO to make reference thereto in its reports on the consolidated financial statements for such years. During the fiscal years ended December 31, 2018 and 2017 and through March 4, 2019, there have been no “reportable events” (as defined in Item 304(a)(1)(v) of Regulation S-K), except as set forth in the following sentence. As previously disclosed in the Company's amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017, the Company had a material weakness in internal control over financial reporting solely relating to the classification and reporting of its commercial mortgage warehouse lending transactions on its consolidated balance sheets and statements of cash flows and concluded that its internal control over financial reporting was not effective as of December 31, 2017. As previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, this material weakness has been remediated. The Audit Committee discussed the material weakness with BDO and the Company has authorized BDO to respond fully to inquiries of the successor independent registered public accounting firm concerning this matter.

On March 4, 2019, the Audit Committee approved the appointment of Deloitte as the Company's new independent registered public accounting firm to perform independent audit services for the fiscal year ending December 31, 2019, subject to completion of Deloitte's standard client acceptance procedures and execution of an engagement letter.

During the fiscal years ended December 31, 2018 and 2017 and through March 4, 2019, neither the Company, nor anyone on its behalf, consulted Deloitte regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to the consolidated financial statements of the Company, and no written report or oral advice was provided to the Company by Deloitte that was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a "disagreement" (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a “reportable event” (as defined in Item 304(a)(1)(v) of Regulation S-K). The Company has been advised by Deloitte that neither it nor any member thereof has any financial interest, direct or indirect, in the Company or any of its affiliates, in any capacity.

The Company received a letter from BDO addressed to the SEC stating that BDO agrees with the above statements relating to BDO. A copy of BDO's letter, dated March 7, 2019, was attached as Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2019.

Although the submission of the appointment of Deloitte is not required by the Company's bylaws, the Board is submitting it to the shareholders to ascertain their views. If the shareholders do not ratify the appointment, we will not be bound to seek another independent registered public accountant for 2019, but the selection of other independent registered public accounting firms will be considered in future years.

One or more representatives of each of Deloitte and BDO are expected to be present at the Annual Meeting. Representatives of each of Deloitte and BDO will have the opportunity to make a statement if they desire to do so, and will be available to respond to shareholders' questions.

Audit and Other Fees Paid to Independent Registered Public Accounting Firm

In connection with the audit of the 2018 financial statements, the Company entered into an engagement agreement with BDO which sets forth the terms by which BDO has performed audit services for the Company. That agreement is subject to alternative dispute resolution procedures. The Audit Committee specifically considered such procedures and determined that they were appropriate and consistent with the Company's use of alternative dispute resolution generally in other circumstances.

The following table presents fees billed by BDO for professional services rendered for the fiscal years ended December 31, 2018 and 2017, respectively.

Services Rendered	Fiscal 2018	Fiscal 2017
Audit Fees [(1)]	$898,322	$847,171
Audit-Related Fees [(2)]	117,340	206,538
Total	$1,015,662	$1,053,709

(1) Audit fees consisted principally of fees related to audit services in connection with the Company's annual reports, quarterly reports, HUD audit, and 401(K) audit, and previously planned spin-off of the BankMobile business, including out-of-pocket expenses.

(2) Audit-related fees primarily consisted of fees for services in connection with the performance of certain agreed upon procedures and audit-related services for the Department of Education in connection with the BankMobile Disbursement business, examination procedures for the BankMobile refund management services examination of controls as service organization, services in connection with public and private placement offerings, registration statements on Form S-3, and various accounting consultations and other technical issues for assurance and related services that were reasonably related to the performance of the audit, including related out-of-pocket expenses.

During the Company's fiscal years ended December 31, 2018 and 2017, BDO did not perform any services other than the audit of the Company's annual financial statements and review of interim financial statements included in the Company's quarterly reports on Form 10-Q (including the services identified in footnote (1) to the table above) or services that are normally provided by the accountant in connection with statutory and regulatory filings (including the services identified in footnote (2) to the table above) for the foregoing engagements for those fiscal years. BDO advised the Company that none of the hours expended on the audit engagement during the Company's fiscal year ended December 31, 2018 and 2017 were attributed to work performed by persons other than full-time, permanent employees of BDO.

Pre-approval of Audit and Non-Audit Services

Under our Audit Committee charter, the Audit Committee is required to pre-approve all auditing services (including providing comfort letters or consents in connection with securities offerings) and permitted non-audit services to be performed for us by the independent registered public accounting firm. The Audit Committee may also delegate the ability to pre-approve audit and permitted non-audited services to a subcommittee consisting of one or more members, provided that any pre-approvals are reported to the full committee at its next scheduled meeting.

In addition, the Audit Committee has adopted a pre-approval policy whereby all services performed by the independent auditor are to be pre-approved. Each year, the Audit Committee approves an annual program of work for each of the audit and audit-related services to be performed by the independent auditor. Engagement-by-engagement pre-approval is not required except for exceptional or ad-hoc incremental engagements which would result in fees exceeding those pre-approved for the applicable category of service. If necessary, a work program for each category of service can be supplemented with additional pre-approved amounts after the Audit Committee reviews the additional services to be performed. The Audit Committee may also consider specific engagements in the "all other services" category on an engagement-by-engagement basis.

THE BOARD RECOMMENDS A VOTE " FOR" APPROVAL OF PROPOSAL 2 TO RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

PROPOSAL 3
A NON-BINDING ADVISORY VOTE ON
EXECUTIVE COMPENSATION

Section 14A of the Securities Exchange Act of 1934, as amended (“Section 14A”), requires that we include in this Proxy Statement the opportunity for our shareholders to vote on an advisory (non-binding) resolution to approve the compensation of our named executive officers (sometimes referred to as “Say-on-Pay”). Accordingly, the following resolution is being submitted for shareholder approval at the Annual Meeting:

“RESOLVED, that the compensation paid to the named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion, is hereby approved.”

As described in detail under “Compensation Discussion and Analysis,” the Board believes that the talents of our team members have a significant influence on our long-term success. Our compensation system plays a significant role in our ability to attract, retain and motivate a quality workforce. The Board believes that our current compensation program links executive compensation to performance, aligning the interests of our executive officers with those of our shareholders and encourages you to review carefully the Compensation Discussion and Analysis beginning on page 40 and the tabular and other disclosures on executive compensation beginning on page 41 of this Proxy Statement.

As an advisory vote, this proposal is not binding upon us as a corporation. However, our Board and Compensation Committee, which are responsible for the design and administration of our executive compensation practices, value the opinions of our shareholders expressed through your vote on this proposal. The Board and Compensation Committee will continue its outreach program and study best practices in considering future executive compensation arrangements.

THE BOARD RECOMMENDS A VOTE "FOR" APPROVAL OF THE SAY-ON-PAY RESOLUTION.

PROPOSAL 4
APPROVAL OF AN AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION TO ADOPT A MAJORITY VOTING STANDARD IN UNCONTESTED ELECTIONS OF DIRECTORS

The Board has unanimously approved, subject to approval of the Company's shareholders, an amendment to the Company's existing Amended and Restated Articles of Incorporation (the "Existing Articles") to provide for a majority voting standard in uncontested elections of directors. Under the proposed majority voting standard, in an uncontested election of directors, a nominee for election as a director must receive the affirmative vote of a majority of the votes cast with respect to the election of that nominee.

The Company's directors are currently elected under a "plurality" voting standard, which is the default voting standard under Pennsylvania law for Pennsylvania corporations like the Company. Under a plurality voting standard, nominees for election as directors who receive the highest number of affirmative votes, up to the number of directors to be elected, are elected.

The Board regularly reviews our corporate governance practices to ensure that such practices, including the procedures for the election of directors, are in the best interests of the Company and its shareholders. Our Board is also committed to considering and responding to the views of shareholders regarding the Company's corporate governance practices. In reviewing the Company's practices with respect to elections of directors, the Board noted that in recent years an increasing number of public companies have decided to change their practices regarding uncontested elections of directors by substituting a majority voting standard for a plurality voting standard. The Board also has received feedback from shareholders supporting the adoption of a majority vote standard in uncontested elections of directors. The Board, with input from the Nominating and Corporate Governance Committee, carefully reviewed the various arguments in favor of and against a majority voting standard and determined that implementing a majority voting standard in uncontested elections of directors is in the best interests of the Company and its shareholders. The Board believes that the adoption of the proposed amendment to the Existing Articles to implement a majority voting standard in elections of directors other than contested elections will give the Company's shareholders a greater voice in determining the composition of the Board by lending more weight to shareholder votes against a nominee for director and by requiring more shareholder votes for a nominee than against a nominee in order for the nominee to be elected to the Board. The adoption of this standard in elections of directors other than contested elections is intended to reinforce the Board's accountability to the interests of the Company's shareholders. The Board also believes that a plurality voting standard should be maintained for contested elections of directors. Under the proposed amendment to the Existing Articles, an election will be considered "contested" if the number of candidates for election as directors exceeds the number of directors to be elected.

If shareholders approve this Proposal 4 and a majority vote standard is implemented for all elections of director other than contested elections, for a nominee to be elected as a director in an election other than a contested election, the number of votes cast "for" the nominee's election must exceed the number of votes cast "against" his or her election. Abstentions and broker non-votes would not be considered votes cast "for" or "against" a nominee. The amendment to the Existing Articles permits shareholders to vote "for" or "against" (or to abstain from voting) with respect to each nominee standing for election in any director election other than a contested election. If shareholders approve this Proposal 4, the majority vote standard will apply beginning at the Company's 2020 Annual Meeting of Shareholders.

The proposed amendment to the Existing Articles also addresses the status of "holdover" directors who have failed to be re-elected under the majority vote standard. Under Pennsylvania law, if an incumbent director fails to receive a sufficient number of votes for re-election at the end of his or her term, that director continues to serve on the Board as a "holdover" director until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. The proposed amendment to the Existing Articles provides that any incumbent director who fails to be re-elected under the majority vote standard must tender his or her resignation, which shall be contingent only upon acceptance of the resignation by the Board. Following the tender of the resignation, the Nominating and Governance Committee will make a recommendation to the Board as to whether to accept or reject the resignation, or whether other action should be taken. The Board, taking into account the recommendation of the Nominating and Governance Committee and other information and factors the Board believes to be relevant, then has 90 days from the date the election results have been certified to determine whether or not to accept the resignation, and must publicly disclose its decision and the rationale for its decision. The director tendering his or her resignation is not permitted to participate in the recommendation of the Nominating and Governance Committee or the determination of the Board. If the resignation is not accepted by the Board, the director will continue to serve until the next annual meeting at which the class of directors of which such director is a member stands for election and until his or her successor is duly elected, or his or her earlier death, resignation or removal.

The full text of the proposed amendment to the Existing Articles is included in Appendix A to this Proxy Statement. The description provided above is only a summary of the proposal to adopt the amendment to the Existing Articles and may not contain all of the information that is important to you. You should read the proposed amendment carefully before you decide how to vote.

If this Proposal 4 is approved by the Company’s shareholders, we expect to file the amendment to the Existing Articles and the articles of amendment required by Pennsylvania law with the Department of State of the Commonwealth of Pennsylvania as soon as practicable after the Annual Meeting. If the Company’s shareholders do not approve this Proposal 4, the plurality voting standard will continue to apply in all elections of directors - whether uncontested or contested.

In connection with the Board’s approval of the amendment to the Existing Articles, the Board also approved changes to the Company’s current Amended and Restated Bylaws to clarify certain matters with respect to the election of directors. These changes will become effective only if the Company’s shareholders approve this Proposal 4, and upon the filing of the amendment and the related articles of amendment with the Department of State of the Commonwealth of Pennsylvania.

The affirmative vote of a majority of votes cast is required to approve the amendment to the Existing Articles as described in this Proposal 4.

THE BOARD RECOMMENDS A VOTE “FOR” APPROVAL OF PROPOSAL 4 TO AMEND THE AMENDED AND RESTATED ARTICLES OF INCORPORATION TO ADOPT A MAJORITY VOTING STANDARD IN UNCONTESTED ELECTIONS OF DIRECTORS.

PROPOSAL 5

APPROVAL OF THE 2019 STOCK INCENTIVE PLAN

Overview

In this proposal, we are requesting that shareholders approve the Customers Bancorp., Inc. 2019 Stock Incentive Plan (the “2019 Plan”). On March 27, 2019, the Board unanimously adopted the 2019 Plan. Upon shareholder approval of the 2019 Plan, the 2019 Plan will become effective and will supersede and replace in its entirety the 2004 Incentive Equity and Deferred Compensation Plan, as amended and restated (the “2004 Plan”), the 2010 Stock Option Plan, as amended and restated (the “2010 Stock Option Plan”), and the Bonus Recognition and Retention Program (the “BRRP”). No further awards will be granted under the 2004 Plan, the 2010 Stock Option Plan and the BRRP; however, the terms and conditions of the respective plans will continue to govern any outstanding awards granted thereunder. If the 2019 Plan is not approved by our shareholders, it will not become effective; the 2004 Plan, the 2010 Stock Option Plan and the BRRP will continue in effect, and we may continue to grant awards under these plans, subject to their terms, conditions and limitations, using the shares available for issuance thereunder.

Employees, nonemployee directors and consultants of the Company, its subsidiaries and affiliates are eligible to receive awards under the 2019 Plan.

The 2019 Plan provides for the grant of options, including incentive stock options (“ISOs”) and nonqualified stock options (“NQSOs”), share appreciation rights (“SARs”), restricted shares, restricted share units (“RSUs”), performance share units awards, other share or cash-based awards and dividend equivalents to eligible individuals.

The number of shares available for issuance under 2019 Plan is 1,500,000 shares.

Board Recommendation

The board of directors recommends a vote FOR the approval of the 2019 Plan.

Key Features of the 2019 Plan

The 2019 Plan includes several features that are consistent with the interests of our shareholders and sound corporate governance practices, including the following:

- No automatic share replenishment or “evergreen” provision. There is no evergreen feature pursuant to which the shares authorized for issuance under the 2019 Plan can be automatically replenished.
- No repricing of options or SARs without shareholder approval. The 2019 Plan prohibits the repricing of stock options or SARs without prior shareholder approval.
- No single trigger change in control. Awards will only vest on the occurrence of a change in control that is accompanied by the termination of an individual’s employment.
- No discounted options or SARs. Stock options and SARs may not be granted with an exercise or measurement price lower than the fair market value of the underlying shares on the date of grant (except in connection with substitute awards).
- No liberal share counting or "recycling" of shares. Shares delivered to our Company to purchase shares upon exercise of an award or to satisfy tax withholding obligations will not become available for issuance under the 2019 Plan.
- No liberal change in control definition. Change in control benefits are triggered only by the occurrence, rather than shareholder approval, of a merger or other change in control event.
- Minimum vesting requirements. Subject to limited exceptions, no awards granted under the 2019 Plan may vest until the first anniversary of the date of grant, subject to a carve out for 5% of the shares available under the 2019 Plan that may be granted without regard to the one-year minimum vesting period.
- Payment of dividends only if underlying awards vest. Under the 2019 Plan, dividends and dividend equivalents may only be paid to the extent the underlying award vests.
- No Increase in Shares Available Without Shareholder Approval. The 2019 Plan prohibits any amendment that operates to increase the total number of shares of common stock that may be issued under the 2019 Plan (other than adjustments in connection with certain corporate reorganizations or other events).

Factors to Consider in Connection with the 2019 Plan

- Equity is essential to talent acquisition and retention. We believe that our future success depends, in part, upon our ability to maintain a competitive position in attracting, retaining and motivating key personnel. Management recruitment and retention is a key to our future success and will require the use of equity awards. Equity incentives are an important component of our compensation philosophy, intended to provide equity ownership opportunities and performance-based incentives to better align the recipient's interests with those of our shareholders. Since our equity awards generally vest over several years, the value ultimately realized from these awards depends on the long-term value of our common stock.

We strongly believe that granting equity awards motivates employees to think and act like owners, rewarding them when value is created for shareholders.

- Limited duration of shares being made available. If we do not make the new shares available for issuance under the 2019 Plan, we expect the number of available shares under the 2004 Plan and the 2010 Stock Option Plan to be substantially depleted by the end of 2019 and that we would then be unable to continue to grant broad-based equity awards.

If our shareholders approve the 2019 Plan, we estimate that the shares reserved for issuance would be sufficient for approximately two to three additional years of awards, based on projected increases in the number of senior employees, projected employee turnover and historical grant practices. In consideration of these factors, and our belief that the ability to continue granting competitive equity compensation is vital to our ability to attract, retain and motivate employees, we believe that the size of the share reserve under the 2019 Plan is reasonable, appropriate and in the best interests of the Company at this time.

Summary of the 2019 Plan

Plan Administration

The 2019 Plan will be administered by our Compensation Committee. Our Compensation Committee will have the authority, among other things, to select participants, grant awards, determine types of awards and terms and conditions of awards for participants, prescribe rules and regulations for the administration of the plan and make all decisions and determinations as deemed necessary or advisable for the administration of the 2019 Plan. Our Compensation Committee may delegate certain of its authority as it deems appropriate, pursuant to the terms of the 2019 Plan and to the extent permitted by applicable law, to our officers or employees, although any award granted to any person who is not our employee or who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, must be expressly approved by the Compensation Committee. Our Compensation Committee’s actions will be final, conclusive and binding.

Types of Awards

The types of awards that may be available under the 2019 Plan are described below. All of the awards described below will be subject to the terms and conditions determined by our Compensation Committee in its sole discretion, subject to certain limitations provided in the 2019 Plan. Each award granted under the 2019 Plan will be evidenced by an award agreement, which will govern that award’s terms and conditions.

Non-qualified Stock Options. A non-qualified stock option is an option that is not intended to meet the qualifications of an incentive stock option, as described below. An award of a non-qualified stock option grants a participant the right to purchase a certain number of shares of our common stock during a specified term in the future, or upon the achievement of performance or other conditions, at an exercise price set by our Compensation Committee on the grant date. The term of a non-qualified stock option will be set by our Compensation Committee but may not exceed ten years from the grant date. The exercise price may be paid using any of the following payment methods: (i) immediately available funds in U.S. dollars or by certified or bank cashier’s check, (ii) by delivery of stock having a value equal to the exercise price, (iii) a broker assisted cashless exercise, or (iv) by any other means approved by our Compensation Committee. The 2019 Plan provides that unless otherwise specifically determined by the Compensation Committee, vesting of non-qualified stock options will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant’s return to employment. The 2019 Plan also provides that participants terminated for “cause” (as such term is defined in the 2019 Plan) will forfeit all of their non-qualified stock options, whether or not vested. Except in connection with a change in control (as defined under the 2019 Plan) and a qualifying termination of service, participants terminated for any other reason will forfeit their unvested non-qualified stock options, retain their vested non-qualified stock options, and will have one year (in the case of a termination by reason of death or disability) or 90 days (in all other cases) following their termination date to exercise their vested non-qualified stock options. The 2019 Plan authorizes our Compensation Committee to provide for different treatment of non-qualified stock options upon termination than that described above, as determined in its discretion.

Incentive Stock Options. An incentive stock option is a stock option that meets the requirements of Section 422 of the Internal Revenue Code, as amended. Incentive stock options may be granted only to our employees or employees of certain of our subsidiaries and must have an exercise price of no less than 100% of the fair market value (or 110% with respect to a 10% shareholder) of a share of common stock on the grant date and a term of no more than ten years (or five years with respect to a 10% shareholder). The aggregate fair market value, determined at the time of grant, of our common stock subject to incentive stock options that are exercisable for the first time by a participant during any calendar year may not exceed $100,000. The 2019 Plan provides that unless otherwise specifically determined by the Compensation Committee, vesting of incentive stock options will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. The 2019 Plan also provides that participants terminated for "cause" will forfeit all of their incentive stock options, whether or not vested. Except in connection with a change in control (as defined under the 2019 Plan) and a qualifying termination of service, participants terminated for any other reason will forfeit their unvested incentive stock options, retain their vested incentive stock options, and will have one year (in the case of a termination by reason of death or disability) or 90 days (in all other cases) following their termination date to exercise their vested incentive stock options, unless such appreciation right expires sooner. The 2019 Plan authorizes our Compensation Committee to provide for different treatment of incentive stock options upon termination than that described above, as determined in its discretion.

Stock Appreciation Rights. A stock appreciation right entitles the participant to receive an amount equal to the difference between the fair market value of our common stock on the exercise date and the base price of the stock appreciation right that is set by our Compensation Committee on the grant date, multiplied by the number of shares of common stock subject to the stock appreciation right. The term of a stock appreciation right will be set by our Compensation Committee but may not exceed ten years from the grant date. Payment to a participant upon the exercise of a stock appreciation right may be either in cash, stock or property as specified in the award agreement or as determined by our Compensation Committee. The 2019 Plan provides that unless otherwise specifically determined by the Compensation Committee, vesting of stock appreciation rights will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. The 2019 Plan provides that participants terminated for "cause" will forfeit all of their stock appreciation rights, whether or not vested. Except in connection with a change in control (as defined under the 2019 Plan) and a qualifying termination of service, participants terminated for any other reason will forfeit their unvested stock appreciation rights, retain their vested stock appreciation rights, and will have one year (in the case of a termination by reason of death or disability) or 90 days (in all other cases) following their termination date to exercise their vested stock appreciation rights. The 2019 Plan authorizes our Compensation Committee to provide for different treatment of stock appreciation rights upon termination than that described above, as determined in its discretion.

Restricted Stock. A restricted stock award is an award of restricted common stock that does not vest until a specified period of time has elapsed and/or upon the achievement of performance or other conditions determined by our Compensation Committee, and which will be forfeited if the conditions to vesting are not met. During the period that any restrictions apply, transfer of the restricted common stock is generally prohibited. Unless otherwise specified in their award agreement, participants generally have all of the rights of a shareholder as to the restricted common stock, including the right to vote such common stock. However, any cash or stock dividends with respect to the restricted common stock will be withheld by us and will be subject to forfeiture to the same degree as the restricted common stock to which such dividends relate. The 2019 Plan provides that unless otherwise specifically determined by the Compensation Committee, vesting of restricted stock awards will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. Except as otherwise provided by our Compensation Committee or in connection with a change in control (as defined under the 2019 Plan) and a qualifying termination of service, in the event a participant is terminated for any reason, the vesting with respect to the participant's restricted stock will cease, and as soon as practicable following the termination, we will repurchase all of such participant's unvested restricted stock at a purchase price equal to the original purchase price paid for the restricted stock, or if the original purchase price is equal to $0, the unvested restricted stock will be forfeited by the participant to us for no consideration.

Restricted Stock Units. A restricted stock unit is an unfunded and unsecured obligation to issue common stock (or an equivalent cash amount) to the participant in the future. Restricted stock units become payable on terms and conditions determined by our Compensation Committee and will vest and be settled at such times in cash, common stock, or other specified property, as determined by our Compensation Committee. Participants have no rights of a shareholder as to the restricted stock units, including no voting rights or rights to dividends, until the underlying common stock is issued or becomes payable to the participant. The 2019 Plan provides that unless otherwise specifically determined by the Compensation Committee, vesting of restricted stock units will be suspended during the period of any approved leave of absence by a participant following which the participant has a right to reinstatement and will resume upon such participant's return to employment. Except as otherwise provided by our Compensation Committee, or in connection with a change in control (as defined under the 2019 Plan) and a qualifying termination of service, in the event a participant is terminated for any reason, the vesting with respect to the participant's restricted stock units will cease, each of the participant's outstanding unvested restricted stock units will be forfeited for no consideration as of the date of such termination, and any stock remaining undelivered with respect to the participant's vested restricted stock units will be delivered on the delivery date specified in the applicable award agreement.

Treatment of Dividends and Dividend Equivalents on Unvested Awards. The 2019 Plan provides that, with respect to any award that provides for or includes a right to dividends or dividend equivalents, if dividends are declared during the period that an equity award is outstanding, such dividends (or dividend equivalents) will be accumulated but remain subject to vesting requirement(s) to the same extent as the applicable award and will only be paid at the time or times such vesting requirement(s) are satisfied. Except as otherwise determined by the Compensation Committee, no interest will accrue or be paid on the amount of any cash dividends withheld. No dividends or dividend equivalents will be paid on stock options or stock appreciation rights.

Performance Awards. Performance awards (which may be classified as performance stock or performance units) represent the right to receive certain amounts based on the achievement of pre-determined performance objectives during a designated performance period. The performance objectives that must be achieved before performance award is earned will be set forth in the applicable award agreement and our Compensation Committee will be responsible for setting the applicable performance objectives.

Performance goals may be established on the basis of a variety of attributes. Our Compensation Committee will make appropriate adjustments in the method of calculating the attainment of applicable performance goals to provide for objectively determinable adjustments, modifications or amendments, as determined in accordance with "generally accepted accounting principles," to any of the business criteria based on a variety of items of gain, loss, profit or expense.

Performance awards which have been earned as a result of the relevant performance goals being achieved may be paid in the form of cash, common stock or other awards (or some combination thereof) under the 2019 Plan. Except as otherwise provided by the Compensation Committee, or in connection with a change in control (as defined under the 2019 Plan) and a qualifying termination of service, if a participant is terminated for any reason, the participant will forfeit all performance awards held by such participant.

Other Stock-Based Compensation. Under the 2019 Plan, our Compensation Committee may grant other types of equity-based awards subject to such terms and conditions that our Compensation Committee may determine. Such awards may include the grant of dividend equivalents, which generally entitle the participant to receive amounts equal to the dividends that are paid on the stock underlying the award.

Adjustments

The aggregate number of shares of common stock reserved and available for issuance under the 2019 Plan, the individual limitations, the number of shares of common stock covered by each outstanding award and the price per share of common stock underlying each outstanding award will be equitably and proportionally adjusted or substituted, as determined by our Compensation Committee in its sole discretion, as to the number, price or kind of stock or other consideration subject to such awards in connection with stock dividends, extraordinary cash dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, amalgamations, consolidations, combinations, exchanges, or other relevant changes in our capitalization affecting our common stock or our capital structure which occurs after the date of grant of any award, in connection with any extraordinary dividend declared and paid in respect of stock or in the event of any change in applicable law or circumstances that results in or could result in, as determined by the Compensation Committee in its sole discretion, any substantial dilution or enlargement of the rights intended to be granted to, or available for, participants in the 2019 Plan.

Corporate Events

In the event of a merger, amalgamation or consolidation involving us in which we are not the surviving corporation or in which we are the surviving corporation but the holders of our common stock receive securities of another corporation or other property or cash, a "change in control" (as defined in the 2019 Plan) or a reorganization, dissolution or liquidation of us, our Compensation Committee may, in its discretion, provide for the assumption or substitution of outstanding awards, accelerate the vesting of outstanding awards, cash-out outstanding awards or replace outstanding awards with a cash incentive program that preserves the value of the awards so replaced. With respect to any award that is assumed or substituted in connection with a "change in control," the vesting, payment, purchase or distribution of such award will not be accelerated by reason of the "change in control" for any participant unless the participant's employment is involuntarily terminated as a result of the "change in control" during the one-year period commencing on the "change in control." The 2019 Plan defines a "change in control" as (a) the consummation of a merger or consolidation of the Company if more than 50% of the combined voting power of the continuing entity's shares immediately after is owned by persons who were not shareholders of the Company immediately prior; (b) the sale, transfer or other disposition of substantially all of the Company's assets; (c) individuals who constitute the Board cease to constitute at least a majority of the Board; (d) any transaction as a result of which any person becomes the "beneficial owner" of securities of the Company representing at least 50% of the total voting power; or (e) the completion of a liquidation or dissolution of the Company.

Transferability

Awards under the 2019 Plan may not be sold, transferred, pledged, or assigned other than by will or by the applicable laws of descent and distribution, unless (for awards other than incentive stock options) otherwise provided in an award agreement or determined by our Compensation Committee.

Amendment

Our Board of Directors or our Compensation Committee may amend the 2019 Plan or outstanding awards at any time. Our shareholders must approve any amendment if their approval is required pursuant to applicable law or the applicable rules of each national securities exchange on which our common stock is listed. No amendment to the 2019 Plan or outstanding awards which materially impairs the right of a participant is permitted unless the participant consents in writing.

Termination

The 2019 Plan will terminate on the day before the tenth anniversary of the date our shareholders approve the 2019 Plan, although incentive stock options may not be granted following the earlier of the tenth anniversary of (i) the date the 2019 Plan is adopted by our Board of Directors and (ii) the date our shareholders approve the 2019 Plan. In addition, our Board of Directors or our Compensation Committee may suspend or terminate the 2019 Plan at any time. Following any such suspension or termination, the 2019 Plan will remain in effect to govern any then outstanding awards until such awards are forfeited, terminated or otherwise canceled or earned, exercised, settled or otherwise paid out, in accordance with their terms.

Clawback; Sub-Plans

All awards under the 2019 Plan will be subject to any incentive compensation clawback or recoupment policy currently in effect, or as may be adopted by our Board of Directors (or any committee or subcommittee thereof) and, in each case, as may be amended from time to time. In addition, our Compensation Committee may adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the 2019 Plan by individuals who are non-U.S. nationals or are primarily employed or providing services outside the United States, and may modify the terms of any awards granted to such participants in a manner deemed by our Compensation Committee to be necessary or appropriate in order that such awards conform with the laws of the country or countries where such participants are located.

No-Repricing of Awards

No awards under the 2019 Plan may be repriced without shareholder approval. For purposes of the 2019 Plan, “repricing” means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of the award to lower its exercise price or base price (other than on account of capital adjustments resulting from stock splits), (ii) any other action that is treated as a repricing under generally accepted accounting principles and (iii) repurchasing for cash or canceling an award in exchange for another award at a time when its exercise price or base price is greater than the fair market value of the underlying stock.

Certain U.S. Federal Income Tax Consequences

The following is a brief discussion of certain U.S. federal income tax consequences for awards granted under the 2019 Plan. The 2019 Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended, and it is not, nor is it intended to be, qualified under Section 401(a) of the Code. This discussion is based on current law, is not intended to constitute tax advice, and does not address all aspects of U.S. federal income taxation that may be relevant to a particular participant in light of his or her personal circumstances and does not describe foreign, state, or local tax consequences, which may be substantially different. Holders of awards under the 2019 Plan are encouraged to consult with their own tax advisors.

Non-Qualified Stock Options and Stock Appreciation Rights. With respect to non-qualified stock options and stock appreciation rights, (i) no income is realized by a participant at the time the award is granted; (ii) generally, at exercise, ordinary income is realized by the participant in an amount equal to the difference between the exercise or base price paid for the shares of common stock and the fair market value of the shares of common stock on the date of exercise (or, in the case of a cash-settled stock appreciation right, the cash received), and the participant’s employer is generally entitled to a tax deduction in the same amount subject to applicable tax withholding requirements; and (iii) upon a subsequent sale of the common stock received on exercise, appreciation (or depreciation) after the date of exercise is treated as either short-term or long-term capital gain (or loss) depending on how long the shares of common stock have been held, and no deduction will be allowed to such participant's employer.

Incentive Stock Options. No income is realized by a participant upon the grant or exercise of an incentive stock option, however, such participant will generally be required to include the excess of the fair market value of the shares of common stock at exercise over the exercise price in his or her alternative minimum taxable income. If shares of common stock are issued to a participant pursuant to the exercise of an incentive stock option, and if no disqualifying disposition of such shares is made by such participant within two years after the date of grant or within one year after the transfer of such shares to such participant, then (i) upon sale of such shares, any amount realized in excess of the exercise price will be taxed to such participant as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) no deduction will be allowed to the participant's employer for federal income tax purposes.

If shares of common stock acquired upon the exercise of an incentive stock option are disposed of prior to the expiration of either holding period described above, generally (i) the participant will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at exercise (or, if less, the amount realized on the disposition of such shares) over the exercise price paid for such shares and (ii) the participant's employer will generally be entitled to deduct such amount for federal income tax purposes. Any further gain (or loss) realized by the participant will be taxed as short-term or long-term capital gain (or loss), as the case may be, and will not result in any deduction by the employer.

Subject to certain exceptions for disability or death, if an incentive stock option is exercised more than three months following termination of employment, the exercise of the stock option will generally be taxed as the exercise of a non-qualified stock option.

Other Stock-Based Awards. The tax effects related to other stock-based awards under the 2019 Plan are dependent upon the structure of the particular award.

Withholding. At the time a participant is required to recognize ordinary compensation income resulting from an award, such income will be subject to federal (including, except as described below, Social Security and Medicare tax) and applicable state and local income tax and applicable tax withholding requirements. If such participant's year-to-date compensation on the date of exercise exceeds the Social Security wage base limit for such year ($132,900 in 2019), such participant will not have to pay Social Security taxes on such amounts. The Company is required to report to the appropriate taxing authorities the ordinary income received by the participant, together with the amount of taxes withheld to the Internal Revenue Service and the appropriate state and local taxing authorities.

Section 162(m). Section 162(m) of the Code denies a publicly held corporation a deduction for federal income tax purposes for compensation in excess of $1 million per year paid to the corporation's "covered employees." "Covered employees" include the corporation's chief executive officer, chief financial officer and three next most highly compensated executive officers. If an individual is determined to be a covered employee for any year beginning after December 31, 2016, then that individual will continue to be a covered employee for future years, regardless of changes in the individual's compensation or position.

Section 409A. Certain awards under the 2019 Plan may be subject to Section 409A of the Code, which regulates "nonqualified deferred compensation" (as defined in Section 409A of the Code). If an award under the 2019 Plan (or any other Company plan) that is subject to Section 409A of the Code is not administered in compliance with Section 409A of the Code, then all compensation under the 2019 Plan that is considered "nonqualified deferred compensation" (and awards under any other Company plan that are required pursuant to Section 409A of the Code to be aggregated with the award under the 2019 Plan) will be taxable to the participant as ordinary income in the year of the violation, or if later, the year in which the compensation subject to the award is no longer subject to a substantial risk of forfeiture. In addition, the participant will be subject to an additional tax equal to 20% of the compensation that is required to be included in income as a result of the violation, plus interest from the date that the compensation subject to the award was required to be included in taxable income.

Certain Rules Applicable to "Insiders." As a result of the rules under Section 16(b) of the Exchange Act, depending upon the particular exemption from the provisions of Section 16(b) utilized, "insiders" (as defined in Section 16(b)) may not receive the same tax treatment as set forth above with respect to the grant and/or exercise or settlement of awards. Generally, insiders will not be subject to taxation until the expiration of any period during which they are subject to the liability provisions of Section 16(b) with respect to any particular award. Insiders should check with their own tax advisors to ascertain the appropriate tax treatment for any particular award.

AUDIT COMMITTEE REPORT

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of our consolidated financial statements in accordance with generally accepted accounting principles. Our independent registered public accounting firm is responsible for auditing those financial statements. The Audit Committee's responsibility is to monitor and review these processes, acting in an oversight capacity relying on the information provided to it and on the representations made by management and the independent registered accounting firm.

In connection with the preparation and filing of our Annual Report on Form 10-K for the year ended December 31, 2018, the Audit Committee (a) reviewed and discussed the audited financial statements with our management, (b) discussed with BDO USA, LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2018, the matters required to be discussed by the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard 1301 (Communications with Audit Committees), and (c) has received and reviewed the written disclosures and the letter from BDO USA, LLP required by Rule 3526 of the PCAOB regarding BDO USA, LLP communications with the Audit Committee concerning independence and had discussed with BDO USA, LLP its independence. Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

Respectfully submitted:
T. Lawrence Way, Chair
Andrea Allon
Daniel K. Rothermel

The Audit Committee charter, a copy of which is available on our website at www.CustomersBank.com, then selecting "Investor Relations" and then "Governance Documents", sets forth the Audit Committee's purposes and responsibilities. The three members of the Company's Audit Committee who participated in the review, discussion, and recommendation of this report are named above. Each such member is independent, as independence for audit committee members is defined by New York Stock Exchange ("NYSE") rules. The Board has determined, in its business judgment, that each such member of the Audit Committee is financially literate as required by NYSE rules and Andrea Allon qualifies as the "audit committee financial expert" as defined by SEC regulations.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board of Directors

Our Board of Directors consists of individuals with considerable and diverse business experiences, backgrounds, skills and qualifications. Collectively, they have a strong knowledge of our Company's business and markets and are committed to enhancing long-term shareholder value. Our Nominating and Corporate Governance Committee is responsible for identifying and selecting director candidates who meet the evolving needs of our Company. Director candidates must have the highest personal and professional ethics and integrity. Additional criteria considered by the Nominating and Corporate Governance Committee in the director selection process includes the relevance of a candidate's experience to our business, enhancement of the diversity of experience of our Board, the candidate's independence from conflict or direct economic relationship with our Company, and the candidate's ability and willingness to devote the proper time to prepare for and attend meetings. The Nominating and Corporate Governance Committee also takes into account whether a candidate satisfies the criteria for independence under the NYSE listing rules, and, if a nominee is sought for service on the Audit Committee, the financial and accounting expertise and literacy of a candidate, including whether the candidate qualifies as an Audit Committee financial expert pursuant to Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended. Consideration is also given to nominating persons with different perspectives and experience to enhance the deliberation and strategic decision making processes of our Board of Directors.

The names, ages, positions and business backgrounds of each of the Customers Bancorp, Inc. Directors are provided below.

Name	Director Since*	Position With Customers Bancorp	Age	Term Expires:
T. Lawrence Way	2005	Director	70	2020
Steven J. Zuckerman	2009	Director	55	2020
Bhanu Choudhrie	2009	Director	40	2021
Jay S. Sidhu	2009	Director, Chairman and Chief Executive Officer	67	2021
Andrea Allon	2016	Director	57	2019
Rick B. Burkey	2016	Director	73	2019
Daniel K. Rothermel	2009	Lead Independent Director	81	2019

* Pre-2011 dates include services as a director of Customers Bank prior to its reorganization into a bank holding company structure pursuant to which Customers Bank became a wholly-owned subsidiary of the Company (the "Reorganization") on September 17, 2011.

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 the Company:

Jay S. Sidhu, Chairman and Chief Executive Officer

Mr. Sidhu joined Customers Bank as Chairman and Chief Executive Officer in the second quarter of 2009. Before joining Customers Bank, Mr. Sidhu was the Chief Executive Officer of Sovereign Bank and Sovereign Bancorp, Inc. from 1989 and its Chairman from 2002 until his retirement on December 31, 2006. Mr. Sidhu was also the Chairman and Chief Executive Officer of Sidhu Advisors, LLC, a consulting firm from 2007 to 2009. Mr. Sidhu is a recipient of Financial World’s CEO of the year award, and was also named Turnaround Entrepreneur of the Year, while he was the CEO of Sovereign. In 2016, he was named Financial Technology Entrepreneur of the Year. He has received many other awards and honors, including a Hero of Liberty Award from the National Liberty Museum and Caron Foundation’s Citizen of the Year. Mr. Sidhu also serves as Executive Chairman of Megalith Financial Acquisition Corporation. 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 in Madrid, Spain and Atlantic Coast Financial Corporation in Jacksonville, Florida. He obtained a MBA from Wilkes University and is a graduate of Harvard Business School’s Leadership Course for CEOs. 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 the Company's direction and strategic opportunities.

Daniel K. Rothermel, Lead Independent Director and Chairman of the Nominating and Corporate Governance Committee and Directors' Risk Committee
Mr. Rothermel has been the Chairman of the Board of Cumru Associates, Inc., a private holding company located in Reading, Pennsylvania, since January 1, 2013. Prior to that, and since 1989, he was President and Chief Executive Officer of Cumru Associates, Inc. Mr. Rothermel also 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 Committees and was chairman of the Executive Committee. He is a graduate of Pennsylvania State University with a B.S. in Business Administration (finance and accounting) and of the Washington College of Law of the 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, provides a unique and valuable perspective to the Board.

Bhanu Choudhrie, Director
Mr. Choudhrie has served as a Director of Customers Bank since July 2009, and was an original member of Customers Bancorp’s Board. On January 30, 2013, the Company’s Board of Directors re-appointed Mr. Bhanu Choudhrie to a vacant Board seat with a term expiring in 2015. Mr. Choudhrie had stepped down as a Director in October 2011 pending the January 2013 notification of completion of the Federal Reserve Bank’s standard name check on him in connection with his U.K. citizenship. Mr. Choudhrie is a private equity investor with investments in the United States, United Kingdom, Europe and Asia. He is currently a Director of C&C Alpha Group Limited, a London based family private equity group. C&C Alpha Group was founded in 2002 and has its global headquarters in London and offices in several countries. Its team comprises entrepreneurs, financial analysts, project developers, project managers and consultants. Mr. Choudhrie is also Director of C&C Alpha Group Investments Ltd, a Dubai entity; and Director and officer of various investment and operating entities formed and/or doing business in the United States, United Kingdom, Europe and Asia. Mr. Choudhrie also currently serves as a Trustee of Path to Success, a United Kingdom registered charity, and as a Director and President for the Choudhrie Family Foundation, a U.S. Foundation. In March 2016, Mr. Choudhrie completed the Harvard Business School Owner/President Management Program.

Mr. Choudhrie's broad international expertise provides the Board with a global market perspective and private equity experience.

T. Lawrence Way, Director and Chairman of the Audit Committee
Mr. Way was the Chairman and CEO of Alco Industries, Inc., a diversified industrial manufacturing company, from 2000 until his retirement on December 31, 2010. During his 34 year career with Alco Industries, Mr. Way held a variety of positions including that of Chief Financial Officer and President. He 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 areas of 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 and Chairman of the Compensation Committee
Mr. Zuckerman founded Clipper Magazine in 1983 as a junior at Franklin & Marshall College in Lancaster, PA. He graduated with a BA in Business Management in 1985 and went on to build Clipper into a nationwide media company with over 1,000 employees, publishing and direct mailing advertising magazines to 500 markets in 31 states. His subsidiary companies include Spencer Advertising, Total Loyalty Solutions, Clipper Web Development, Clipper Graphics and Jaxxon Promotions. In 2003, he sold his company to Gannett Corporation, publishers of USA Today. He

continued as CEO until June 2013. Since 2013, Mr. Zuckerman is a partner and works in his real estate development firm, Oaktree Development Group, a minor league baseball team, The Lancaster Barnstormers, and other entrepreneurial ventures including a digital marketing company.

His experience in leadership, entrepreneurship, and building companies makes him uniquely situated to provide the Board with insight in the key areas of leadership development, marketing, and customer strategies.

Andrea Allon, Director
Andrea Allon has served as the Chief Operating Officer of the Chamber of Commerce for Greater Philadelphia since May 2006, one of the largest and oldest chambers of commerce in the United States. Prior to joining the Chamber, Ms. Allon was a Partner of Ernst & Young LLP overseeing audit services provided to public companies primarily in the financial services and technology

industries. Ms. Allon spent over 20 years with Ernst & Young in the Philadelphia and New York offices and has also taught accounting and auditing at the college level as an adjunct instructor. Ms. Allon earned her MBA from Columbia University and a Bachelor of Science from the Wharton School of the University of Pennsylvania.

Ms. Allon's long experience in public accounting as well as her experience with the Chamber of Commerce provide the Board with may insights on business, internal controls, and governance matters that are of great value to the Board.

Rick B. Burkey, Director and Chairman of the Compliance Committee
Mr. Burkey graduated from Lehigh University with a B.S. degree in civil engineering. He has over 45 years of experience in Commercial and Industrial Construction and Real Estate Development. He currently serves as Chairman of the Board of Burkey Construction Co. and is a Director of Associated Construction & Management Corp. He is actively involved in the ownership and management of numerous real estate ventures including Industrial Park Development & Senior Housing. Previously serving on the Board of Berkshire Bank, Mr. Burkey now serves as a Director of Customers Bancorp, Inc., which acquired Berkshire Bank in 2011.

Mr. Burkey's insights into the real estate markets are important to the Board given Customer's loan portfolio composition.

Named Executive Officers
Members of the executive management team are an essential component of Customers' governance and risk management processes and the Company's success. The Company exercises great care in the selection of its executive team members, carefully assessing the skills and personal attributes that each member brings to the organization. As the leaders of the Company, the executive management team members are well qualified for their roles and work together with other management members to build the Company and create shareholder value. Key recent business experience of each of the non-director named executive officers is as follows:
Richard A. Ehst, President and Chief Operating Officer – Age 72
Mr. Ehst joined Customers Bank as President and Chief Operating Officer in August 2009. Mr. Ehst was previously an Executive Vice President, Commercial Middle Market, Mid-Atlantic Division, of Sovereign Bank. Before this role, Mr. Ehst served as Regional President for Berks County from 2004 until 2009 and Managing Director of Corporate Communications for Sovereign from 2000 until 2004 where his responsibilities included reputation risk management and marketing services support systems. Before joining Sovereign Bank, 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.

Carla A. Leibold, Executive Vice President, Chief Financial Officer and Treasurer – Age 51
Ms. Leibold joined Customers Bank in 2013 as Senior Vice President, Chief Accounting Officer and Controller. Earlier in 2018, Ms. Leibold was promoted to Executive Vice President, Chief Accounting Officer and Controller. Prior to joining Customers Bank, Ms. Leibold served as the principal accounting officer for Farmer Mac where she was the Vice President and Controller from 2010-2013. She also served as the Director of Accounting and Financial Reporting of Farmer Mac from 2007-2010. Ms. Leibold started her career in public accounting and held various roles of increasing leadership responsibility at Sallie Mae and Freddie Mac before joining Farmer Mac. Ms. Leibold holds a B.S. in Accounting from The Pennsylvania State University. She is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants.

Steven J. Issa, Executive Vice President, Chief Lending Officer, New England President of Commercial/Specialty Lending – Age 64

Mr. Issa has been in the banking industry for over 40 years. In addition to being Chief Lending Officer and a Market President, Mr. Issa is responsible for New England Commercial Lending and Customers Commercial Finance, LLC, with loan commitments in excess of $1 billion dollars. Immediately prior to joining Customers Bank, Mr. Issa served as Executive Vice President/Managing Director Commercial/Specialty Lending at Flagstar Bank. Prior to Flagstar Bank, he spent thirteen years at Sovereign/Santander, as Regional President and Managing Director for the Southern New England Commercial/Specialty/Retail Banking Group. Prior to joining Sovereign, Mr. Issa served in a variety of executive positions with FleetBoston Financial and Shawmut Bank. Mr. Issa has been very active in the Rhode Island community, presently serving on the Boards of the Greater Providence Chamber of Commerce, Beacon Mutual Insurance Co., Presidents Council at Providence College, Miriam Hospital and the Governor's

Commodore Advisory Boards. A native of Rhode Island, he holds an undergraduate degree in Accounting and an M.B.A. from Bryan University in Smithfield, R.I. He resides in Cumberland, Rhode Island.

Glenn A. Hedde, Executive Vice President and President of Customers Bank Warehouse Lending – Age 58
Mr. Hedde is the President of Customers Bank Warehouse Lending. He joined Customers Bank in August 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 the management of $300+ million in warehouse lending. Additionally, Mr. Hedde was responsible for business development, risk management, collateral operations and compliance. Mr. Hedde worked in mortgage banking, business development and credit quality management for various companies including GE Capital Mortgage Services, Inc. and PNC Bank from 1992 through 2000.

BOARD AND CORPORATE GOVERNANCE

Customers Bancorp, Inc. is committed to maintaining sound corporate governance principles and the highest standards of ethical conduct, helping to ensure that we are in compliance with applicable corporate governance laws and regulations and supporting long-term shareholder value.

Ongoing Shareholder Engagement and our Response	29
Corporate Governance Highlights	29
Corporate Governance Principles	30
Code of Ethics and Business Conduct	31
Risk Management	31
Director Independence Standards	32
Stock Ownership Requirements; Prohibition of Hedging	33
Board Responsibilities	33
Director Qualifications	34
Director Nominations	34
Board Leadership and Oversight	34
Chairman of the Board	34
Lead Independent Director	34
Board of Directors Oversight	35
Board Committees	35
Board Committee Membership	36
Committee Charters	36
Board of Directors Meeting Attendance	36
Board Committee Descriptions and Responsibilities	37
Directors' Risk Committee	37
Audit Committee	37
Compensation Committee	38
Nominating and Corporate Governance Committee	39

Ongoing Shareholder Engagement and Our Response

The Nominating and Corporate Governance Committee ("N&CG Committee") and Compensation Committee regularly consider the feedback received from shareholders, as well as outside proxy advisory services. The N&CG Committee Chairman was directly involved in outreach to our major institutional shareholders. The N&CG Committee, Compensation Committee, Audit Committee, full Board of Directors, and management are very appreciative of the willingness of our shareholders to provide their input, which has helped shape and strengthen our corporate governance in recent years. Engagement feedback related to corporate governance is discussed below, and feedback related to executive compensation is discussed more fully in the Compensation Discussion and Analysis section beginning on page 40.

What We Heard from Shareholders	Customers' Response
Some of our shareholders advocated one or more of the following corporate governance changes: • With respect to the Board, our shareholders generally seek greater diversity, possible tenure limits, and a better understanding of how the Board evaluates its performance, composition, independence, and succession planning.	Customers Bancorp has grown in a rapid but controlled manner. The Company believes that its corporate governance practices are generally in line with other small- and mid- cap bank peers, but recognizes that as it grows, it will transition away from practices designed for smaller companies, and gradually adopt the corporate governance practices of larger and more mature institutions.
• Our shareholders consider adopting a majority vote standard the most important governance change. • Moving to annual the say on pay votes would give shareholders the opportunity for more regular feedback on executive compensation.	Over the past year, the Company took the following steps: 1) moved to an annual frequency for the Say on Pay vote, and 2) is seeking shareholder approval for a majority voting standard for uncontested director elections. As it continues to grow, the Company expects the N&CG Committee to continue to review and recommend the best path forward to the Board.

Corporate Governance Highlights

Customers' Board governance has many diverse elements, in general characterized by the following major highlights:

Board of Directors

- A very experienced and diverse board: 14% female, 28% minority. The board takes diversity, experience director qualifications and Environmental, Social and Governance (ESG) matters very seriously
- Six out of seven Directors are independent (the other is our CEO). Two have CPA licenses and all Directors offer significant financial expertise
- Independent Lead Director who conducts regular executive sessions with and without Chairman and CEO; involved in formation of agendas of Board meetings, Board retreats, and Board / management retreats
- The Compensation Committee is also charged with succession planning
- All standing Board committees except Directors' Risk consist solely of independent Directors
- Held 16 Board meetings in 2018
- Board meets regularly in executive session
- Over 96% attendance by Directors at 2018 Board meetings
- The Board conducts an explicit examination of the roles and responsibilities of the overall Board as well as each of the Board Committees via the periodic completion of a performance self-assessment
- Bi-annual off-site retreats to discuss corporate strategy, annual and three-year business plans, and strategic options, as well as Board access to various levels of management at the Company
- 100% of Directors serve on two or fewer public company boards; any director that is CEO of a public company serves on no more than one other public company board

•The Board conducts a thorough strategic options analysis each year, with contributions from outside advisers

29

Shareholder Rights and Engagement

- N&CG Committee and Compensation Committee members, CEO, and senior management participated in our investor outreach program with the Company's largest institutional investors. The outreach program was conducted throughout the year. The Chairs of our Audit Committee, Compensation Committee, and Risk Committee also attended the company's Investor Day in October, meeting with many shareholders and analysts that cover the Company
- Investor feedback drives continual enhancements to disclosures, compensation matters, and corporate governance

Compensation

- All compensation is based upon a clearly defined, quantitative pay-for-performance compensation philosophy and model described in greater detail in the Compensation Discussion and Analysis section beginning on page 40
- Multiple executive compensation clawback and recoupment requirements covering both cash and equity for annual and long-term awards
- Stock ownership and retention policies for our non-management Directors and executive officers
- Prohibit hedging of Company securities
- Independent compensation consultant engaged by Compensation Committee
- A thorough review of peer group is conducted annually to include similarly sized institutions in similar markets and similar lines of business, as well as certain other peers where the Company competes for talent or engages in a unique regional / national line of business

Strategy and Risk

- Board oversight of Company's strategy, financial performance, risk management framework, and risk appetite including a thorough annual strategic option analysis
- Risk oversight by full Board and its committees; twice annually hold off-site all-day Risk Summit meetings of Board and management
- Directors' Risk Committee chaired by the Lead Independent Director includes members of the Board's standing committees. The Directors' Risk Committee held 10 meetings and 2 Company-wide Risk Summits in 2018
- Board reinforcement and oversight of strong ethics and risk practices
- Compensation programs consistent with risk management and safety and soundness considerations
- Board oversight of CEO and management succession planning; a clear CEO & COO succession plan is in place
- Active Bank Board engagement with regulatory matters through its Regulatory Management Committee

These highlights are examined in greater depth in the following review of Customers' corporate governance philosophy and practices.

Corporate Governance Principles

The Board of Directors has adopted Corporate Governance Guidelines to provide the framework for effective governance of the Board and the Company. These guidelines are available on the Company's website at www.customersbank.com, by selecting "Investor Relations," and then "Governance Documents."

The Company's mission and corporate purpose is to create a strong, sound and profitable financial services company committed to long-term growth in shareholder value. To guide the Company in achieving its mission, the Company has adopted certain corporate values to provide the foundation for the Company's corporate culture and to promote the highest ethical conduct among its Directors, officers and team members.

The Board of Directors of the Company is elected by its shareholders to oversee and advise management in the conduct of the Company's affairs and business and to guide management in the accomplishment of its mission to create shareholder value. In this regard, the Board continuously promotes an environment within the Company that is conducive to sound corporate governance, including periodic review, refinement and approval of these Corporate Governance Guidelines and the Code of Ethics and Business Conduct, and development of board committees that are designed to effectively accomplish the Board's oversight and advisory responsibilities.

Given the role of guiding the Company in the creation of shareholder value, the Board recognizes that the long-term economic interests of shareholders can often be furthered by giving appropriate and responsible consideration to the interests and concerns of other constituencies, such as the Company's customers, investors, team members and local communities, as well as government officials, regulatory agencies, and the general public.

Code of Ethics, Business Conduct, and ESG

Each of our Directors, officers and employees is required to comply with the Customers Bancorp, Inc. Code of Ethics and Business Conduct ("Code of Conduct") adopted by us. The Code of Conduct which is acknowledged annually by the Company's Directors, officers, and team members, 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, by selecting "Investor Relations," and then "Governance Documents;" any amendments to the Code of Conduct will be posted in the same location.

Unlawful sexual harassment, long a problem in many workplaces, remains one the most visible employment issues in corporate America today. Consistent with the Company’s current policies and processes, the Company and Board of Directors remain committed to a zero-tolerance policy regarding sexual harassment and behaviors that contribute to a hostile work environment. The Company and Board of Directors remain focused on the prevention of workplace harassment through the application of enhanced education and training to support and encourage a climate of mutual respect among all team members. Each of our Directors, officers and team members are required annually to review and provide acknowledgment of their understanding of the Company’s Code of Conduct. The Code of Conduct addresses the Company’s commitment to providing an inclusive, respectful, and non-discriminatory working environment, free from harassment or any other inappropriate conduct.

The Board of Directors recognizes the importance of its responsibilities as it relates to Environmental, Social and Governance (ESG) matters. The Board intends in 2019 to expand the duties of its Nominating and Corporate Governance Committee to include oversight of the Company's ESG responsibilities.

Risk Management

Banks are in the business of taking risk, and we consider prudent risk management key to our success over time. The responsibility for risk management begins with the Board of Directors. The Board is responsible for setting an appropriate tone at the top for risk culture. Further, the Board is responsible for challenging management and holding senior management accountable for the management of risk.

Management is responsible for producing the Company’s Risk Appetite Statement which is approved annually by the Board. Management sets the tone for risk throughout the organization and monitors areas of potential risk. At each regular meeting of the Board of Directors, management reports on risk and is responsible for escalating existing and emerging risks to the Board. Some of the key risks that we manage include liquidity, governance, credit, interest rate sensitivity, cybersecurity, and fraud.

Board of Directors / Board Committees	Senior Management / Management Committees
Set an appropriate tone at the top for risk culture	Provide updates to the Board of Directors or Risk Committee in a timely manner
Hold senior management accountable for adhering to Risk Management Framework (RMF)	Establish and implement RMF and Risk Appetite for annual board approval
Hold 1st and 2nd Line of Defense responsible for managing risk assessment of respective activities	Aggregate and report risk assessment results
Exercise independent judgment	Execute delegated authorities from the Board
Effectively challenge management and management committee	Escalate current and emerging risks to appropriate management committee(s)
Review and approve talent management, including succession planning	Formalize on-going training to all Directors
	Discuss and escalate current and emerging risks to appropriate Board committee(s)
	Provide effective challenge of risk decisions

Enterprise Risk Management (ERM) is a framework for risk management which includes identifying potential risks and opportunities, evaluation, determination of the right course of action, and on-going monitoring. The goal is to proactively identify potential sources of risk, manage them in a manner consistent with the Company’s risk appetite, and create a continual feedback loop. The diagram below illustrates Customers' ERM structure; the key risks, the Board of Directors active oversight role, key policies defining our risk tolerances and controls, the management committees responsible for governing compliance, and the executive officers responsible for day-to-day management of risks within the policy defined tolerances.

Director Independence Standards

All the Directors, other than the Chairman and CEO, are independent Directors as determined by the Board. The Board has adopted the Director Independence Standards set forth in our Corporate Governance Guidelines to assist the Board in making director independence determinations. The Director Independence Standards are intended to comply with the New York Stock Exchange ("NYSE") corporate governance rules, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the implementing rules of the Securities and Exchange Commission ("SEC") thereunder (or any other legal or regulatory requirements, as applicable) and the Federal Deposit Insurance Corporation Improvement Act. The Board, with the assistance of the N&CG Committee, will make independence determinations on an annual basis at the time the Board approves director nominees for inclusion in the Proxy Statement and, if a director joins the Board between annual meetings, at such time based on the applicable NYSE requirements and an evaluation of all of the relevant facts and circumstances.

Directors are requested to inform the Chair of the N&CG Committee and the Chief Executive Officer of any circumstance that might reasonably affect his or her independence under the requirements of the NYSE and these guidelines. If so notified, the Board, with the assistance of the Committee, will re-evaluate, as promptly as practicable thereafter, such director's independence. The Board will include the Chief Executive Officer, and the Board may elect or nominate other members of management as Directors.

Of the Directors of the Company who have served during 2018, each of Messrs. Choudhrie, Burkey, Rothermel, Way, and Zuckerman and Ms. Allon (who remain as current Directors of the Company) is considered independent, as independence for Board members is defined under NYSE rules. In determining whether 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."

Stock Ownership Requirements & Prohibition of Hedging

In 2016, the Board adopted a stock ownership policy for Directors and executive management. There is a five year implementation period for Directors and management to reach the targeted level of stock ownership, which means that covered persons have until at least January 2021 to reach targeted ownership levels.

Each non-management director is required to own shares of the Company's common stock having a value equal to five times the annual cash retainer. Directors have five years from their appointment to the board to reach the targeted level, and then they must maintain at least that stock ownership level while serving as a member of the Board and for one year after service as a director terminates.

In addition, key members of the executive management team are required to own shares of the Company's common stock. The share ownership requirement is intended to align the interests of the executive with the interests of the shareholders so that decisions are consistently made considering the shareholders' interests. The ownership requirement varies from six times the executive's (Chief Executive Officer's) base salary, to three times the executive's (Chief Operating and Chief Financial Officers') base salary, to one times the executive's (as determined by the Board of Directors, primarily Executive Vice Presidents') base salary.

Under our Code of Conduct, our officers, Directors and team members are prohibited from short selling of or other hedging transactions involving Company securities, or the purchase or sale of derivatives related to the Company securities.

Board Responsibilities

The Board of Directors has many responsibilities, some requiring a very diverse set of general management as well as specific skills.

The primary functions of the Board of Directors of the Company include the following:

- Act in the best interests of the Company and its shareholders, and set a climate of corporate trust, confidence and overall transparency. In discharging these responsibilities, the Board relies on the expertise, honesty and integrity of the Company's executive management, other senior officers, the internal audit function, the independent accountants, and outside advisors and consultants.
- Ensure policies and processes are in place for maintaining the integrity and reputation of the Company and reinforcing a culture of ethical conduct of business, compliance with laws and regulations and management of all key business risks.
- Develop strategic direction and hold management accountable for the execution of strategy, once it is developed.
- Oversee the direction and management of the Company.
- Establish and periodically review, update and amend corporate governance guidelines.
- Establish and periodically review, update and amend codes of ethics and other appropriate policies for Directors, officers and team members.
- Establish and periodically review key policies guiding management in the level of risk the Company is willing to assume, including credit, liquidity, interest rate, operational, reputational, regulatory, and other risks.
- Review, advise, consult and approve business strategies and the strategic plan constructed to guide management's efforts to enhance long-term shareholder value.
- Oversee and evaluate internal control systems and processes, financial reporting, and public disclosure of information.
- Oversee and evaluate management's implementation of, and compliance with, the Company's risk management policies.
- Monitor corporate performance on an on-going basis against the profit plan and the performance of peer companies.
- Periodically review the Chief Executive Officer's performance and annually approve his compensation.
- Conduct management succession planning and review.
- Conduct a self-evaluation at least annually to determine whether the Board and its committees are functioning effectively.

The Board executes its oversight responsibilities directly and through its committees.

Director Qualifications

The N&CG Committee identifies or evaluates and recommends candidates for Board membership to the Board. The Board has approved the following minimum qualifications for first-time nominees for director: (i) individuals of the highest character and integrity, (ii) a demonstrated breadth and depth of management and/or leadership experience, preferably in a senior leadership role (e.g., chief executive officer, managing partner, president) in a large or recognized organization or governmental entity; (iii) financial literacy or other professional or business experience relevant to an understanding of the Company and its business; and (iv) a demonstrated ability to think and act independently as well as the ability to work constructively in a collegial environment. In identifying candidates, nominees for director, or evaluating individuals recommended by shareholders, the N&CG Committee shall determine, in its sole discretion, whether an individual meets the minimum qualifications approved by the Board and will consider the current composition of the Board in light of the diverse communities and geographies served by the Company and the interplay of the candidate's or nominee's experience, education, skills, background, gender, race, ethnicity and other qualities and attributes with those of the other Board members, as well as such other factors as the N&CG Committee deems appropriate.

Director Nominations

Our bylaws contain provisions that address the process by which a shareholder may nominate a candidate to stand for election to the Board of Directors at our Annual Meeting of Shareholders. In evaluating director nominees, the N&CG 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 N&CG Committee may also consider such other factors as it may deem are in our best interests and the interests of our shareholders. The N&CG 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 NYSE 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 N&CG Committee seeks candidates with diverse professional backgrounds and experiences, representing a mix of industries and professions, and with varied skill sets and expertise.

The N&CG 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 N&CG Committee or the Board decides not to re-nominate a member for reelection, the N&CG 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 N&CG 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 N&CG Committee will evaluate any recommendation for a director nominee proposed by a shareholder. In order to be evaluated in connection with the N&CG Committee 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 the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder must be so received not earlier than the one hundred and twentieth (120 th) day prior to such annual meeting and not later than the later of the ninetieth (90 th) day prior to such annual meeting or the tenth (10 th) day following the day on which public announcement (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")) is first made by the Company of the date of the annual meeting.

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 class and number of shares of the Company beneficially owned by the nominee; (e) the name and address of the notifying shareholder; (f) the class and number of shares of the Company owned by the notifying shareholder; (g) any option, warrant, convertible security, stock appreciation right, or other derivative positions held or beneficially held (directly or indirectly) by such shareholder or such beneficial owner and whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding has been made, the effect or intent of which is to increase or decrease the voting power or economic profit of such shareholder or such beneficial owner with respect to the Company's securities; (h) any proxy, contract, arrangement, understanding or relationship pursuant to which such shareholder or beneficial owner, if any, has a right to vote any shares of any security of the Company or has granted any such right to any person or persons; (i) a description of all arrangements or understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by shareholder and the reasons for such nomination; (j) all information that would be relevant to a determination by the Board of Directors in its sole discretion as to whether the nominee proposed by such shareholder is "independent" within the meaning of all applicable securities law, and stock exchange requirements; (k) all information that would be relevant to a determination by the Board of Directors (or any relevant committee) in its sole discretion as to whether the nominee proposed by such shareholder meets the standards for Board membership set forth by the Board of Directors (or any committee thereof) in any publicly available documents, and (l) 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). Additionally, the nomination must be accompanied by the nominee's acknowledgment and agreement (in form reasonably acceptable to the Board of Directors) that (x) he or she is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Company, or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Company, with such person's fiduciary duties under applicable law; and (y) if elected, he or she would meet and comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Company.

Board Leadership and Oversight

Chairman of the Board

Given the existence of a Lead Independent Director and the Company's overall governance profile, as well as the Board's belief that it should maintain the flexibility to determine the leadership of the Company, the Board does not have a fixed policy regarding the separation of the offices of the Chairman of the Board and the Chief Executive Officer. The Board believes that the Board should select the Chairman of the Board, from time to time, based on criteria that it deems to be in the best interests of the Company and its shareholders.

The Board of Directors believes that our Chief Executive Officer is best suited to serve as Chairman because he is the director most familiar with our business and the financial services industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent Directors and management have different perspectives and roles in strategy development. Our independent Directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings industry-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes effective strategy development, and its execution, and facilitates information flow between management and the Board, which are essential to effective governance.

As noted above, one of the key responsibilities of the Board is to develop strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer, together with a Lead Independent Director having the duties described below, is in the best interest of shareholders because it provides the appropriate balance between management and strategy development on the one hand and independent oversight on the other.

Lead Independent Director

Daniel K. Rothermel, an independent director who serves as Chairman of the N&CG Committee and the Directors' Risk Committee, was selected by the Board of Directors to serve as the Lead Independent Director. As Lead Independent Director, Mr. Rothermel presides over all Board meetings when the Chairman is not present, and presides over meetings of the non-management Directors held in executive session. The Lead Independent Director also has the responsibilities to (i) following consultation with the Chairman and Chief Executive Officer and other Directors, approve Board meeting agendas and schedules, assuring that there is sufficient time for discussion of all agenda items; (ii) call special meetings or executive sessions of the Board and call and chair executive sessions or meetings of the non-management or independent Directors and, as appropriate, provide feedback to the Chairman and Chief Executive Officer, and otherwise serve as a liaison between the independent Directors and the Chairman;

(iii) work with committee chairs to ensure coordinated coverage of Board responsibilities; (iv) facilitate communication between the Board and senior management, including advising the Chairman and the Chief Executive Officer of the Board's informational needs and approving the types and forms of information sent to the Board; (v) serve as an additional point of contact for Board members and shareholders, and be available for consultation and direct communication with major shareholders; (vi) facilitate the Board's review and consideration of shareholder proposals properly submitted for inclusion in the Company's annual Proxy Statement; (vii) serve as a "sounding board" and advisor to the Chairman and Chief Executive Officer; (viii) contribute to the performance review of the Chairman and Chief Executive Officer; and (ix) stay informed about the strategy and performance of the Company and reinforce that expectation for all Board members. The Lead Independent Director also has the responsibility of acting as a liaison between management and the non-management Directors, advising the Chairman and Chief Executive Officer on the efficiency of the Board meetings, and facilitating teamwork and communication between the non-management Directors and management.

Board of Directors Oversight

As a commercial bank, Customers operates in a world with many various risks that must be effectively controlled in order for the Company to achieve its mission of increasing shareholder value. The Board of Directors believes that establishing the right "tone at the top" and full and open communication between management and the Board of Directors are essential for effective risk management and oversight and accomplishment of its mission. The Board has established key committees to help it in its oversight of the Company's risks, specifically the Directors' Risk Committee, the Audit Committee, the Compensation Committee, and the N&CG Committee.

At each regular Board meeting, the Directors receive a summary on areas of material interest or risk to Customers from each of the respective Board committee chairpersons conducting meetings between Board meetings. In addition, the Chairperson of the Customers Bank Board Consumer Compliance Committee and Regulatory Management Committee, committees formed at the Bank Board level to specifically oversee Bank compliance with laws and regulations, also reports to the Company's Board. These summary reports are generally oral, although can be in writing, and assist the Directors in the early identification of emerging issues and risks to the Company accomplishing its mission of creating shareholder value. The Board of Customers also created a Management Risk Committee to monitor and oversee all risks of Customers Bank in a more detailed fashion. The Board will regularly ask a committee to investigate or focus on emerging risks or issues. The committees will also provide guidance and make recommendations to management on how to best approach issues and risks and bring any material issues to the attention of the full Board.

The Board committees are briefly explained in the following paragraphs, and their responsibilities more fully described in the immediately following sections.

The Board has established a Directors' Risk Committee which reports and assists the Board of Directors on overseeing and reviewing information regarding our enterprise risk management framework. The Directors' Risk Committee defines the risk appetite of the Company, and oversees the risks assumed by the Company to ensure consistency with the risk appetite. Members of management may be invited by the Directors' Risk Committee to attend meetings thereof. The Directors' Risk Committee held a Company-wide Risk Summit twice in 2018 with the Directors, management and select experts. The Chief Risk Officer reports directly to the Directors' Risk Committee to facilitate clear unfettered communication between the risk professionals and the Board.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to areas of financial reporting including those related to accounting regulation. The Audit Committee consists of independent, non-executive Directors free from any relationship that would interfere with the exercise of his or her independent judgment. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee reviews the independence and performance of the auditors and annually recommends to the Board of Directors the appointment of the independent auditors or approves any discharge of auditors when circumstances warrant. The chief internal auditor reports directly to the Audit Committee to facilitate clear unfettered communication between the internal audit team and the Board. The annual internal audit risk assessment and internal audit plan are approved by the Audit Committee. The Audit Committee performs other oversight functions as requested by the Board of Directors.

The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to our compensation policies and programs and the related risks. The N&CG Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with Board of Directors organization and membership, and succession planning for our Directors.

Board Committees

The by-laws of the Company give the Board authority to designate the committees of the Board. The committee structure and committee assignments are reviewed annually by the Board and the Board assigns Board members to various committees. The Board believes that experience and continuity are more important than mandatory rotation of committee assignments or chairs.

Standing committees include: Directors' Risk, Audit, Compensation, and N&CG Committee, each of which is comprised principally (or exclusively, as noted) of non-management Directors and has regularly scheduled meetings and as needed meetings. Pursuant to the Company's bylaws, the Board of Directors has the ability to establish such other permanent or temporary committees as the Board deems necessary for the proper conduct of the business of the Company. The Audit, Compensation, and N&CG Committees are comprised exclusively of Directors who meet the criteria for independence required by the NYSE and all other applicable laws, rules and regulations regarding director independence. The Directors' Risk Committee includes a Director who also serves as Chief Executive Officer. Management Directors may attend the general session of any regularly scheduled committee meeting at the pleasure of the committee chair.

Each committee has its own charter that complies with the NYSE corporate governance listing standards and any other applicable laws, rules and regulations. Each charter sets forth the purposes and responsibilities of the committee as well as legal or other requirements affecting the committee, the source of the committee's authority, minimum membership, membership requirements, the minimum number of meetings per year and procedures for committee member appointment. The charters also address committees reporting to the Board and provide for periodic self-evaluation.

The committee chair, in consultation with management and other committee members, develops the committee's agenda. The committee chair, in consultation with the Chairman, Lead Independent Director and/or other committee members, determines whether special committee meetings or longer meetings are advisable. The committee chair reports on a committee's meeting at the full Board meeting following the committee meeting.

The Board's standing committees also may act as committees of Customers Bank pursuant to the authorization granted to those committees by the governing documents of and resolutions adopted by the Bank's Board of Directors and the Company's Board. Each standing committee shall exercise its oversight responsibilities with the understanding that the Bank's interests are not to be subordinated to the interests of the parent holding company in a way as to jeopardize the safety and soundness of the Bank.

Board Committee Membership

The table below highlights the membership composition of our Directors on our Board committees for the Company:

Name	Executive	Nominating and Corporate Governance	Audit	Risk	Compensation
Andrea Allon			X	X	
Rick Burkey		X		X	
Bhanu Choudhrie	X				
Daniel K. Rothermel	X	X*	X	X*	X
Jay S. Sidhu	X*			X	
T. Lawrence Way		X	X*	X	
Steven J. Zuckerman		X			X*

* Committee Chair

Committee Charters

The Directors' Risk, Audit, Compensation, and N&CG Committees have each adopted charters which are available on our website, www.customersbank.com, by selecting "Investor Relations," and then "Governance Documents."

Board of Directors Meeting Attendance

Customers' Board of Directors is scheduled to meet monthly, or as needed. In 2018, the Company's Board of Directors met 16 times. Each of the Company's 2018 Directors attended 75% or more of the applicable meetings of the full Board of Directors and the committees of the Board on which he or she served in 2018.

While we have no formal policy regarding director attendance at our Annual Meeting, we make every effort to schedule our Annual Meeting at a time and date to maximize attendance by Directors, taking into account the Directors' schedules. We believe that Annual Meetings provide an opportunity for shareholders to communicate with

Directors and have requested that all Directors make every effort to attend our Annual Meetings. Historically, with few exceptions, all of the Directors have done so. Six of the seven Directors attended the 2018 Annual Meeting of the shareholders.

Board Committee Descriptions and Responsibilities

Following is a more detailed description of each of the Board committees and their responsibilities:

Directors' Risk Committee

The Directors' Risk Committee reports and assists the Board of Directors in overseeing and reviewing the information regarding our enterprise risk management framework, including the policies, procedures and practices employed to manage credit risk, market risk, operational risk, legal/compliance risk, information technology risk, cyber security risk and regulatory risk. For this purpose, the Directors' Risk Committee performs the following functions:

- Reviews and approves the charters of the Directors' Risk Committee, Management ALCO and Management Risk Committees. The Committee reviews and approves our significant risk assessment and risk management policies. In addition, the Committee retains the ability to authorize management to develop and implement any additional policies relating to risk assessment and management;
- Receives information from the Chief Credit Officer and discusses matters related to the management of credit risk as appropriate;
- Receives information from the Chief Executive Officer, Chief Financial Officer and director of Enterprise Risk Management regarding the activities of Management and ALCO Committees and discusses matters related to the management of market risk and our aggregate risk profile as appropriate;
- Receives information from the Chief Internal Auditor regarding matters related to risk management throughout the enterprise as appropriate;
- Receives information from the General Counsel regarding matters related to legal and compliance risk;
- Identifies and prioritizes the risk factors and projected mitigation strategies associated with each CAMELS+ component. In so doing, the Committee has assigned responsibility of each risk factor to management and continuously monitors performance and controls;
- Receives and discusses information regarding the allowance for loan and lease loss estimation methodology and estimates;
- Identifies key ratios and established risk tolerance thresholds in order to assess the current and projected level of risk; and
- Reviews the overall enterprise risk priorities and discusses the strategic initiatives required to improve our risk profile. As part of these reviews, discusses both internal and external factors that could impact the risk portion of the enterprise.

The Directors' Risk Committee held ten meetings and two Company-wide Risk Summits in 2018. The Directors' Risk Committee Charter is available on our website at www.customersbank.com, by selecting "Investor Relations," "Governance Documents," and finally selecting the Risk Committee Charter.

Audit Committee

The Audit Committee oversees our accounting and financial reporting processes, the effectiveness of internal controls over financial reporting and operational areas, and the audits of our financial statements and internal control effectiveness assertions. For this purpose, the Audit Committee performs several functions:

- Approves in advance the engagement of the independent registered public accounting firm for all audit and non-audit services, and approves the fees and other terms of the engagement;
- Maintains responsibility for the appointment, compensation, oversight, retention and termination of our independent registered public accounting firm and evaluates the qualifications, performance, and independence of the independent registered public accounting firm;
- Establishes, maintains and oversees procedures to facilitate the receipt, retention and treatment of complaints received from third parties regarding accounting, internal accounting controls, or auditing matters;
- Reviews and discusses, with our independent registered public accounting firm, the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies in the design or operation of internal controls and significant changes in internal controls reported by the independent auditor or management, and reviews and discusses reports from management and Internal Audit regarding the Company's internal controls and procedures;
- Reviews the critical accounting policies and alternative treatments of financial information discussed by the independent registered public accounting firm with management, and reviews with management significant judgments

made in the preparation of the financial statements;

- Reviews, with management and our independent registered public accounting firm, our financial reporting processes and internal financial controls;
- Reviews the annual audited financial statements and recommends to the Board of Directors their inclusion in our Annual Report;
- Reviews the quarterly financial statements and earnings press releases;
- Reviews and approves related party transactions;
- Periodically reviews and discusses with the independent registered public accounting firm the matters required to be discussed by PCAOB Auditing Standard 1301 (Communications with Audit Committees) and any formal written statements received from the independent registered public accounting firm; and
- Meets with the external audit firm, chief internal auditor, chief financial officer, and chief accounting officer in executive session to discuss matters of concern or the overall conduct of the financial activities of the Company.

The Board of Directors has determined that each member of the Audit Committee in 2018 was independent as independence for Audit Committee members is defined under the NYSE rules, and has further determined the members meet the financial and accounting expertise and literacy standards pursuant to Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended. The Board determined that Ms. Allon qualified as an "audit committee financial expert" within the meaning of the rules of the SEC and the NYSE.

The Audit Committee held 24 meetings during 2018.

The Audit Committee Charter is available on our website at www.customersbank.com, by selecting "Investor Relations," "Governance Documents," and finally selecting the Audit Committee Charter.

Compensation Committee

The Compensation Committee is charged with the responsibility of the development and oversight of the Company's compensation philosophy for compensating executive management, officers and other key personnel. It is the Company's objective to compensate its team members at a level sufficient to attract, motivate, and retain the talent needed to achieve the Company's mission to create shareholder value. The Compensation Committee determines that the officers and key management personnel of the Company are compensated with salary, supplemental and incentive compensation, and benefits that are consistent with its philosophy and mission.

The Compensation Committee Charter is available on our website at www.customersbank.com, by selecting "Investor Relations," "Governance Documents," and finally selecting the Compensation Committee Charter.

The Compensation Committee's duties include the following:

- Review, evaluate, and recommend to the Board the compensation of, and benefits provided to, the Company's executive officers, including the Chief Executive Officer, at least annually, and report to the Board concerning its recommendations for final Board approval; provided that the Chief Executive Officer may not be present during voting or deliberations on his or her compensation;
- Consider the effectiveness of risk management strategies utilized during the year and the value of similar incentives to the senior executive officers of comparable companies;
- Review and approve corporate goals and objectives relevant to the compensation of the executive officers, evaluate the performance of the executive officers in light of those goals and objectives, and approve the level of the executive officers' compensation based on that evaluation, subject to final approval by the Board;
- Annually review and adjust (if necessary) the selected peer group used to benchmark appropriate compensation levels;
- Administer the Company's equity incentive plans, including without limitation, making grants (subject to final approval by the Board) and monitoring awards under such plans, interpreting the terms of such plans and taking such other actions as contemplated by such plans;
- Review and advise on: (i) general salary, (ii) employee benefits, and (iii) other general compensation matters, with the Company's management;
- Annually review and assess compensation programs to determine if they expose the Company to unnecessary or excessive risk and to implement policies and practices that may help manage and monitor such risk within acceptable parameters; and

- Review and discuss with management the Compensation Discussion and Analysis ("CD&A") and related disclosures to be included in the Company's annual Proxy Statement or annual report on Form 10-K ("SEC Filings") and, based thereon, determine whether to recommend to the Board that the CD&A be included in the Company's annual Proxy Statement or annual report on Form 10-K.

For additional details regarding the Compensation Committee's role in determining executive compensation, please see "Executive Compensation; Compensation Discussion and Analysis" beginning at page 40 of this Proxy Statement.
The Compensation Committee held 3 meetings during 2018.
To execute its responsibilities, the Compensation Committee may determine it is advisable to use expert compensation consultants, legal counsel or other advisers. The Compensation Committee is authorized as follows:

- The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser.
- The Committee shall be directly responsible for the appointment, termination, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Committee.
- The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee.
- The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee, other than in-house legal counsel, only after taking any potential conflicts of interest into consideration.

Compensation Committee Member Independence
The Board of Directors has determined that the members of the Compensation Committee in 2018, Mr. Zuckerman and Mr. Rothermel, were independent as independence for Compensation Committee members is defined under the NYSE rules.
Compensation Committee Interlocks and Insider Participation
None of the members of our Compensation Committee had any relationship requiring disclosure pursuant to Item 404 of Regulation S-K nor any other interlocking relationships as defined by the SEC. Our Code of Ethics and Business Conduct prohibits any transactions between Compensation Committee members and the Company or any insiders, other than for routine banking activities.
Risk Assessment of Compensation Policies and Practices
During 2017, our management team, with the assistance of our consultant, Compensation Advisors, 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 Compensation Advisors. Based on this assessment, the Compensation Committee determined that any risks arising from our compensation policies and practices for our team members are not reasonably likely to have a material adverse effect on the Company.
The Compensation Committee has been informed of questions and suggestions made regarding compensation practices and metrics by shareholders collected as part of Customers' investor outreach efforts. The most significant of these comments and suggestions are presented the Compensation Discussion and Analysis section of this proxy beginning on page 40.
Nominating and Corporate Governance Committee
Among its responsibilities, the N&CG Committee has responsibility for identifying and evaluating candidates for director and recommending the nomination of Directors to the full Board. The Nominating and Corporate Governance Committee Charter is available on our website at www.customersbank.com, by selecting "Investor Relations," "Governance Documents," and finally selecting the Nominating and Corporate Governance Committee Charter. This Committee:

- Reviews and assesses the adequacy of our corporate governance guidelines, personal codes of conduct and related internal policies and guidelines;
- Assists the Board in interpreting and applying corporate governance guidelines, and recommends any proposed changes to the Board for approval; and
- Makes recommendations to the Board regarding non-management director compensation.

The Board has determined that each member of the N&CG Committee in 2018 was independent as defined under NYSE rules.

The N&CG Committee held 2 meetings during 2018.

COMPENSATION DISCUSSION AND ANALYSIS

Overview	40
I. Executive Summary	41
How our Pay Program Works	41
Target Pay Mix	41
Key Changes in Compensation Plan for 2019	42
Alignment of Pay and Performance	43
Another View of Pay and Performance Alignment: Realizable Pay	43
Compensation Governance	44
Ongoing Shareholder Engagement and our Response	45
II. Executive Compensation Philosophy	46
III. Compensation Setting Process	46
Role of Compensation Committee	46
Role of Management	46
Compensation Consultant	47
Peer Groups	47
Consideration of Risk	47
IV. Elements of 2018 Executive Compensation	49
Summary of Compensation	50
Base Salary	51
Annual Incentive Awards	51
	53

Long-Term Equity Incentives Bonus Recognition and Retention Program ("BRRP")	54
V. Additional Compensation Policies and Practices	55
Executive Stock Ownership Requirements	55
Clawback Policy	55
Anti-Hedging Policies	55
Separation Agreement with Bob Wahlman	55
Employee Benefits	56
Employment Agreements	56

Overview

The following Compensation Discussion & Analysis ("CD&A") provides an overview of the Company's philosophy, objectives, process, and structure of our 2018 executive compensation program. Further, it discusses our Compensation Committee's rationale and decision-making process. This CD&A is intended to be read in conjunction with the tables which immediately follow this section and the accompanying narrative disclosure, which provide further historical compensation information for our 2018 named executive officers ("NEOs"):

Jay S. Sidhu	Chairman & Chief Executive Officer
Richard A. Ehst	President & Chief Operating Officer
Carla A. Leibold*	Executive Vice President & Chief Financial Officer
Glenn A. Hedde	Executive Vice President & President of Banking to Mortgage Companies
Steven J. Issa	Executive Vice President & Chief Lending Officer
Robert E. Wahlman	Former Executive Vice President & Chief Financial Officer

*Carla A. Leibold was promoted to Executive Vice President and Chief Financial Officer following Robert E. Wahlman's resignation in November 2018.

I. Executive Summary

In 2018, the Company made great strides in delivering on its operational and financial strategic goals. This included generating core earnings per share of $2.43, a year-over-year increase of approximately 10%; improving our capital ratios; growing commercial and industrial loans by 20%; increasing demand deposits by 22%; and decreasing lower-yielding multi-family and commercial real estate loans by $455 million, or approximately 10%. In 2019, we will remain focused on further improving our profitability and our capital ratios, strengthening the balance sheet through a remix in our assets and liabilities, expanding our net interest margin and increasing our ROAA and ROCE, as targets along our path to earning $3 in Core EPS in 2020 and $4+ in Core EPS within 3-4 years, which we expect to drive significant shareholder value creation.

Going forward, we will focus on five key strategic priorities:

1) Create shareholder value through improved profitability
2) Focus and grow core banking operations
3) Achieve profitability at BankMobile and grow for 2-3 years before monetizing the investment
4) Improve our mix of assets and liabilities, seeking a net interest margin of 2.75% or higher by the end of 2019
5) Deploy excess capital to benefit shareholders

To successfully achieve each of these priorities, we must continue to employ and motivate a highly-talented executive team. Our Compensation Committee believes that executive compensation should be linked to the Company's overall financial performance, strategic success and shareholder returns, and the contribution of its executives to that performance and success. Our executive 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 supports achievement of our mission of increasing shareholder value while ensuring that these programs do not encourage excessive risks that threaten the value of the Company.

We believe our executive compensation program as developed and implemented, as presented in this CD&A, achieves these objectives.

How Our Pay Program Works

Our guiding principle is to establish compensation programs that are fair and reasonable, market competitive and performance driven. Our compensation programs are designed to attract, motivate and retain qualified and talented executives, motivating them to achieve our business goals and rewarding them for superior short- and long-term performance. When doing this, our Compensation Committee is mindful to align the interests of our executives with those of our shareholders in order to attain our ultimate objective of driving long-term, sustainable shareholder value. Our compensation program utilizes three primary elements:

Target Pay Mix

We utilize the above-mentioned primary compensation elements to create executive compensation packages that include somewhat below average base salaries and significant variable, at-risk pay in order to align pay with performance. The balance between these components may change from year to year based on corporate strategy and objectives, among other considerations. For fiscal year 2018, our NEOs had the following target pay mix:

Key Changes in Compensation Plan for 2019

For 2019, the Compensation Committee considered the Company's focus on improving performance rather than asset growth, and accordingly reviewed compensation plans for smaller asset-sized peers. Considering this approach, the Compensation Committee has established new targets and maximums for both the short-term and long-term incentive plans. The changes in targets are detailed below.

Annual Performance Award: Target as a % of Salary

	Targets For 2018	Lower Targets For 2019	Maximums For 2018	Lower Maximums For 2019
CEO	150%	85%	225%	120%
COO	75%	50%	113%	80%
CFO	65%	50%	98%	80%

Long Term Incentive Plan: Target as a % of Salary

	Targets For 2018	Lower Targets For 2019	Maximums For 2018	Maximums For 2019
CEO	150%	85%	200%	136%
COO	75%	65%	100%	104%
CFO	65%	65%	85%	104%

For 2019's annual performance award, the Compensation Committee has chosen the following three goals:

1. Meet Board approved 2019 Profit Plan for core earnings (50% weight).
2. Achieve a minimum margin of 2.75% by Q4 2019 (25% weight).
3. BankMobile to achieve profitability by Q4 2019 (25% weight).

Additionally, the Compensation Committee will review further the Company's peer group, and is likely to expand the total number of companies and ensure that the peer group continues to have good overlap in geography, business mix, and size for 2019. The Compensation Committee also expects to discontinue the Bonus Recognition and Retention Program this year, given the planned new stock plan and the long-term incentive plan begun in 2018.

Alignment of Pay and Performance

Our compensation program is grounded in a quantified and clearly articulated and measured pay-for-performance philosophy. Performance goals in both our short- and long-term incentive plans are set at challenging levels, with the ultimate goal that the achievement of meaningful metrics will drive long-term, sustainable shareholder value growth. When financial and stock performance goals are not met, pay outcomes for our executives should reflect this reality. One way to look at the alignment of pay and performance would be directional correlation between performance and pay, as well as components of pay: when performance goes up, does pay rise? Conversely, when performance goals are not achieved, does pay decline? While there are other factors certainly to consider, and there is a lag effect due to the timing of award grants, a look at our CEO pay (as reported in the Summary Compensation Table) over the past five years is indicative of this directional pay and performance alignment.

Another View of Pay and Performance Alignment: Realizable Pay

The previous graphic doesn’t fully tell our pay for performance story, however. Instead, we believe stockholders should understand how much of that target compensation value is actually “realizable” by executives. This comparison in the accompanying chart is another demonstration of the alignment between pay and performance that permeates our pay programs.

As shown, over the past 3 years, our CEO has received options and restricted stock that total approximately $12 million in target, grant date fair value; however, due to our disappointing short-term stock price performance, the actual value that our CEO could realize from these equity awards is far less. In fact, it’s nearly 75% less than the target value, and could be considerably less if the performance based vesting criteria are not achieved by the end of the vesting period. All options granted to our CEO in 2017 contain the performance requirement that the market price of our voting common stock trade above $40 per share for a period of 10 days during the vesting period.

"Target Shares" is the value of equity (restricted stock units and stock option grants) based on the grant date fair value. "Realizable" is defined as the equity compensation earned or deliverable for each year calculated as of the end of the 2018 fiscal year, including the intrinsic value of long-term incentive plan components, as valued on December 31, 2018 (the last trading day of fiscal year 2018) using the year-end share price of $19.80/share. Options are valued based on spread value as of December 31, 2018.

Compensation Governance

Our Compensation Committee continues to strengthen our plans, policies and practices, and review risk mitigation and governance matters, to ensure that our executive compensation program is incorporating market best practices. These practices, which encourage actions that are in the long-term interests of our shareholders and the Company, include:

What We Do	What We Don't Do
ü Pay-for-performance philosophy and culture	X No immediate vesting ("single trigger") of equity awards
ü Strong emphasis on performance-based incentive awards	X No hedging of Company shares
ü Comprehensive clawback policy, addressing both equity and cash awards	X No backdating or repricing of stock option awards
ü Responsible use of shares under our long-term incentive program	X No highly leveraged incentive plans that encourage excessive risk taking
ü Rigorous stock ownership requirements for all executives and non-executive directors	X No resetting of financial targets for performance-based incentive awards
ü Engage an independent compensation consultant, who performs no other consulting work for Customers	
ü Conduct annual shareholder outreach	

Ongoing Shareholder Engagements and Our Response

At our May 2018 Annual Meeting, our say-on-pay proposal received approximately 52% support from our shareholders after receiving only 48% support in 2015. Subsequent to these disappointing outcomes, the Company has been highly focused on soliciting input and feedback to identify the cause of these vote results. We have been committed to ongoing shareholder engagement discussions and outreach, and we appreciate and seek input from our largest shareholders regarding our executive compensation and governance practices. We are focused on fostering strong shareholder relationships leading to mutual understanding of issues and approaches, ultimately resulting in compensation plan design and implementation strategies that foster long-term growth and are supportable by shareholders.

In 2018, we proactively reached out to holders of 61% of our outstanding shares, or the 25 largest shareholders of the Company. We successfully conducted meaningful engagements with shareholders representing more than 25% of our common shares. The discussions were led by our CFO and our Director of Investor Relations, with participation by Board Directors when requested by the shareholder. Results of these conversations were reported to and discussed by the entire Board. Through these conversations, as well as input from a leading proxy advisory firm, we have gained more in-depth understanding of investor viewpoints and concerns that we have incorporated into restructuring our compensation programs and philosophy.

Recent changes that were heavily influenced by shareholder feedback include:

<table>
<tr><th>What We Heard</th><th>What We Did</th></tr>
<tr><td>Demonstrate how pay and performance are aligned over time</td><td>After reviewing the basic structure of pay mix and components, we adopted a completely formulaic approach that aligns pay with performance by establishing an LTI plan that is entirely quantitative and paid entirely in stock units with a 60/40 performance / time-based vesting mix.
Strengthened our CD&A disclosure regarding how performance affects pay outcomes.</td></tr>
<tr><td>Overlapping/inappropriate selection of performance metrics for short-term and long-term awards</td><td>TSR was viewed as inappropriate to be short-term metric so we eliminated the TSR metric from STI and introduced a LTI plan with 3-year relative TSR metric.
Under the 2018 Compensation Plan, the performance metrics are newly selected as below:
<table>
<tr><th>STI</th><th>LTI</th></tr>
<tr><td>Actual Core EPS vs. Budget EPS</td><td>3-Year Relative TSR</td></tr>
<tr><td>Year-end Capital vs. Targets</td><td>3-Year Relative ROACE</td></tr>
<tr><td>Net Core(1) Deposit Growth (1) Core deposits are defined as all DDA, non-brokered MMDA and CDs, and brokered MMDA and CDs with direct Customers relationship.</td><td>3-Year Relative Average Non-Performing Assets to Total Assets</td></tr>
</table></td></tr>
<tr><td>Performance goals were not</td><td>We discuss performance goals in more detail in this year’s proxy disclosure along with the actual achievement and how it incurs incentives for executives.</td></tr>
</table>

disclosed for performance-based awards and difficult to determine rigor	
Frequent evaluation on compensation practices might be valuable	Starting in 2018, the Company committed to an annual frequency for the say-on-pay vote, providing more real-time feedback on compensation decisions.
Concerns on Excise Tax Gross-Up	Customers has eliminated the excise tax gross-up from all agreements established in 2014 or later and committed that gross-ups will not be allowed in future agreements. Only the pre-existing employment agreements for the current CEO and COO retain the gross-up, and these provisions will sunset with the retirement of the existing officers.

In addition to compensation related feedback, we also received input regarding other areas of our corporate governance which is discussed on page 29 in the section titled "Ongoing Shareholder Engagement and Our Response."

II. Executive Compensation Philosophy

Our Compensation Committee believes that our executive compensation program is aligned with our long-term strategic goals, long-term value creation for our shareholders and sound risk management. Our guiding principle is to establish compensation programs that are fair and reasonable, market competitive and performance driven. We seek to compensate our executives in a manner that will attract, motivate and retain the talent we need to achieve both short-term and long-term business objectives.

Core Compensation Principles

In determining the level and type of compensation for base salary and incentives, our core compensation principles are as follows:

- We believe in pay for performance, encouraging achievement of strategic objectives and creation of shareholder value.
- We will pay compensation that is fair and market competitive, keeping mindful of programs that may encourage excessive compensation.
- We will maintain an appropriate balance between base salary and short- and long-term incentive opportunities, generally with below average base salaries.
- We will provide executive incentive compensation opportunities contingent on the Company's annual and long-term performance, as well as individual contributions.
- Our incentive programs are designed to motivate and reward our leadership team, while avoiding those components that may lead our employees to take inappropriate risks.
- Our incentive programs will incorporate an appropriate retention element in order to maintain a consistent, high performing management team.
- We seek to ensure comparative compensation across all divisions and departments of the Company while considering position requirements, geography, responsibilities and other relevant factors applicable to job performance.
- Our incentive compensation programs will focus on key performance metrics, including Company profitability, business area contribution to profitability and individual performance, consistent with the Company's strategic objectives.

III. Compensation Setting Process

Role of Compensation Committee

The Compensation Committee is responsible for the design, implementation and administration of the compensation program for our executive officers, including but not limited to our CEO and other NEOs. The Committee participates in the consideration of employment of prospective executive officers of the Company. The Committee also administers the Company’s equity-based incentive plans and, accordingly, is responsible for reviewing cash and equity incentives payable to executives and has the authority to grant restricted shares of to all participants under the Company’s equity award plans, and to determine all terms and conditions of such awards. Although the Compensation Committee retains an independent compensation consultant to advise on compensation planning, the Committee retains, and does not delegate, any of its responsibility to determine executive compensation.

Role of Management

Although the Compensation Committee is ultimately responsible for designing our executive compensation program, input from our Chief Executive Officer and other members of senior management is critical in ensuring that the Compensation Committee has the appropriate information needed to make informed decisions. The Chief Executive Officer and other members of the executive management team participate in compensation-related activities in an informational and advisory capacity, and the Chief Executive Officer presents performance summaries for the other named executive officers and recommendations relating to their compensation to the Compensation Committee for its review and approval.

Compensation Consultant

The Compensation Committeethe services of McLagan, an Aon Company ("McLagan") to assist with executive compensation planning and to provide compensation analysis for the Company's 2018 compensation awards. McLagan was retained by and reports directly to the Compensation Committee.

The Compensation Committee considered the independence of McLagan in light of SEC rules and NYSE listing standards. The Compensation Committee requested and received a report from McLagan addressing McLagan’s independence and the independence of its advisors involved in the engagement which included (i) other services provided to us by McLagan; (ii) fees paid by us as a percentage of McLagan’s total revenue; (iii) policies or procedures maintained by McLagan that are designed to prevent a conflict of interest; (iv) any business or personal relationships between the senior advisors and any member(s) of the Compensation Committee; (v) any company stock owned; and (vi) any business or personal relationships between our executive officers and the senior advisors. The Compensation Committee discussed these considerations and concluded that the work performed by McLagan involved in the engagement did not raise any conflict of interest. The Company paid McLagan $139,604 for services rendered in connection with their engagement as a compensation consultant for the year ended December 31, 2018.

Peer Groups

The Compensation Committee refers to a comparative group of companies whe