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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________.

001-35542
(Commission File Number)

Customers Bancorp, Inc.

(Exact name of registrant as specified in its charter)

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

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

(610) 933-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Each Exchange on which Registered
Voting Common Stock, par value $1.00 per share	CUBI	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, par value $1.00 per share	CUBI/PC	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, par value $1.00 per share	CUBI/PD	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, par value $1.00 per share	CUBI/PE	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, par value $1.00 per share	CUBI/PF	New York Stock Exchange
5.375% Subordinated Notes due 2034	CUBB	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation

S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $605,709,575 as of June 30, 2019, based upon the closing price quoted on the New York Stock Exchange for such date. Shares of common stock held by each executive officer and director have been excluded because such persons may under certain circumstances be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

On February 25, 2020, 31,381,499 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be delivered to shareholders in connection with the 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, as well as other written or oral communications made from time to time by us, contains forward-looking information within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements relate to future events or future predictions, including events or predictions relating to future financial performance, and are generally identifiable by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “should,” “plan,” “intend,” or “anticipate” or the negative thereof or comparable terminology. Forward-looking statements reflect numerous assumptions, estimates and forecasts as to future events. No assurance can be given that the assumptions, estimates and forecasts underlying such forward-looking statements will accurately reflect future conditions, or that any guidance, goals, targets or projected results will be realized. The assumptions, estimates and forecasts underlying such forward-looking statements involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions, which may not be realized and which are inherently subject to significant business, economic, competitive and regulatory uncertainties and known and unknown risks, including the risks described under “Risk Factors” in this Annual Report on Form 10-K, as such factors may be updated from time to time in our filings with the SEC, including our Quarterly Reports on Form 10-Q. Our actual results may differ materially from those reflected in the forward-looking statements.

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

- changes in external competitive market factors that might impact our results of operations;
- changes in laws and regulations, including, without limitation, changes in capital requirements under Basel III;
- changes in our business strategy or an inability to execute our strategy due to the occurrence of unanticipated events;
- our ability to identify potential candidates for, and consummate, acquisition or investment transactions;
- the timing of acquisition, investment or disposition transactions;
- constraints on our ability to consummate an attractive acquisition or investment transaction because of significant competition for those opportunities;
- local, regional and national economic conditions and events and the impact they may have on us and our customers;
- costs and effects of regulatory and legal developments, including the results of regulatory examinations and the outcome of regulatory or other governmental inquiries and proceedings, such as fines or restrictions on our business activities;
- the potential effects of heightened regulatory requirements applicable to banks with assets in excess of $10 billion;
- our ability to attract deposits and other sources of liquidity;
- changes in the financial performance and/or condition of our borrowers;
- changes in the level of our non-performing and classified assets and charge-offs;
- changes in estimates of our future loan loss reserve requirements based upon our periodic review thereof under relevant regulatory and accounting requirements, including the adoption of the Current Expected Credit Losses standard;
- inflation, interest rate, securities market and monetary fluctuations, including the discontinuance of LIBOR;
- timely development and acceptance of new banking products and services and perceived overall value of these products and services by users, including the products and services being developed and introduced to the market by the BankMobile division of Customers Bank;
- changes in consumer spending, borrowing and saving habits;
- technological changes;
- our ability to increase market share and control expenses;
- continued volatility in the credit and equity markets and its effect on the general economy;
- effects of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the PCAOB, the FASB and other accounting standard setters;
- the businesses of Customers Bank and any acquisition targets or merger partners and subsidiaries not being integrated successfully or such integration being more difficult, time-consuming or costly than expected;
- material differences in the actual financial results of merger and acquisition activities compared with our expectations, such as with respect to the full realization of anticipated cost savings and revenue enhancements within the expected time frame;
- our ability to successfully implement our growth strategy, control expenses and maintain liquidity;
- Customers Bank’s ability to pay dividends to Customers Bancorp;

- risks relating to BankMobile, including:
  - the implementation of Customers Bancorp's strategy as announced in October 2018 to retain BankMobile for 2-3 years, the possibility that the expected benefits of retaining BankMobile for 2-3 years may not be achieved, or the possible effects on Customers Bancorp's results of operations if BankMobile is never divested causing Customers Bancorp's actual results to differ from those in the forward-looking statements;
  - our ability to successfully complete a divestiture of BankMobile and the timing of completion;
  - the ability of Customers and an acquirer of BankMobile to meet all of the conditions to completion of a proposed divestiture;
  - our ability to execute on our White Label strategy to grow demand deposits through strategic partnerships;
  - material variances in the adoption rate of BankMobile's services by new students;
  - the usage rate of BankMobile's services by current student customers compared to our expectations;
  - the levels of usage of other BankMobile student customers following graduation of additional product and service offerings of BankMobile or Customers Bank, including mortgages and consumer loans, and the mix of products and services used;
  - our ability to implement changes to BankMobile's product and service offerings under current and future regulations and governmental policies;
  - our ability to effectively manage revenue and expense fluctuations that may occur with respect to BankMobile's student-oriented business activities, which result from seasonal factors related to the higher-education academic year; and
  - BankMobile's ability to successfully implement its growth strategy and control expenses.
- risks related to planned changes in our balance sheet, including:
  - our ability to reduce the size of our multi-family portfolios;
  - our ability to execute our digital distribution strategy;
  - our ability to manage the risks of change in our loan mix to include a greater portion of consumer loans; and
  - our ability to earn increased net interest income to recover reduced interchange income due to the loss of the small issuer exemption to the Durbin Amendment.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. We do not undertake any obligation to release publicly or otherwise provide any revisions to these forward-looking statements we may make, including any forward-looking statements, to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable law.

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

The following list of abbreviations and acronyms may be used throughout this Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and the Notes to Consolidated Financial Statements.

2004 Plan	2012 Amendment and Restatement of the Customers Bancorp, Inc. Amended and Restated 2004 Incentive Equity and Deferred Compensation Plan
2010 Plan	2010 Stock Option Plan
2019 Plan	2019 Stock Incentive Plan
Act	Federal Deposit Insurance Reform Act of 2005
ASC	Accounting Standards Codification
ALLL	Allowance for Loan and Lease Losses
AOCI	Accumulated Other Comprehensive Income (Loss)
ASU	Accounting Standards Update
ATM	Automated Teller Machine
Bancorp	Customers Bancorp, Inc.
Bank	Customers Bank
BDO	BDO USA, LLP
BHCA	Bank Holding Company Act of 1956, as Amended
BMT	BankMobile Technologies, Inc.
BOLI	Bank-Owned Life Insurance
BRRP	Bonus Recognition and Retention Program
CBCA	Change in Bank Control Act
CECL	Current Expected Credit Loss
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFPB	Consumer Financial Protection Bureau
Code	U.S. Internal Revenue Code of 1986, as Amended
Company	Customers Bancorp, Inc. and subsidiaries
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRA	Community Reinvestment Act
CUBI	Symbol for Customers Bancorp, Inc. common stock traded on the NYSE
Customers	Customers Bancorp, Inc. and Customers Bank, collectively
Customers Bancorp	Customers Bancorp, Inc.
Department	Pennsylvania Department of Banking and Securities
DIF	Deposit Insurance Fund
Disbursement Business	OneAccount Student Checking and Refund Management Disbursement Services Business
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOE	United States Department of Education
DOJ	U.S. Department of Justice
ECOA	Equal Credit Opportunity Act
EGRRCPA	The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018
EPS	Earnings Per Share
ESPP	Employee Stock Purchase Plan
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Fair Housing Act
fintech	Third-Party Financial Technology

Federal Reserve Board	Board of Governors of the Federal Reserve System
FERPA	Family Educational Rights and Privacy Act of 1975
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FPRD	Final Program Review Determination
FRB	Federal Reserve Bank of Philadelphia
FTC Act	Federal Trade Commission Act
GDP	Gross Domestic Product
GLBA	Gramm-Leach-Bliley Act of 1999
HUD	Department of Housing and Urban Development
Insiders	Directors, Officers, Employees and 10%-or-Greater Shareholders
Interest-Only GNMA Securities	Interest-Only Government National Mortgage Association Securities
Interstate Act	Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994
Interstate MOU	Memorandum of Understanding between Banking Regulators in the States of New Jersey, New York and Pennsylvania
IRS	Internal Revenue Service
Legacy Loans	Total 2009 and prior loans
LIBOR	London Interbank Offered Rate
LPO	Limited Purpose Office
Malware	Unauthorized Software
MMDA	Money Market Deposit Accounts
MOU	Memorandum of Understanding
NM	Not Meaningful
Non-QM	Non-Qualified Mortgage
NPA	Non-Performing Asset
NPL	Non-Performing Loan
NPRM	Notice of Proposed Rulemaking
NYSE	New York Stock Exchange
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OFAC	Office of Foreign Assets Control
Order	Federal Deposit Insurance Act, as Amended
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PATRIOT Act	Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
PCAOB	Public Accounting Oversight Board (United States)
PCI	Purchased Credit-Impaired
Rate Shocks	Interest rates rising or falling immediately
Religare	Religare Enterprises, Ltd.
RESPA	Real Estate Settlement Procedures Act
ROU	Right-Of-Use
SAG	Special Assets Group
SBA	Small Business Administration
SBA loans	Loans originated pursuant to the rules and regulations of the SBA
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as Amended
Series C Preferred Stock	Fixed-to-floating rate non-cumulative perpetual preferred stock, series C
Series D Preferred Stock	Fixed-to-floating rate non-cumulative perpetual preferred stock, series D

Series E Preferred Stock	Fixed-to-floating rate non-cumulative perpetual preferred stock, series E
Series F Preferred Stock	Fixed-to-floating rate non-cumulative perpetual preferred stock, series F
SERP	Supplemental Executive Retirement Plan
SOFR	Secured Overnight Financing Rate
Tax Act	2017 Tax Cuts and Jobs Act
TDR	Troubled Debt Restructuring
TILA	Truth in Lending Act
UDAAP	Unfair, Deceptive or Abusive Acts and Practices
UDAP	Unfair or Deceptive Act or Practice
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES

PART I

Item 1. Business

Customers Bancorp is a bank holding company engaged in banking activities through its wholly owned subsidiary, Customers Bank, collectively referred to as "Customers" herein. The Bank has diversified lending activities that build overall franchise value and a high-tech, high-touch branch-light strategy that serves its customers through a single-point-of-contact private banking strategy with a focus on community banking businesses including commercial and industrial and commercial real estate loans (to borrowers in Pennsylvania, New Jersey, New York City, New England and other geographies), multi-family lending, SBA lending and residential mortgage lending. The Bank also serves specialty niche businesses nationwide, including its commercial loans to mortgage banking businesses, commercial equipment financing, specialty lending and consumer loans through relationships with fintech companies. In addition, BankMobile, a division of Customers Bank, offers state-of-the-art high-tech digital banking services to consumers, students and the "under banked" nationwide, along with "Banking as a Service" offerings with white label partners.

Business Summary

Customers Bancorp and its wholly owned subsidiary, Customers Bank, provide banking products, primarily loans and deposits, to businesses and consumers through its branches, limited production offices and administrative offices in Southeastern Pennsylvania (Bucks, Berks, Chester, Philadelphia and Delaware Counties); Rye Brook, New York (Westchester County); Hamilton, New Jersey (Mercer County); Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire (Rockingham County); Manhattan and Melville, New York; Philadelphia, Pennsylvania; Washington, D.C.; Chicago, Illinois. The Bank has a diversified lending business consisting of geographically in-market community banking offerings such as commercial and industrial loans, commercial real estate loans, multi-family loans, SBA lending and residential mortgage loans. In addition, on a national level, the Bank also administratively supports specialty banking businesses such as commercial loans to mortgage companies, specialty lending, commercial equipment financing and consumer loans through relationships with fintech companies. Through BankMobile, a division of Customers Bank, Customers offers state of the art high tech digital banking services to consumers, students, and the "under banked" nationwide, along with "Banking as a Service" offerings with white label partners. At December 31, 2019, Customers had total assets of $11.5 billion, including loans, net of the ALLL (including loans held for sale and loans receivable, mortgage warehouse, at fair value) of $10.0 billion, total deposits of $8.6 billion and shareholders' equity of $1.1 billion.

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

Customers launched BankMobile as a key strategic initiative in January 2015, recognizing the product delivery flexibility demanded by the millennial generation and the low cost of the smart phone delivery channel. BankMobile refers to Customers' efforts to build a full-service bank that is accessible to our customers anywhere and anytime through the customer's smartphone or other web-enabled device. As part of the BankMobile strategic initiative, on June 15, 2016, Customers completed the acquisition of substantially all the assets and the assumption of certain liabilities of the Disbursement business from Higher One. Higher One was acquired by a subsidiary of Blackboard, Inc. in third quarter 2016. We continue to refer to that combined business as “Higher One” throughout this document.

BankMobile, including the Disbursement business, provides a nationwide deposit-aggregation platform. BankMobile focuses on the aggregation of low-cost deposits and consumer loan offerings through its partnerships with fintech companies, and currently offers no or low-fee banking, higher than average interest rates on savings and access to over 55,000 ATMs across the U.S. Customers believes that consolidating BankMobile with the Disbursement business uniquely positions it to become the graduating students' "bank for life" and service each graduate's financial needs throughout their life. BankMobile's revenues are largely derived from net interest income, interchange and card revenue, deposit fees, university card and disbursement fees and university subscription revenue. It is BankMobile's strategy to disrupt traditional banks' retail branch customer service delivery model and become the bank of choice for life of college students and middle-income and under-banked Americans using its low-cost digital delivery platform and superior deposit products, serve as a white label deposit partner to large companies, and disrupt payday lenders and high-cost check lenders by making low-cost quality banking services available to key under-banked markets. BankMobile has focused on the development of its "Banking as a Service" model, including research and development, and technology and product development for its white label partner. BankMobile has obtained and is applying for patents and copyrights to protect key elements of its products and delivery methods. This intellectual property will allow BankMobile to continue to differentiate its business from potential competitors. Customers continues to explore strategic alternatives for BankMobile in 2020.

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

Background and History

Customers Bancorp was incorporated in Pennsylvania in April 2010 to facilitate a reorganization into a bank holding company structure pursuant to which the Bank became a wholly owned subsidiary of Customers Bancorp (the “Reorganization”) on September 17, 2011. Customers Bancorp’s corporate headquarters are located at 1015 Penn Avenue, Wyomissing, Pennsylvania 19610. The main telephone number is (610) 933-2000.

The deposits of the Bank are insured by the FDIC. The Bank’s home office is located at 99 Bridge Street, Phoenixville, Pennsylvania 19460. The main telephone number is (610) 933-2000. BankMobile is a division of the Bank, first marketing its deposit products beginning in January 2015. As a division of the Bank, BankMobile's deposits are also insured by the FDIC.

Executive Summary

Customers' Markets

Market Criteria

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

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

BankMobile products are delivered to customers nationwide via its digital delivery channels, such as a smartphone or other web-enabled device. The BankMobile business is currently focused on millennials, now the largest generation in the United States, developing white label relationships with large companies that wish to expand their relationships with their retail customers and employees and the under-banked who can utilize a low-cost banking services provider. As a general retail deposit product and related services provider, the BankMobile segment does not have a dependency on a particular customer, but is focused on providing deposit services to college students who receive federal government loans or grants and to customers of its white label partners. BankMobile currently provides deposit products and services to students on over 700 college and university campuses. Besides the student disbursement business, BankMobile has focused on the development of its "Banking as a Service" model. In 2019, BankMobile's first white label banking partnership went live, offering BankMobile's best in class banking products to the partner's broad customer base.

Current Markets

Customers' target market is broadly defined as extending from Washington D.C. to Boston, Massachusetts roughly following Interstate 95. As of December 31, 2019, Customers had bank branches or LPOs serving businesses and consumers in the following locations:

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

Customers believes its target market has highly attractive demographic, economic and competitive dynamics that are consistent with its objectives and favorable to executing its organic core loan and deposit growth and acquisition strategies. Additionally, in July 2018, Customers launched a new digital, on-line savings banking product with a goal of gathering retail deposits nationally. At December 31, 2019, $0.9 billion of retail deposits were outstanding for this new product.

The BankMobile suite of deposit products and services is provided nationally through digital delivery channels, such as a smartphone or other web-enabled device. Customers believes that digital delivery without geographic limitations is the future of retail banking.

Prospective Markets

The organic core loan and deposit growth strategy of Customers focuses on expanding market share in its existing and contiguous markets by generating deposits, loan and fee-based services through its Concierge Banking® high-touch single-point-of-contact personalized service supported by state-of-the-art technology for its commercial, consumer, not-for-profit and specialized lending markets. While Customers has not acquired any banks since 2011, its bank acquisition strategy is focused on acquisitions that further Customers' objectives and meet its critical success factors. Customers will also consider other acquisitions that will contribute to its banking business. As Customers evaluates potential acquisition and asset purchase opportunities, it believes that there are banking institutions that continue to face credit challenges, capital constraints and liquidity issues and that lack the scale and management expertise to manage the regulatory burden. The BankMobile suite of deposit products and services is delivered through digital delivery channels, such as a smartphone or other web-enabled device across the United States. As such, the product does not have geographic limitations. BankMobile continues the development of loan products and relationships with marketplace lenders, including fintech loan originators.

Competitive Strengths

- *Experienced and respected management team.* An integral element of Customers' business strategy is to capitalize on and leverage the prior experience of its executive management team. The management team is led by Chairman and CEO, Jay Sidhu, who is the former CEO and Chairman of Sovereign Bancorp. In addition to Mr. Sidhu, a number of the members of the current management team of Customers have experience working together at Sovereign with Mr. Sidhu, including Richard Ehst, President and Chief Operating Officer, as well as Jim Collins, Senior Executive Vice President and Chief Administrative Officer. During their tenure at Sovereign, these individuals established a track record of producing strong financial results, integrating acquisitions, managing risk, working with regulators and achieving organic growth and expense control. Team leaders Timothy Romig, Pennsylvania and New Jersey Banking Group Executive Vice President; Steve Issa, New England Marketing President and Chief Lending Officer and Lyle Cunningham, Executive Vice President, Managing Director & Market President - New York Metro and Chicago and Specialty Finance; all have over 30 years of experience. In addition, the banking to mortgage companies group, which primarily includes commercial loans (warehouse facilities) to residential mortgage originators is led by Glenn Hedde, President of Warehouse Lending, who brings nearly 30 years of experience in this sector. Customers continues to hire new talent and promote from within the organization to lead its various product offering initiatives. This team has significant experience in successfully building a banking organization as well as building valuable community and business relationships in our core markets.

- *Unique Asset and Deposit Generation Strategies.* Customers focuses on local market lending combined with relatively low-risk specialty lending segments. Local market asset generation provides various types of business lending products (i.e., commercial and industrial loans) and consumer lending products, such as mortgage loans and home equity loans. Customers has also established a multi-family and commercial real estate product line that is primarily focused on the Mid-Atlantic region, particularly New York City. The strategy is to focus on obtaining deposits and refinancing existing loans with other banks, recruiting and retaining strong teams, conservative underwriting standards and minimizing costs. Through the multi-family and commercial real estate products, Customers primarily earns interest income and generates commercial deposits. Customers also maintains specialty lending businesses, commercial loans to mortgage originators and other consumer loans purchased or originated with third-party fintech companies. Customers' commercial loans to mortgage originators is a national business where Customers provides liquidity to non-depository mortgage companies to fund their mortgage pipelines and meet other business needs. Through the loans to mortgage banking businesses, Customers earns interest and fee income and generates core deposits. Customers' other consumer loan business is a national business in which Customers purchases and originates other consumer loans through arrangements with third-party fintech companies. Customers also has digital, on-line savings banking product that generates core deposits nationally. Through the other consumer loans and digital, on-line savings banking product, Customers earns interest and generates core deposits.
- *BankMobile Strategy*. Customers launched BankMobile as a key strategic initiative in January 2015, recognizing the product delivery flexibility demanded by the millennial generation and the low cost of the smartphone delivery channel. BankMobile refers to Customers' efforts to build a full-service bank that is accessible to its customers anywhere and anytime through the customer's smartphone or other web-enabled device. BankMobile provides a nationwide deposit-aggregation platform. BankMobile principally has a "banking as a service" business model and focuses on the aggregation of low-cost deposits and currently offers no or low-fee banking, higher than average interest rates on savings and access to over 55,000 ATMs across the U.S. Customers believes that consolidating BankMobile with the acquired Disbursement business uniquely positions BankMobile to service 1.1 million students across America and to become the graduating students "bank for life" and service each graduate's financial needs throughout their life. Successful execution of the BankMobile strategy, including its consolidation with the Disbursement business through colleges and universities across America and similar white-label partnerships, greatly accelerates BankMobile's ability to achieve profitability. BankMobile's revenues are largely derived from interest income from its other consumer loan portfolio originated or purchased through arrangements with third-party fintech companies, interchange and card revenue, deposit fees, university card and disbursement fees and university subscription revenue.
- *Attractive low-credit risk profile.* Customers has sought to maintain high asset quality and moderate credit risk by using conservative underwriting standards, maintaining a diversified loan portfolio, and being selective with its purchases and originations of other consumer loans by focusing solely on prime borrowers (considered as borrowers with a FICO score of 660 or above at origination) combined with a risk-adjusted pricing model and early identification of potential problem assets. Customers has also formed a SAG to manage classified and NPAs. As of December 31, 2019, only $20.0 million, or 0.21%, of the Bank's total loan portfolio was non-performing.
- *Superior Community Banking Model.* Customers expects to drive organic core loan and deposit growth by employing its Concierge Banking® and single-point-of-contact strategies, which provide specific relationship managers or private bankers for all customers, delivering an appointment banking approach available 12 hours a day, seven days a week. This allows Customers to provide services in a personalized, convenient and expeditious manner. This approach, coupled with superior technology, including remote account opening, remote deposit capture, mobile banking and the first fee-free mobile digital bank, BankMobile, results in a competitive advantage over larger institutions, which management believes contributes to the profitability of its franchise and allows the Bank to generate core deposits. The “high-tech, high-touch,” model requires less staff and smaller branch locations to operate, thereby significantly reducing operating costs.
- *Acquisition Expertise.* The depth of Customers' management team and their experience working together and successfully completing acquisitions provides unique insight in identifying and analyzing potential markets and acquisition targets. The experience of Customers' team, which includes the acquisition and integration of over 35 institutions, as well as numerous asset and branch acquisitions, provides a substantial advantage in pursuing and consummating future acquisitions. Additionally, management believes Customers' strengths in structuring transactions to limit its risk, its experience in the financial reporting and regulatory process related to troubled bank acquisitions, and its ongoing risk management expertise, particularly in problem loan workouts, collectively enable it to capitalize on the potential of the franchises it acquires. With Customers' depth of operational experience in connection with completing merger and acquisition transactions, it expects to be able to integrate and reposition acquired franchises cost-efficiently with a minimum disruption to customer relationships.

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

Segments

Beginning in third quarter 2016, Customers revised its segment financial reporting to reflect the manner in which its chief operating decision makers had begun allocating resources and assessing performance subsequent to Customers' acquisition of the Disbursement business from Higher One and the combination of that business with the BankMobile technology platform late in second quarter 2016.

Management has determined that Customers' operations consist of two reportable segments - Customers Bank Business Banking and BankMobile. Each segment generates revenues, manages risk, and offers distinct products and services to targeted customers through different delivery channels. The strategy, marketing and analysis of these segments vary considerably. For more information on Customers' reportable operating segments, see NOTE 24 - BUSINESS SEGMENTS to the consolidated financial statements.

Products

Customers offers a broad range of traditional loan and deposit banking products and financial services, and non-traditional products and services through the successful launch of BankMobile in January 2015, to its commercial and consumer customers. Customers offers an array of lending products to cater to its customers’ needs, including commercial mortgage warehouse loans, multi-family and commercial real estate loans, business banking, small business loans, equipment financing, residential mortgage loans and other consumer loans. Customers also offers traditional deposit products, including commercial and consumer checking accounts, non-interest-bearing demand accounts, MMDA, savings accounts, time deposit accounts and cash management services. Prior to January 2015, deposit products were available to customers only through branches of Customers Bank. With the successful launch of BankMobile, the acquisition of the Disbursement business from Higher One and the combination of that business with the BankMobile platform and its white-label partnership, Customers is able to provide banking to millennials, students, middle class American families and underserved consumers throughout the United States. Additionally with the successful launch of Customers Business Banking's digital, on-line savings product, it is able to generate deposits nationally.

BankMobile is focused on providing quality low-cost deposit products and related services to its customers, such as no-or-low-fee checking, no opening balance requirements, instant virtual debit cards and similar customer friendly technology enabled services. Customers can also obtain cash free of any fees from over 55,000 ATMs in the United States. BankMobile has developed its capabilities to deliver retail loan products, such as personal loans and credit cards to its customers, either as a referral or direct lender, as its technological capabilities have evolved. In 2019, BankMobile's first white label banking partnership went live, offering BankMobile's best in class banking products to the partner's broad customer base.

Lending Activities

Customers focuses its lending efforts on the following lending areas:

- Commercial Lending – Customers' focus is on business banking (i.e., commercial and industrial lending), including small and middle market business banking (including SBA loans), commercial loans to mortgage companies, commercial real estate and multi-family lending, commercial equipment financing and specialty lending, and
- Consumer Lending – local-market mortgage and home equity lending and the origination and purchase of unsecured consumer loans through arrangements with third-party fintech companies and other market place lenders for both the Customers Bank Business Banking and BankMobile segments nationwide.

Commercial Lending

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

The commercial lending group, including commercial and industrial loans, owner occupied commercial real estate loans and specialty lending, focus on building business relationships that provide a complete offering of financial services customized to the present and future needs of each business client.

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

The goal of Customers' commercial real estate and multi-family lending group is to manage a portfolio of high-quality commercial real estate and multi-family loans within Customers' covered markets while cross-selling other products and services. These lending activities primarily target the refinancing of loans with other banks using conservative underwriting standards and provide purchase money for new acquisitions by borrowers. The primary collateral for these loans is a first-lien mortgage on the commercial real estate or multi-family property, plus an assignment of all leases related to such property. As part of its strategic initiatives, Customers is deemphasizing its lower-yielding multi-family lending activities and focusing on growing relationship-based commercial real estate and commercial and industrial lending activities.

The goal of commercial loans to mortgage companies is to provide liquidity to mortgage companies. The loans are predominately short-term facilities used by mortgage companies to fund their pipelines from closing of individual mortgage loans until their sale into the secondary market. Most of the individual mortgage loans that collateralize our commercial loans to mortgage companies are insured or guaranteed by the U.S. Government through one of its programs, such as FHA, VA, or they are conventional loans eligible for sale to Fannie Mae and Freddie Mac. Customers is currently expanding its product offerings to mortgage companies to meet a wider array of business needs. During the years ended December 31, 2019 and 2018, Customers Bank funded $31.8 billion and $27.2 billion of mortgage loans, respectively, to mortgage originators via warehouse facilities. The commercial loans to mortgage companies are reported as loans receivable, mortgage warehouse, at fair value.

The equipment finance group offers equipment financing and leasing products and services for a broad range of asset classes. It services vendors, dealers, independent finance companies, bank-owned leasing companies and strategic direct customers in the plastics, packaging, machine tool, construction, transportation and franchise markets. As of December 31, 2019 and 2018, Customers had $257.9 million and $172.9 million, respectively, of equipment finance loans outstanding. As of December 31, 2019 and 2018, Customers had $89.2 million and $54.5 million of equipment finance leases, respectively. As of December 31, 2019 and 2018, Customers had $93.6 million and $54.5 million, respectively, of operating leases entered into under this program, net of accumulated depreciation of $14.3 million and $4.8 million, respectively.

As of December 31, 2019 and 2018, Customers Bank had $8.4 billion and $7.8 billion, respectively, in commercial loans outstanding, composing approximately 83.8% and 91.6%, respectively, of its total loan portfolio, which includes loans held for sale and loans receivable, mortgage warehouse, at fair value. During the years ended December 31, 2019 and 2018, the Bank originated $1.9 billion and $600 million, respectively, of commercial loans, exclusive of multi-family loan originations and loans to mortgage originators via warehouse facilities.

Consumer Lending

Customers provides home equity and residential mortgage loans to customers. Underwriting standards for home equity lending are conservative, and lending is offered to solidify customer relationships and grow relationship revenues in the long term. This lending is important in Customers' efforts to grow total relationship revenues for its consumer households. These areas also support Customers' commitment to lower-and-moderate-income families in its market area.

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

Customers also originates and purchases unsecured consumer loans through arrangements with third-party fintech companies. Customers performs extensive due-diligence procedures on existing and potential fintech partners and only purchases and originates loans that meet its defined credit parameters, which includes but is not limited to minimum FICO scores and debt to income ratios. As part of its due-diligence process, Customers reviews loan level data, historical performance of the asset and distribution of credit and loss information. Customers does not originate or purchase loans that are considered sub-prime at the time of origination, which Customers considers to be those with FICO scores below 660.

As of December 31, 2019 and 2018, Customers had $1.6 billion and $0.7 billion, respectively, in consumer loans outstanding, comprising 16.2% and 8.4%, respectively, of Customers' total loan portfolio. During the years ended December 31, 2019 and 2018, Customers purchased $1.2 billion and $398.5 million of consumer loans, respectively.

Private Banking

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

Deposit Products and Other Funding Sources

Customers offers a variety of deposit products to its customers, including checking accounts, savings accounts, MMDA and other deposit accounts, including fixed-rate, fixed-maturity retail time deposits ranging in terms from 30 days to five years, individual retirement accounts, and non-retail time deposits consisting of jumbo certificates greater than or equal to $100,000. Customers also focuses on niche businesses as a source of lower-cost core deposits, including property management and mortgage banking businesses, title and escrow funds, health savings accounts, and Section 1031 of the IRS exchange deposits. Using its high touch supported by high tech model, Customers has experienced strong growth in core deposits. Customers also utilizes wholesale deposit products, money market accounts and certificates of deposits obtained through listing services and borrowings from the FHLB as a source of funding. These funding sources offer attractive funding costs in comparison to traditional sources of funding given the current interest-rate environment.

Financial Products and Services

In addition to traditional banking activities, Customers provides other financial services to its customers, including: mobile phone banking, internet banking, wire transfers, electronic bill payment, lock box services, remote deposit capture services, courier services, merchant processing services, cash vault, controlled disbursements, positive pay and cash management services (including account reconciliation, collections and sweep accounts). In January 2015, Customers successfully launched BankMobile, America's first mobile platform based full-service consumer bank. In June 2016, Customers acquired the Disbursement business of Higher One and subsequently combined that business with the BankMobile platform. The Disbursement business assists higher educational institutions in their distributions of Title IV monies to students. In combining the businesses, BankMobile serviced approximately 1.1 million active deposit accounts at December 31, 2019.

Competition

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

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

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

BankMobile, as a division of Customers Bank, competes for deposit customers with traditional bank branches that may have a physical presence near the university and college campuses it serves, large national banks, as well as smaller regional or local banks, with other student and disbursement businesses, both banks and prepaid card providers, local and national loan providers, and with fintech companies. BankMobile continues to develop strategies to offer white label deposit products to commercial entities, again competing with traditional bank deposit product branch delivery channels. In 2019, BankMobile's first white label banking partnership went live, offering BankMobile's best in class banking products to the partner's broad customer base.

Employees

As of December 31, 2019, Customers had 867 full-time equivalent team members, including approximately 310 team members dedicated to the BankMobile business segment.

Available Information

Customers Bancorp's internet website address is www.customersbank.com. Information on Customers Bancorp's website is not part of this Annual Report on Form 10-K. Investors can obtain copies of Customers Bancorp's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, on Customers Bancorp's website (accessible under "About Us" – "Investor Relations" – "SEC Filings") as soon as reasonably practicable after Customers Bancorp has filed such materials with, or furnished them to, the SEC. Customers Bancorp will also furnish a paper copy of such filings free of charge upon request. Customers Bancorp's filings can also be accessed at the SEC's internet website: www.sec.gov.

SUPERVISION AND REGULATION

GENERAL

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

As of December 31, 2019, Customers Bank exceeded the $10 billion asset threshold, and accordingly, will be subject to the supervision, examination and enforcement jurisdiction of the CFPB. Additionally, the Bank will be subject to higher FDIC premium assessments applicable to institutions with assets exceeding $10 billion in assets and the loss, effective as of July 1, 2020 of the small issuer exemption under the Durbin Amendment to the Dodd-Frank Act, thereby limiting interchange income to $0.21 per transaction plus 5 basis points multiplied by the value of the transaction plus a $0.01 fraud adjustment for an interchange transaction fee for debit card transactions.

FEDERAL BANKING LAWS

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

Prompt Corrective Action. Federal banking law mandates certain "prompt corrective actions," which Federal banking agencies are required to take, and certain actions which they have discretion to take, based upon the capital category into which a Federally regulated depository institution falls. Regulations have been adopted by the Federal bank regulatory agencies setting forth detailed procedures and criteria for implementing prompt corrective action in the case of any institution that is not adequately capitalized. Under the rules, an institution will be deemed to be "adequately capitalized" or better if it exceeds the minimum Federal regulatory capital requirements. However, it will be deemed "undercapitalized" if it fails to meet the minimum capital requirements, "significantly undercapitalized" if it has a common equity tier 1 risk-based capital ratio that is less than 3.0%, or has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 4.0%, or a leverage ratio that is less than 3.0%, and "critically undercapitalized" if the institution has a ratio of tangible equity to total assets that is equal to or less than 2.0%. The rules require an undercapitalized institution to file a written capital restoration plan, along with a performance guaranty by its holding company or a third party. In addition, an undercapitalized institution becomes subject to certain restrictions including a prohibition on the payment of dividends, a limitation on asset growth and expansion, and in certain cases, a limitation on the payment of bonuses or raises to senior executive officers and a prohibition on the payment of certain "management fees" to any "controlling person." Institutions that are classified as undercapitalized are also subject to certain additional supervisory actions, including increased reporting burdens and regulatory monitoring, a limitation on the institution's ability to make acquisitions, open new branch offices, or engage in new lines of business, obligations to raise additional capital, restrictions on transactions with affiliates and restrictions on interest rates paid by the institution on deposits. In certain cases, bank regulatory agencies may require replacement of senior executive officers or directors or sale of the institution to a willing purchaser. If an institution is deemed to be "critically undercapitalized" and continues in that category for four quarters, the statute requires, with certain narrowly limited exceptions, that the institution be placed in receivership.

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

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

The risk-based capital guidelines require all banks and bank holding companies to maintain capital levels in compliance with "risk-based capital" ratios. In these ratios, the on-balance-sheet assets and off-balance sheet exposures are assigned a risk-weight based upon the perceived and historical risk of incurring a loss of principal from that exposure. The risk-based capital rules are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and to minimize disincentives for holding liquid assets.

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

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

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

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

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

(i) a common equity Tier 1 risk-based capital ratio of 4.5%;

(ii) a Tier 1 risk-based capital ratio of 6%;

(iii) a total risk-based capital ratio of 8% and

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

The final rules also establish a "capital conservation buffer" above the new regulatory minimum capital requirements.

The capital conservation buffer was phased-in over four years beginning on January 1, 2016, as follows: the maximum buffer was 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.500% for 2019 and thereafter.

Effective January 1, 2019, the minimum capital level requirements (including the capital conservation buffer) applicable to the Bancorp and Customers Bank under the final rules are:

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

(ii) a Tier 1 risk-based capital ratio of 8.5%; and

(iii) a total risk-based capital ratio of 10.5%.

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

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

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

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

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

(ii) a Tier 1 risk-based capital ratio of 8%;

(iii) a total risk-based capital ratio of 10%; and

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

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

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

(ii) revisions to recognition of credit-risk mitigation;

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

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

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

In addition, in December 2018, the U.S. federal banking agencies finalized rules that would permit bank holding companies and banks to phase-in, for regulatory capital purposes, the day-one impact of the new CECL accounting rule on retained earnings over a period of three years, with 25% of the day-one impact recognized on the adoption date (January 1, 2020 for Customers) and an additional 25% recognized annually on January 1 for the next three years.

As of December 31, 2019 and 2018, Customers Bank and the Bancorp met all capital adequacy requirements to which they were subject. For additional information on Customers' regulatory capital ratios, refer to “NOTE 18 – REGULATORY CAPITAL” to the consolidated financial statements.

Dodd-Frank Act. The Dodd-Frank Act was enacted by Congress on July 15, 2010, and was signed into law on July 21, 2010. Among many other provisions, the legislation:

- established the Financial Stability Oversight Council, a federal agency acting as the financial system’s systemic risk regulator with the authority to review the activities of significant bank holding companies and non-bank financial firms, to make recommendations and impose standards regarding capital, leverage, conflicts and other requirements for financial firms and to impose regulatory standards on certain financial firms deemed to pose a systemic threat to the financial health of the U.S. economy;
- created a new CFPB within the U.S. Federal Reserve, which has substantive rule-making authority over a wide variety of consumer financial services and products, including the power to regulate unfair, deceptive or abusive acts or practices;
- permitted state attorney generals and other state enforcement authorities broader power to enforce consumer protection laws against banks;
- required that the amount of any interchange fee charged by a debit card issuer with respect to a debit card transaction must be reasonable and proportional to the cost incurred by the issuer. On June 29, 2011, for banks with assets of $10 billion or greater, such as the Bank, the Federal Reserve Board set the interchange rate cap at $0.21 per transaction and 5 basis points multiplied by the value of the transaction;
- gave the FDIC substantial new authority and flexibility in assessing deposit insurance premiums, which may result in increased deposit insurance premiums for Customers in the future;
- increased the deposit insurance coverage limit for insurable deposits to $250,000 generally, and removes the limit entirely for transaction accounts;
- permitted banks to pay interest on business demand deposit accounts; and
- prohibited banks subject to enforcement action such as a MOU from changing their charter without the approval of both their existing charter regulator and their proposed new charter regulator.

The EGRRCPA was signed into law on May 24, 2018 and directs the Federal Reserve Board to monitor emerging risks to financial stability and enact supervision and prudential standards applicable to bank holding companies with total assets of $250 billion or more and non-bank covered companies designated as systematically important by the Financial Stability Oversight Council. In general, the EGRRCPA increases the statutory asset threshold, defined in the Dodd-Frank Act, above which the Federal Reserve is required to apply these enhanced prudential standards from $50 billion to $250 billion and immediately raised the asset threshold for stress testing from $10 billion to $100 billion for bank holding companies. Bank holding companies with $250 billion or more in total consolidated assets remain fully subject to the Dodd-Frank Act's enhanced prudential standards requirements. As a result, Customers is no longer subject to stress testing regulations or any requirement to publish the results of our stress testing. Customers will continue to perform certain stress tests internally and incorporate the economic models and information developed through our stress testing program into our risk management and business planning activities.

In July 2018, the Federal Reserve stated that it would no longer require bank holding companies with less than $100 billion in total consolidated assets to comply with the modified version of the liquidity coverage ratio. In addition, in October 2018, the federal bank regulators proposed to revise their liquidity requirements so that banking organizations that are not global systemically important banks and have less than $250 billion in total consolidated assets and less than $75 billion in each of off-balance-sheet exposure, nonbank assets, cross-jurisdictional activity and short-term wholesale funding would not be subject to any liquid coverage ratio or net stable funding ratio requirements.

In February 2014, the Federal Reserve adopted rules to implement certain of these enhanced prudential standards. Beginning in 2015, the rules require publicly traded bank holding companies with $10 billion or more in total consolidated assets to establish risk committees and require bank holding companies with $50 billion or more in total consolidated assets to comply with enhanced liquidity and overall risk management standards. Customers has established a risk committee and is in compliance with this requirement. In October 2018, the Federal Reserve and the other federal bank regulators proposed rules that would tailor the application of the enhanced prudential standards to bank holding companies and depository institutions pursuant to the EGRRCPA amendments, including by raising the asset threshold for application of many of these standards. For example, all publicly traded bank holding companies with $50 billion or more in total consolidated assets would be required to maintain a risk committee.

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

Regulatory Reform and Legislation. From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of Customers in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. Customers cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on its financial condition or results of operations. A change in statutes, regulations or regulatory policies applicable to Customers or our subsidiaries could have a material effect on our business, financial condition and results of operations.

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

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

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

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

Incentive Compensation. In June 2010, the Federal Reserve Board, OCC and FDIC issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The Federal Reserve Board will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as Customers, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness, and the organization is not taking prompt and effective measures to correct the deficiencies.

In addition, Section 956 of the Dodd-Frank Act required certain regulators (including the FDIC, SEC and Federal Reserve Board) to adopt requirements or guidelines prohibiting excessive compensation. In April and May 2016, the Federal Reserve, jointly with five other federal regulators, published a proposed rule in response to Section 956 of the Dodd-Frank Act, which requires implementation of regulations or guidelines to: (i) prohibit incentive-based payment arrangements that encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss and (ii) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator.

The proposed rule identifies three categories of institutions that would be covered by these regulations based on average total consolidated assets, applying less prescriptive incentive-based compensation program requirements to the smallest covered institutions (Level 3) and progressively more rigorous requirements to the larger covered institutions (Level 1). Under the proposed rule, Customers would fall into the smallest category (Level 3), which applies to financial institutions with average total consolidated assets greater than $1 billion and less than $50 billion. The proposed rules would establish general qualitative requirements applicable to all covered entities, which would include (i) prohibiting incentive arrangements that encourage inappropriate risks by providing excessive compensation; (ii) prohibiting incentive arrangements that encourage inappropriate risks that could lead to a material financial loss; (iii) establishing requirements for performance measures to appropriately balance risk and reward; (iv) requiring board of director oversight of incentive arrangements and (v) mandating appropriate record keeping. Under the proposed rule, larger financial institutions with total consolidated assets of at least $50 billion would also be subject to additional requirements applicable to such institutions' "senior executive officers" and "significant risk-takers." These additional requirements would not be applicable to Customers because it currently has less than $50 billion in total consolidated assets. Comments on the proposed rule were due by July 22, 2016. As of the date of this document, the final rule has not yet been published by these regulators.

Consumer Financial Protection Laws and Enforcement. The CFPB and the federal banking agencies continue to focus attention on consumer protection laws and regulations. The CFPB is responsible for promoting fairness and transparency for mortgages, credit cards, deposit accounts and other consumer financial products and services and for interpreting and enforcing the federal consumer financial laws that govern the provision of such products and services. Federal consumer financial laws enforced by the CFPB include, but are not limited to, the ECOA, TILA, the Truth in Savings Act, HMDA, RESPA, the Fair Debt Collection Practices Act, and the Fair Credit Reporting Act. The CFPB is also authorized to prevent any institution under its authority from engaging in an unfair, deceptive, or abusive act or practice in connection with consumer financial products and services. Customers is subject to multiple federal consumer protection statutes and regulations, including, but not limited to, those referenced above.

In particular, fair lending laws prohibit discrimination in the provision of banking services, and the enforcement of these laws has been an increasing focus for the CFPB, the HUD, and other regulators. Fair lending laws include ECOA and the FHA, which outlaw discrimination in credit and residential real estate transactions on the basis of prohibited factors including, among others, race, color, national origin, gender, and religion. A lender may be liable for policies that result in a disparate treatment of, or have a disparate impact on, a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the DOJ for investigation. Failure to comply with these and similar statutes and regulations can result in Customers Bancorp becoming subject to formal or informal enforcement actions, the imposition of civil money penalties and consumer litigation.

The CFPB has exclusive examination and primary enforcement authority with respect to compliance with federal consumer financial protection laws and regulations by institutions under its supervision and is authorized, individually or jointly with the federal bank regulatory agencies, to conduct investigations to determine whether any person is, or has, engaged in conduct that violates such laws or regulations. The CFPB may bring an administrative enforcement proceeding or civil action in federal district court. In addition, in accordance with a MOU entered into between the CFPB and the DOJ, the two agencies have agreed to coordinate efforts related to enforcing the fair lending laws, which includes information sharing and conducting joint investigations; however, as a result of recent leadership changes at the DOJ and CFPB, as well as changes in the enforcement policies and priorities of each agency, the extent to which such coordination will continue to occur in the near term is uncertain. As an independent bureau funded by the Federal Reserve Board, the CFPB may impose requirements that are more stringent than those of the other bank regulatory agencies.

As an insured depository institution with total assets of more than $10 billion, the Bank is subject to the CFPB's supervisory and enforcement authorities. The Dodd-Frank Act also permits states to adopt stricter consumer protection laws and state attorneys general to enforce consumer protection rules issued by the CFPB. As a result, the Bank operates in a stringent consumer compliance environment and may incur additional costs related to consumer protection compliance, including but not limited to potential costs associated with CFPB examinations, regulatory and enforcement actions and consumer-oriented litigation. The CFPB, other financial regulatory agencies, including the Federal Reserve, as well as the DOJ, have, over the past several years, pursued a number of enforcement actions against depository institutions with respect to compliance with fair lending laws.

UDAP and UDAAP. Banking regulatory agencies have increasingly used a general consumer protection statute to address "unethical" or otherwise "bad" business practices that may not necessarily fall directly under the purview of a specific banking or consumer finance law. The law of choice for enforcement against such business practices has been Section 5 of the FTC Act, which is the primary federal law that prohibits unfair or deceptive acts or practices, referred to as "UDAP," and unfair methods of competition in or affecting commerce. "Unjustified consumer injury" is the principal focus of the FTC Act. Prior to the Dodd-Frank Act, there was little formal guidance to provide insight to the parameters for compliance with UDAP laws and regulations. However, UDAP laws and regulations have been expanded under the Dodd-Frank Act to apply to "unfair, deceptive or abusive acts or practices,” referred to as "UDAAP," which have been delegated to the CFPB for supervision. The CFPB has published its first Supervision and Examination Manual that addresses compliance with and the examination of UDAAP.

Privacy Protection and Cybersecurity. The Bank is subject to regulations implementing the privacy protection provisions of the GLBA. These regulations require the Bank to disclose its privacy policy, including identifying with whom it shares "nonpublic personal information," to customers at the time of establishing the customer relationship and annually thereafter. The regulations also require the Bank to provide its customers with initial and annual notices that accurately reflect its privacy policies and practices. In addition, to the extent its sharing of such information is not covered by an exception, the Bank is required to provide its customers with the ability to "opt-out" of having the Bank share their nonpublic personal information with unaffiliated third parties.

The Bank is subject to regulatory guidelines establishing standards for safeguarding customer information. These regulations implement certain provisions of the GLBA. The guidelines describe the federal bank regulatory agencies’ expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer. These guidelines, along with related regulatory materials, increasingly focus on risk management and processes related to information technology and the use of third parties in the provision of financial services. In October 2016, the federal banking agencies issued an advance notice of proposed rulemaking on enhanced cybersecurity risk-management and resilience standards that would apply to large and interconnected banking organizations and to services provided by third parties to these firms. These enhanced standards would apply only to depository institutions and depository institution holding companies with total consolidated assets of $50 billion or more. The federal banking agencies have not yet taken further action on these proposed standards.

Bank Holding Company Regulation

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

The Bank Holding Company Act requires the Bancorp to secure the prior approval of the Federal Reserve Board before it owns or controls, directly or indirectly, more than five percent (5%) of the voting shares or substantially all of the assets of any bank. In addition, bank holding companies are required to act as a source of financial strength to each of their banking subsidiaries pursuant to which such holding company may be required to commit financial resources to support such subsidiaries in circumstances when, absent such requirements, they might not do so.

A bank holding company is prohibited from engaging in or acquiring direct or indirect control of more than five percent (5%) of the voting shares of any company engaged in non-banking activities unless the Federal Reserve Board, by order or regulation, has found such activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making this determination, the Federal Reserve Board considers whether the performance of these activities by a bank holding company would offer benefits to the public that outweigh the possible adverse effects.

Control Acquisitions. The CBCA prohibits a person or group of persons from acquiring “control” of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as Customers Bancorp, would, under the circumstances set forth in the presumption, constitute acquisition of control of Customers Bancorp.

In addition, the CBCA prohibits any entity from acquiring 25% (the BHC Act has a lower limit for acquirers that are existing bank holding companies) or more of a bank holding company’s or bank’s voting securities, or otherwise obtaining control or a controlling influence over a bank holding company or bank without the approval of the Federal Reserve. On January 31, 2020, the Federal Reserve Board approved the issuance of a final rule (which becomes effective April 1, 2020) that clarifies and codifies the Federal Reserve’s standards for determining whether one company has control over another. The final rule establishes four categories of tiered presumptions of noncontrol that are based on the percentage of voting shares held by the investor (less than 5%, 5-9.9%, 10-14.9% and 15-24.9%) and the presence of other indicia of control. As the percentage of ownership increases, fewer indicia of control are permitted without falling outside of the presumption of noncontrol. These indicia of control include nonvoting equity ownership, director representation, management interlocks, business relationship and restrictive contractual covenants. Under the final rule, investors can hold up to 24.9% of the voting securities and up to 33% of the total equity of a company without necessarily having a controlling influence.

Applications under the Bank Holding Company Act and the Change in Control Act are subject to review, based upon the record of compliance of the applicant with the CRA.

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

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

PENNSYLVANIA BANKING LAWS

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

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

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

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

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

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

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

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

Under the Interstate MOU, the activities of branches Customers established in New Jersey or New York would be governed by Pennsylvania state law to the same extent that federal law governs the activities of the branch of an out-of-state national bank in such host states. Issues regarding whether a particular host state law is preempted are to be determined in the first instance by the

Pennsylvania Department of Banking and Securities. In the event that the Pennsylvania Department of Banking and Securities and the applicable host state regulator disagree regarding whether a particular host state law is pre-empted, the Pennsylvania Department of Banking and Securities and the applicable host state regulator would use their reasonable best efforts to consider all points of view and to resolve the disagreement.

Item 1A. Risk Factors

Risks Related to the Bancorp's Banking Operations

Our business is highly susceptible to credit risk. If our ALLL is insufficient to absorb losses in our loan and lease portfolio, our earnings could decrease.

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

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

Our credit standards, policies and procedures are designed to reduce the risk of credit losses to a low level but may not prevent us from incurring substantial credit losses.

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

At December 31, 2019, Customers' ALLL totaled $56.4 million, which represents 0.77% of total loans and leases held for investment (excluding loans receivable, mortgage warehouse at fair value). Management makes various assumptions and judgments about the collectibility of our loan and lease portfolio, including the creditworthiness of our borrowers and the probability of their making payments, as well as the value of real estate and other assets serving as collateral for the repayment of many of our loans and leases.

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

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

As described in "NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION," in June 2016, the FASB issued an accounting standard update, "Financial Instruments-Credit Losses (Topic 326), *Measurement of Credit Losses on Financial Instruments*," which replaces the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the CECL model. Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the "incurred loss" model required under current GAAP, which delays recognition until it is probable a loss has been incurred. The CECL model may create more volatility in the level of our ALLL.

On December 21, 2018, the regulatory agencies approved a final rule modifying their regulatory capital rules and providing an option to phase in over a period of three years the day-one regulatory capital effect of the CECL model. The final rule also revises the agencies' other rules to reflect the update to the accounting standards. The final rule became effective on April 1, 2019. Additionally, proposed guidance clarifying the final rule was issued in October 2019. The proposed guidance, when effective, will clarify the state of existing agency guidance and describe the appropriate CECL methodology for determining allowances for credit losses on specific assets, including net investments in leases, impaired available-for-sale debt securities, etc. The proposed guidance will become effective when each institution adopts the new standards required by the FASB.

The new CECL standard will become effective for us for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. We expect to recognize a one-time cumulative-effect adjustment to our ALLL as of the beginning of the first reporting period in which we adopt the new standard, consistent with regulatory expectations set forth in interagency guidance issued at the end of 2016. We incurred transition costs and also expect to incur ongoing costs in maintaining the additional CECL models and methodology along with acquiring forecasts used within the models, and that the methodology will result in increased capital costs upon initial adoption as well as over time.

Planned changes in the composition of our loan portfolio may expose us to increased lending risks.

We intend to continue emphasizing the origination of commercial loans, including specialty loans, loans to mortgage banking businesses and loans to consumers, while deemphasizing our multi-family loan portfolio. Our focus will be on funding commercial and industrial and consumer loan growth with the run-off of our multi-family loan portfolio. Changes in the composition of our loan portfolio could have a significant adverse effect on our overall credit profile, which could result in a higher percentage of non-accrual loans, increased provision for loan losses, and an increased level of net charge-offs, all of which could have a material and adverse effect on our financial condition and results of operations. Consumer loans are particularly affected by economic conditions, including interest rates, the rate of unemployment, housing prices, the level of consumer confidence, changes in consumer spending, and the number of personal bankruptcies. A weakening in business or economic conditions, including higher unemployment levels or declines in home prices could adversely affect borrowers' ability to repay their loans, which could negatively impact our credit performance.

As of December 31, 2019, Customers had $1.6 billion in consumer loans outstanding, or 16.2% of the total loan and lease portfolio, compared to $721.8 million, or 8.4% of the total loan and lease portfolio, as of December 31, 2018.

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

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

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

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

As of December 31, 2019, we had $8.4 billion in commercial loans outstanding, approximately 83.8% of our total loan and lease portfolio, which includes loans held for sale and loans receivable, mortgage warehouse at fair value.

Our New York State multi-family loan portfolio could be adversely impacted by changes in legislation or regulation.

On June 14, 2019, the New York State legislature passed the Housing Stability and Tenant Protection Act of 2019, impacting about one million rent regulated apartment units. Among other things, the new legislation: (i) curtails rent increases from Material Capital Improvements and Individual Apartment Improvements; (ii) all but eliminates the ability for apartments to exit rent regulation; (iii) does away with vacancy decontrol and high-income deregulation; and (iv) repealed the 20% vacancy bonus. While it is too early to measure the full impact of the legislation, in total, it generally limits a landlord's ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing our multi-family loans or the future net operating income of such properties could potentially become impaired. At December 31, 2019, our total multi-family exposure in New York State was approximately $1.5 billion, of which approximately $1.0 billion, or 67%, was provided for loans to rent regulated properties in the multi-family community, primarily in New York City.

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

On December 23, 2008, the FHLB of Pittsburgh announced that it would voluntarily suspend the payment of dividends and the repurchase of excess capital stock until further notice. The FHLB announced at that time that it expected its ability to pay dividends and add to retained earnings to be significantly curtailed due to low short-term interest rates, an increased cost of maintaining liquidity, OTTI charges and constrained access to debt markets at attractive rates. While the FHLB resumed payment of dividends and capital stock repurchases in 2012, capital stock repurchases from member banks are reviewed on a quarterly basis by the FHLB, and there is no guarantee that such dividends and capital stock repurchases will continue in the future. As of December 31, 2019, the Bank held $60.8 million of FHLB capital stock.

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

As of December 31, 2019, the fair value of our investment securities portfolio was $595.9 million. We have historically followed a conservative investment strategy, with concentrations in securities that are backed by government-sponsored enterprises. In the future, we may seek to increase yields through more aggressive strategies, which may include a greater percentage of corporate securities, structured credit products or non-agency mortgage-backed securities. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, such as a change in management's intent to hold the securities until recovery in fair value, could cause OTTIs and realized and/or unrealized losses in future periods and declines in OCI, which could have a material adverse effect on us. The process for determining whether impairment of a security is other than temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security.

During the year ended December 31, 2017, Customers recorded OTTI losses of $12.9 million related to its equity holdings in Religare for the full amount of the decline in fair value from the cost basis established at December 31, 2016 through September 30, 2017, because Customers no longer had the intent to hold these securities until a recovery in fair value. At December 31, 2019, Customers continues to not have a tax strategy in place capable of generating sufficient capital gains to utilize any capital losses resulting from the Religare impairment. The adoption of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, on January 1, 2018 resulted in a cumulative effect adjustment to Customers' consolidated balance sheet with a $1.0 million reduction in accumulated other comprehensive income (loss) and a corresponding increase in retained earnings related to the December 31, 2017 unrealized gain on the Religare equity securities. In accordance with the new accounting guidance, changes in the fair value of the Religare equity securities since adoption are recorded directly in earnings, which resulted in an unrealized gain of $0.7 million being recognized in other non-interest income in the accompanying consolidated statements of income for the year ended December 31, 2019. At December 31, 2019, the fair value of the Religare equity securities was $2.4 million.

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

Changes to estimates and assumptions made by management in connection with the preparation of our consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses. The preparation of our consolidated financial statements requires management to make certain critical accounting estimates and assumptions that could affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting periods. Changes to management's assumptions or estimates could materially and adversely affect our business, operating results, reported assets and liabilities, financial condition and capital levels.

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

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the FASB or the SEC changes the financial accounting and reporting standards or the policies that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. We could be required to apply new or revised guidance retrospectively, which may result in the revision of prior period financial statements by material amounts. The implementation of new or revised accounting guidance could have a material adverse effect on our financial results or net worth. Notably, the FASB issued a new framework for estimating the ALLL that significantly altered the current estimate as well as other elements of the U.S. banking model. This new current estimated loss framework is effective for us on January 1, 2020.

Downgrades in U.S. Government and federal agency securities could adversely affect us.

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

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

Although we made profit for the years 2011 through 2019, there can be no assurance that we will be able to remain profitable in future periods, or, if profitable, that our overall earnings will remain consistent or increase in the future. Our earnings also may be reduced by increased expenses associated with increased assets, such as additional employee compensation expense, and increased interest expense on any liabilities incurred or deposits solicited to fund increases in assets. If earnings do not grow proportionately with our assets or equity, our overall profitability may be adversely affected.

Worsening general business and economic conditions could materially and adversely affect us.

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

Over the last several years, there have been several instances where there has been uncertainty regarding the ability of Congress and the President collectively to reach agreement on federal budgetary and spending matters. A period of failure to reach agreement on these matters, particularly if accompanied by an actual or threatened government shutdown, may have an adverse impact on the U.S. economy. Additionally, a prolonged government shutdown may inhibit our ability to evaluate borrower creditworthiness and originate and sell certain government-backed loans.

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

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

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

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

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

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

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

Potential limitations on incentive compensation contained in proposed federal agency rulemaking may adversely affect our ability to attract and retain our highest performing team members.

In April 2011 and May 2016, the Federal Reserve, other federal banking agencies and the SEC jointly published proposed rules designed to implement provisions of the Dodd-Frank Act prohibiting incentive compensation arrangements that would encourage inappropriate risk taking at covered financial institutions, which includes a bank or bank holding company with $1 billion or more in assets, such as we. It cannot be determined at this time whether or when a final rule will be adopted, and whether compliance with such a final rule will substantially affect the manner in which we structure compensation for our executives and other team members. Depending on the nature and application of the final rules, we may not be able to successfully compete with certain financial institutions and other companies that are not subject to some or all of the rules to retain and attract executives and other high-performing team members. If this were to occur, relationships that we have established with our clients may be impaired and our business, financial condition and results of operations could be adversely affected, perhaps materially.

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

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

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

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

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

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

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

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

Our earnings and cash flows largely depend upon the level of our net interest income, which is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. Because different types of assets and liabilities may react differently and at different times to market interest-rate changes, changes in interest rates can increase or decrease our net interest income. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a period, an increase in interest rates would reduce net interest income. Similarly, when interest-earning assets mature or reprice more quickly, and because the magnitude of repricing of interest-earning assets is often greater than interest-bearing liabilities, falling interest rates would reduce net interest income. Furthermore, with total assets above $10 billion, our ability to earn increased net interest income will be important to recover reduced interchange income due to the loss of the small issuer exemption under the Durbin Amendment.

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

Uncertainty about the future of LIBOR may adversely affect our business.

LIBOR and certain other interest rate "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit information to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021. While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, a group of market participants convened by the Federal Reserve, the Alternative Reference Rate Committee, has selected the Secured Overnight Finance Rate as its recommended alternative to LIBOR. The Federal Reserve Bank of New York started to publish the SOFR in April 2018. The SOFR is a broad measure of the cost of overnight borrowings collateralized by Treasury securities that was selected by the Alternative Reference Rate Committee due to the depth and robustness of the U.S. Treasury repurchase market. At this time, it is impossible to predict whether the SOFR will become an accepted alternative to LIBOR.

The market transition away from LIBOR to an alternative reference rate, such as the SOFR, is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, any such transition could:

- adversely affect the interest rates paid or received on, the revenue and expenses associated with or the value of Customers' LIBOR-based assets and liabilities, which include certain variable rate securities and loans, cash flow hedges, derivatives not designated as hedging instruments, subordinated debt, and Customers' outstanding preferred stock;
- adversely affect the interest rates paid or received on, the revenue and expenses associated with or the value of other securities or financial arrangements, given LIBOR's role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of Customers' preparation and readiness for the replacement of LIBOR with an alternative reference rate; and
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based contracts and securities.

The transition away from LIBOR to an alternative reference rate will require the transition to or development of appropriate systems and analytics to effectively transition Customers' risk management and other processes from LIBOR-based products to those based on the applicable alternative reference rate, such as the SOFR. There can be no guarantee that these efforts will successfully mitigate the operational risks associated with the transition away from LIBOR to an alternative reference rate.

The manner and impact of the transition from LIBOR to an alternative reference rate, as well as the effect of these developments on our funding costs, loan and investment and trading securities portfolios, asset-liability management, and business, is uncertain.

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

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

We continue to evaluate and implement upgrades and changes to our information technology systems, some of which are significant. Upgrades involve replacing existing systems with successor systems, making changes to existing systems or cost-effectively acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including accurately capturing data and system disruptions, and believe we are taking appropriate action to mitigate the risks through testing, training, and staging implementation, as well as ensuring appropriate commercial contracts are in place with third-party vendors supplying or supporting our information technology initiatives. However, there can be no assurances that we will successfully launch these systems as planned or that they will be implemented without disruptions to our operations. Information technology system disruptions, if not anticipated and appropriately mitigated, or failure to successfully implement new or upgraded systems, could have a material adverse effect on our results of operations. Also, we may have to make a significant investment to repair or replace these systems and could suffer loss of critical data and interruptions or delays in our operations.

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

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

Loss of, or failure to adequately safeguard, confidential or proprietary information may adversely affect our operations, net income or reputation.

We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, team members and others. This information is necessary for the conduct of our business activities, including the ongoing maintenance of deposit, loan, investment management and other account relationships for our customers, and receiving instructions and affecting transactions for those customers and other users of our products and services. In addition to confidential information regarding our customers, team members and others, we compile, process, transmit and store proprietary, non-public information concerning our own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

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

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

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

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

As of December 31, 2019, our directors and executive officers, as a group, owned a total of 2,378,628 shares of common stock and exercisable options to purchase up to an additional 707,535 shares of common stock, which potentially gives them, as a group, the ability to control approximately 9.85% of the outstanding common stock. In addition, a director of Customers Bank who is not a director of Customers Bancorp owns an additional 27,930 shares of common stock, which if combined with the directors and officers of Customers Bancorp, potentially gives them, as a group, the ability to control approximately 9.94% of the outstanding common stock. We believe ownership of stock causes directors and officers to have the same interests as shareholders, but it also gives them the ability to vote as shareholders for matters that are in their personal interest, which may be contrary to the wishes of other shareholders. Shareholders will not necessarily be provided with an opportunity to evaluate the specific merits or risks of one or more potential investment, acquisition or disposition transactions. Any decision regarding a potential investment or acquisition transaction will be made by our board of directors. Except in limited circumstances as required by applicable law, consummation of an acquisition will not require the approval of holders of common stock. Accordingly, shareholders may not have an opportunity to evaluate and affect the board of directors' decision regarding most potential investment or acquisition transactions and/or certain disposition transactions.

In connection with the Disbursement business, we depend on our relationship with higher education institutions and, in turn, student usage of our products and services for future growth of our BankMobile business.

The future growth of our BankMobile business depends, in part, on our ability to enter into agreements with higher education institutions. Our contracts with these clients can generally be terminated at will and, therefore, there can be no assurance that we will be able to maintain these clients. We may also be unable to maintain our agreements with these clients on terms and conditions acceptable to us. In addition, we may not be able to continue to establish new relationships with higher education institution clients. The termination of our current client contracts or our inability to continue to attract new clients could have a material adverse effect on our business, financial condition and results of operations.

Establishing new client relationships and maintaining current ones are also essential components of our strategy for attracting new student customers, deepening the relationships we have with existing customers and maximizing customer usage of our products and services. A reduction in enrollment, a failure to attract and maintain student customers, as well as any future demographic or other trends that reduce the number of higher education students could materially and adversely affect BankMobile's capability for both revenue and cash generation and, as a result, could have a material adverse effect on our business, financial condition and results of operations.

BankMobile's Disbursement business depends on the current government financial aid regime that relies on the outsourcing of financial aid disbursements through higher education institutions.

In general, the U.S. Federal Government distributes financial aid to students through higher education institutions as intermediaries. BankMobile's Disbursement business provides our higher education institution clients an electronic system for improving the administrative efficiency of this refund disbursement process. If the government, through legislation or regulatory action, restructures the existing financial aid regime in such a way that reduces or eliminates the intermediary role played by financial institutions serving higher education institutions or limits or regulates the role played by service providers such as we, our business, results of operations and BankMobile's prospects for future growth could be materially and adversely affected.

A change in the availability of financial aid, as well as U.S. budget constraints, could materially and adversely affect our financial performance by reducing demand for BankMobile's services.

The higher education industry depends heavily upon the ability of students to obtain financial aid. As part of our contracts with our higher education institution clients that use BankMobile's Disbursement business services, students' financial aid and other refunds are sent to us for disbursement. The fees that we charge most of our Disbursement business higher education institution clients are based on the number of financial aid disbursements that we make to students. In addition, our relationships with Disbursement business higher education institution clients provide us with a market for BankMobile. Consequently, a change in the availability or amount of financial aid that restricts client use of our Disbursement business service or otherwise limits our ability to attract new higher education institution clients could materially and adversely affect our financial performance. Also, decreases in the amount of financial aid disbursements from higher education institutions to students could materially and adversely affect our financial performance. Future legislative and executive-branch efforts to reduce the U.S. federal budget deficit or worsening economic conditions may require the government to severely curtail its financial aid spending, which could materially and adversely affect our business, financial condition and results of operations.

Providing disbursement services to higher education institutions is an uncertain business; if the market for BankMobile's products does not continue to develop, we will not be able to grow this portion of our business.

The success of BankMobile's Disbursement business will depend, in part, on our ability to generate revenues by providing financial transaction services to higher education institutions and their students. The market for these services has evolved, and the long-term viability and profitability of this market is unproven. Our business will be materially and adversely affected if we do not develop and market products and services that achieve and maintain market acceptance. Outsourcing disbursement services may not become as widespread in the higher education industry as we anticipate, and our products and services may not achieve continued commercial success. Also, the DOE has proposed issuing prepaid cards directly to students, which may have the effect of reducing the need for outsourcing disbursement services or the volume of activity processed by the disbursement services. In addition, higher education institution clients could discontinue using our services and return to in-house disbursement solutions. If the outsourcing of disbursement services does not become as widespread as we anticipate, if higher education institution clients return to their prior methods of disbursement, or if prepaid card services displace the current disbursement process, our growth prospects, business, financial condition and results of operations could be materially and adversely affected.

Our business and future success may suffer if we are unable to successfully implement our strategy to convert student deposit customers to lifetime BankMobile customers.

A significant component of our growth strategy is dependent on our ability to have students of our higher education institution clients select BankMobile during the refund disbursement selection process and to convert those student BankMobile customers, along with the existing student customers we acquired through the Disbursement business acquisition, into lifetime customers with BankMobile as their primary banking relationship. In particular, our growth strategy depends on our ability to successfully cross-sell our core banking products and services to these student customers after they graduate from college. We may not be successful in implementing this strategy because these student customers and potential student customers may believe our products and services are unnecessary or unattractive. Our failure to sell our products and services to students after they graduate and to attract new student customers could have a material adverse effect on our prospects, business, financial condition and results of operations.

Breaches of security measures, unauthorized access to or disclosure of data relating to our higher education institution clients or BankMobile and student BankMobile account holders, computer viruses or malware, fraudulent activity and infrastructure failures could materially and adversely affect our reputation or harm our business.

Companies that process and transmit cardholder information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain the information and utilize it for fraudulent transactions. The encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data-security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers.

Unauthorized access to our computer systems or those of our third-party service providers, could result in the theft or publication of the information or the deletion or modification of sensitive records, and could cause interruptions in our operations. Any inability to prevent security breaches could damage our relationships with our higher education institution customers, cause a decrease in transactions by individual cardholders, expose us to liability for unauthorized purchases and subject us to network fines. These claims also could result in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices. Further, a significant data-security breach could lead to additional regulation, which could impose new and costly compliance obligations. Any material increase in our costs resulting from litigation or additional regulatory burdens being imposed upon us or litigation could have a material adverse effect on our operating revenues and profitability.

In addition, our higher education institution clients and student BankMobile account holders disclose to us certain “personally identifiable” information, including student contact information, identification numbers and the amount of credit balances, which they expect we will maintain in confidence. It is possible that hackers, customers or team members acting unlawfully or contrary to our policies or other individuals, could improperly access our or our vendors’ systems and obtain or disclose data about our customers. Further, because customer data may also be collected, stored or processed by third-party vendors, it is possible that these vendors could intentionally, negligently or otherwise disclose data about our clients or customers.

We rely to a large extent upon sophisticated information technology systems, databases and infrastructure, and take reasonable steps to protect them. However, due to their size, complexity, content and integration with or reliance on third-party systems, they are vulnerable to breakdown, malicious intrusion, natural disaster and random attack, all of which pose a risk of exposure of sensitive data to unauthorized persons or to the public.

A cybersecurity breach of our information systems could lead to fraudulent activity such as identity theft, losses on the part of our banking customers, additional security costs, negative publicity and damage to our reputation and brand. In addition, our customers could be subject to scams that may result in the release of sufficient information concerning themselves or their accounts to allow others unauthorized access to their accounts or our systems (e.g., “phishing” and “smishing”). Claims for compensatory or other damages may be brought against us as a result of a breach of our systems or fraudulent activity. If we are unsuccessful in defending against any resulting claims against us, we may be forced to pay damages, which could materially and adversely affect our financial condition and results of operations.

Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Further, computer viruses or malware could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize several preventative and detective security controls in our network, they may be ineffective in preventing computer viruses or malware that could damage our relationships with our merchant customers, cause a decrease in transactions by individual cardholders, or cause us to be in non-compliance with applicable network rules and regulations.

In addition, a significant incident of fraud or an increase in fraud levels generally involving our products could result in reputational damage to us, which could reduce the use of our products and services. Such incidents could also lead to a large financial loss as a result of the protection for unauthorized purchases we provide to BankMobile customers given that we may be liable for any uncollectible account holder overdrafts and any other losses due to fraud or theft. Such incidents of fraud could also lead to regulatory intervention, which could increase our compliance costs. Compliance with the various complex laws and regulations is costly and time consuming, and failure to comply could have a material adverse effect on our business. Additionally, increased regulatory requirements on our services may increase our costs, which could materially and adversely affect our business, financial condition and results of operations. Accordingly, account data breaches and related fraudulent activity could have a material adverse effect on our future growth prospects, business, financial condition and results of operations.

A disruption to our systems or infrastructure could damage our reputation, expose us to legal liability, cause us to lose customers and revenue, result in the unintentional disclosure of confidential information or require us to expend significant efforts and resources or incur significant expense to eliminate these problems and address related data and security concerns. The harm to our business could be even greater if such an event occurs during a period of disproportionately heavy demand for our products or services or traffic on our systems or networks.

Prior to our acquisition of the Disbursement business, the Federal Reserve Board and FDIC took regulatory enforcement action against Higher One, which subjected us to regulatory inquiry and potential regulatory enforcement action, which may result in liabilities adversely affecting our business, financial conditions and/or results of operations or in reputational harm.

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

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

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

We believe that we identified key critical alleged compliance deficiencies within 30 days of first accepting deposits through our relationship with Higher One and caused such deficiencies to be remediated within approximately 120 days. In addition, we understand that the total amount of fees that Higher One collected from students who opened accounts with us during the relevant time period is substantially less than the total fees that Higher One collected from students who opened deposit accounts at the other partner banks during the relevant time period. In addition, as Higher One paid the restitution and deposited such monies to pay the required restitution, we did not expect that backup restitution would be required.

Nonetheless, as previously disclosed, we had been in discussions with the Federal Reserve Board regarding these matters from 2013 and in an effort to move forward, on December 6, 2016, we agreed to the issuance by the Federal Reserve Board of a combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Order and agreed to a penalty of $960 thousand. We had previously set aside a reserve for the civil money penalty and made payment in 2016.

We remain subject to the jurisdiction and examination of the Federal Reserve Board, and further action could be taken to the extent we do not comply with the terms of the Order or if the Federal Reserve Board were to identify additional violations of applicable laws and regulations. Any further action could have a material adverse effect on our business, financial conditions and/or results of operations or our reputation.

Termination of, or changes to, the MasterCard association registration could materially and adversely affect our business, financial condition and results of operations.

The student checking account debit cards issued in connection with the Disbursement business are subject to MasterCard association rules that could subject us to a variety of fines or penalties that may be levied by MasterCard for acts or omissions by us or businesses that work with us. The termination of the card association registration held by us or any changes in card association or other network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could materially and adversely affect our business, financial condition and results of operations.

Our business and future success may suffer if we are unable to continue to successfully implement our strategy for BankMobile.

The effective use of technology can increase efficiency and enable financial institutions to better serve customers and to reduce costs. However, some new technologies, including BankMobile, are not fully tested, and we may incur substantial expenses and devote significant management time and resources in order for BankMobile to compete effectively. Revenue generated from BankMobile's very-low-fee banking strategy may not perform as well as we expect or enhance the value of our business as a whole, and it could materially and adversely affect our financial condition and results of operations. Additionally, the anticipated benefits of our white label program may not be realized to the extent forecasted, or Customers may incur substantial expenses in the operation of the white label program that outweigh the benefits realized, if any, which could have a material and adverse affect on our financial condition and results of operations. Also, if the benefits of BankMobile do not meet the expectations of financial or industry analysts, the market price of our common stock may decline.

While we retain and operate BankMobile, we will continue to face the risks and challenges associated with the BankMobile business.

As long as we retain and operate BankMobile, we will continue to face the risks and challenges associated with the BankMobile business. We cannot assure you that we will be able to address and manage these risks so as to preserve or increase the value of BankMobile, and any failure to preserve or increase the value of BankMobile could adversely affect the business of Customers as a whole and our ability to otherwise dispose of BankMobile on favorable terms, or at all.

We intend to engage in acquisitions of other businesses from time to time. These acquisitions may not produce revenue or earnings enhancements or cost savings at levels, or within time frames, originally anticipated and may result in unforeseen integration difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our ability to open or acquire branches is subject to regulatory approvals. We cannot predict whether the banking regulators will agree with our growth plans or if or when they will provide the necessary branch approvals. Numerous factors contribute to the performance of a new branch, such as a suitable location, competition, our ability to hire and retain qualified personnel, and the effectiveness of our marketing strategy. It takes time for a new branch to generate significant deposits and loan volume to offset expenses, some of which, like salaries and occupancy expense, are relatively fixed costs. Additionally, there can be no assurance that any of these new branches will ever become profitable. During the period of time before a branch can become profitable, operating a branch will negatively impact net income.

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

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

We may not be able to effectively manage our growth.

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

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

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

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

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

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

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

As previously disclosed, in November 2018, Customers determined that its previously issued consolidated financial statements as of and for the years ended December 31, 2017, 2016 and 2015, the related report of BDO included in the 2017 Form 10-K filed on February 23, 2018, and interim consolidated financial statements as of and for the three months ended March 31, 2018 and 2017 and the three and six months ended June 30, 2018 and 2017 (collectively, the "Affected Periods"), should no longer be relied upon because of misclassifications of cash flow activities associated with Customers' commercial mortgage warehouse lending activities between operating and investing activities on its consolidated statements of cash flows because the related loan balances were incorrectly classified as held for sale rather than held for investment on its consolidated balance sheets. These misclassifications had no effect on total cash balances, total loans, the ALLL, total assets, total capital, regulatory capital ratios, net interest income, net interest margin, net income to shareholders, basic or diluted EPS, return on average assets, return on average equity, the efficiency ratio, asset quality ratios or any other key performance metric, including non-GAAP performance metrics, that Customers routinely discusses with analysts and investors. Customers filed an amended Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017 and amended Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2018 and June 30, 2018 on November 30, 2018 to present the restated financial statements and related disclosures.

In connection with the restatement, management determined that a material weakness existed in internal control over financial reporting solely with respect to the misclassification of cash flows associated with Customers' commercial mortgage warehouse lending activities between operating and investing activities on its consolidated statements of cash flows because the related loan balances were incorrectly classified as held for sale rather than held for investment.

Customers conducted a comprehensive analysis of the classifications of cash flows within its consolidated statements of cash flows and established new accounting policies and disclosure control procedures for the classification and reporting of its mortgage warehouse lending transactions on the consolidated balance sheet and statements of cash flows. These efforts have remediated the identified material weakness in internal control over financial reporting as of December 31, 2018.

As management continues to evaluate and work to enhance internal control over financial reporting, it may determine that additional measures are required to address control deficiencies or strengthen internal control over financial reporting. If Customers' remediation efforts do not operate effectively or if it is unsuccessful in implementing or following its remediation efforts, this may result in untimely or inaccurate reporting of Customers' financial results.

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

We must maintain sufficient liquidity to fund our balance sheet growth in order to successfully grow our revenues, make loans, and repay deposit and other liabilities as these mature or are drawn. This liquidity can be gathered in both wholesale and non-wholesale funding markets. Our asset growth over the past few years has been funded with various forms of deposits and wholesale funding, including brokered and wholesale time deposits, FHLB advances and Federal funds line borrowings. Total wholesale deposits including brokered and municipal deposits were 23.0% of total deposits at December 31, 2019. Our gross loan to deposit ratio was 116.2% at December 31, 2019, and our loan to deposit ratio excluding the commercial mortgage warehouse portfolio was 89.55% at December 31, 2019**.** Wholesale funding can cost more than deposits generated from our traditional branch system and customer relationships and is subject to certain practical limits such as our liquidity policy limits, our available collateral for FHLB borrowings capacity and Federal funds line limits with our lenders. Additionally, regulators consider wholesale funding beyond certain points to be imprudent and might suggest or require that future asset growth be reduced or halted. In the absence of appropriate levels and mix of funding, we might need to reduce interest-earning asset growth through the reduction of current production, sales of loans and/or the sale of participation interests in future and current loans. This might reduce our future growth and net income.

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

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

We depend on checking, savings and money market deposit account balances and other forms of customer deposits as a primary source of funding for our lending activities. We expect that our future loan growth will largely depend on our ability to retain and grow a strong, low-cost deposit base. Because 19.3% of our deposit base as of December 31, 2019 was time deposits, it may prove harder to maintain and grow our deposit base than would otherwise be the case, especially since many of these deposits currently pay interest at above-market rates. As of December 31, 2019, $1.5 billion, or 87.9%, of our total time deposits, are scheduled to mature through December 31, 2020. We are working to transition certain of our customers to lower- cost traditional bank deposits as higher-cost funding, such as time deposits, mature. If interest rates increase, whether due to changes in inflation, monetary policy, competition or other factors, we would expect to pay higher interest rates on deposits, which would increase our funding costs and compress our net interest margin. We may not succeed in moving our deposits to lower-yielding savings and transactions products, which could materially and adversely affect us. In addition, with concerns about bank failures over the past several years and the end of the FDIC's non-interest transaction deposit guarantee program on December 31, 2012, customers, particularly those who may maintain deposits in excess of insured limits, have become concerned about the extent to which their deposits are insured by the FDIC. Our customers may withdraw deposits to ensure that their deposits with us are fully insured and may place excess amounts in other institutions or make investments that are perceived as being more secure and/or higher yielding. Further, even if we are able to maintain and grow our deposit base, deposit balances can decrease when customers perceive alternative investments, such as the stock market, will provide a better risk/return tradeoff. If customers move money out of bank deposits, we could lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income. Deposit balances associated with the BankMobile business segment can vary over the course of the year, from a seasonal low of approximately $400 million in July when student enrollment is lower to a high of as much as $685 million in February when student enrollment is high and individual account balances are generally at their peak. Additionally, any such loss of funds could result in lower loan originations and growth, which could materially and adversely affect our results of operations and financial condition, including liquidity.

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

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

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

From time to time, we may make or consider making minority investments in other financial institutions or technology companies in the financial services business. If we do so, we may not be able to influence the activities of companies in which we invest and may suffer losses due to these activities. Investments in foreign companies could pose additional risks as a result of distance, language barriers and potential lack of information (for example, foreign institutions, including foreign financial institutions, may not be obligated to provide as much information regarding their operations as those in the United States). Our investment in Religare, which is a diversified financial services company in India, represents such an investment. In fourth quarter 2016, we announced our decision to exit our investment in Religare. As a result of that decision, we recorded an impairment loss of $7.3 million in earnings in fourth quarter 2016 and adjusted our cost basis of the Religare securities to their estimated fair value of $15.2 million at December 31, 2016. During the year ended December 31, 2017, Customers recorded OTTI losses of $12.9 million related to its equity holdings in Religare for the full amount of the decline in fair value from the cost basis established at December 31, 2016 through September 30, 2017, because Customers no longer had the intent to hold these securities until a recovery in fair value. At December 31, 2019, Customers continues to not have a tax strategy in place capable of generating sufficient capital gains to utilize any capital losses resulting from the Religare impairment. The adoption of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, on January 1, 2018 resulted in a cumulative effect adjustment to Customers' consolidated balance sheet with a $1.0 million reduction in accumulated other comprehensive income (loss) and a corresponding increase in retained earnings related to the December 31, 2017 unrealized gain on the Religare equity securities. In accordance with the new accounting guidance, changes in the fair value of the Religare equity securities since adoption are recorded directly in earnings, which resulted in an unrealized loss of $1.6 million being recognized in other non-interest income in the accompanying consolidated statements of income for the year ended December 31, 2018. As of December 31, 2019, the fair value of the Religare equity securities was $2.4 million, which resulted in an unrealized gain of $0.7 million being recognized in other non-interest income in the consolidated statements of income for the year ended December 31, 2019. Future declines in the market price per share of the Religare common stock and adverse changes in foreign currency exchange rates, may have an adverse effect on our financial condition and results of operations.

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

Under the U.S. capital adequacy rules, which became effective as of January 1, 2015, we have to hold risk-based capital based on the amount of Religare common stock we own. Based upon the implementation of the final U.S. capital adequacy rules, these investments are currently subject to risk weighting of 100% of the amount of the investment; however, to the extent future aggregated carrying value of certain equity exposures exceeds 10% of our then total capital, risk weightings of 300% may apply. Any capital that is required to be used to support our Religare investment will not be available to support our United States operations or Customers Bank, if needed.

Risks Relating to the Regulation of Our Industry

Our business, financial condition, results of operations and future prospects could be adversely affected by the highly regulated environment in which we operate, including the effects of heightened regulatory requirements applicable to banks with assets in excess of $10 billion.

As a bank holding company, we are subject to federal supervision and regulation. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards, may limit our operations significantly and control the methods by which we conduct business, just as they limit those of other banking organizations. In addition, compliance with laws and regulations can be difficult and costly, and changes to laws and regulations can impose additional compliance costs. The Dodd-Frank Act, which imposes significant regulatory and compliance changes on financial institutions, is an example of this type of federal regulation. Many of these regulations are intended to protect depositors, customers, the public, the banking system as a whole, or the FDIC insurance funds, not stockholders. Regulatory requirements and discretion affect our lending practices, capital structure, investment practices, dividend policy and many other aspects of our business. There are laws and regulations which restrict transactions between us and our subsidiaries. These requirements may constrain our operations, and the adoption of new laws and changes to or repeal of existing laws may have a further impact on our business, financial condition, results of operations and future prospects. Also, the burden imposed by those federal and state regulations may place banks in general, including Customers Bank in particular, at a competitive disadvantage compared to their non-banking competitors. We are also subject to requirements with respect to the confidentiality of information obtained from clients concerning their identities, business and personal financial information, employment and other matters. We require our team members to agree to keep all such information confidential, and we monitor compliance. Failure to comply with confidentiality requirements could result in material liability and adversely affect our business, financial condition, results of operations and future prospects.

Bank holding companies and financial institutions are extensively regulated and currently face an uncertain regulatory environment. Applicable laws, regulations, interpretations, enforcement policies and accounting principles have been subject to significant changes in recent years and may be subject to significant future changes. Future changes may have a material adverse effect on our business, financial condition and results of operations.

Federal and state regulatory agencies may adopt changes to their regulations or change the manner in which existing regulations are applied or interpreted. We cannot predict the substance or effect of pending or future legislation or regulation or the application of laws and regulations on us. Compliance with current and potential regulation, as well as regulatory scrutiny, may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner by requiring us to expend significant time, effort and resources to ensure compliance and respond to any regulatory inquiries or investigations. In addition, press coverage and other public statements that assert some form of wrongdoing by financial services companies (including press coverage and public statements that do not involve us) may result in regulatory inquiries or investigations, which, independent of the outcome, may be time-consuming and expensive and may divert time, effort and resources from our business. Evolving regulations and guidance concerning executive compensation may also impose limitations on us that affect our ability to compete successfully for executive and management talent.

In addition, given the current economic and financial environment, regulators may elect to alter standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, certain risk management or other operational practices for financial services companies in a manner that impacts our ability to implement our strategy and could affect us in substantial and unpredictable ways and could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the regulatory agencies have extremely broad direction in their interpretation of the regulations and laws and their interpretation of the quality of our loan portfolio, securities portfolio and other assets. If any regulatory agency's assessment of the quality of our assets, operations, lending practices, investment practices, capital structure or other assets of our business differs from our assessment, we may be required to take additional charges or undertake or refrain from undertaking actions that would have the effect of materially reducing our earnings, capital ratios and share price.

Because our total assets exceeded $10 billion at December 31, 2019, we and our bank subsidiary will become subject to increased regulatory requirements in 2020. The Dodd-Frank Act and its implementing regulations impose various additional requirements on bank holding companies with $10 billion or more in total assets. In addition, banks with $10 billion or more in total assets are primarily examined by the CFPB with respect to various federal consumer financial protection laws and regulations. Previously, our bank subsidiary has been subject to regulations adopted by the CFPB, but the Federal Reserve was primarily responsible for examining our bank subsidiary's compliance with consumer protection laws and those CFPB regulations. As a relatively new agency with evolving regulations and practices, there is some uncertainty as to how the CFPB's examination and regulatory authority might impact our business. Further, the possibility of future changes in the authority of the CFPB by Congress or the Trump Administration is uncertain, and we cannot predict the impact, if any, changes to the CFPB may have on our business.

With respect to deposit-taking activities, banks with assets in excess of $10 billion are subject to two changes. First, these institutions are subject to a deposit assessment based on a new scorecard issued by the FDIC. This scorecard considers, among other things, the bank's CAMELS rating, results of asset-related stress testing and funding-related stress, as well as our use of core deposits, among other things. Depending on the results of the bank's performance under that scorecard, the total base assessment rate is between 1.5 to 40 basis points. Any increase in our bank subsidiary's deposit insurance assessments may result in an increased expense related to our use of deposits as a funding source. Additionally, banks with over $10 billion in total assets are no longer exempt from the requirements of the Federal Reserve's rules on interchange transaction fees for debit cards. This means that, as of July 1, 2020, our bank subsidiary will now be limited to receiving only a "reasonable" interchange transaction fee for any debit card transactions processed using debit cards issued by our bank subsidiary to our customers. The Federal Reserve has determined that it is unreasonable for a bank with more than $10 billion in total assets to receive more than $0.21 plus 5 basis points of the transaction plus a $0.01 fraud adjustment for an interchange transaction fee for debit card transactions. This reduction in the amount of interchange fees we receive for electronic debit interchange will reduce our revenues.

Our regulators may also consider our compliance with these regulatory requirements when examining our operations generally or considering any request for regulatory approval we may make, even requests for approvals on unrelated matters.

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

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

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

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

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

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

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

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

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

The FDIC insures deposits at FDIC-insured depository institutions up to applicable limits. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially and adversely affect us, including reducing our profitability or limiting our ability to pursue certain business opportunities.

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

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

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

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

In September 2010, the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. Basel III narrowed the definition of capital, introduced requirements for minimum Tier 1 common capital, increased requirements for minimum Tier 1 capital and total risk-based capital, and changed risk-weighting methodologies. Basel III was fully phased in by January 1, 2019.

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

In December 2017, the Basel Committee on Banking Supervision published standards that it described as the finalization of the Basel III regulatory framework (commonly referred to as Basel IV). Among other things, these standards revise the Basel Committee's standardized approach for credit risk and provide a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2022, with an aggregate output floor phasing in through January 1, 2027. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced-approaches institutions and not to us. The impact of Basel IV on us will depend on the manner in which it is implemented by the federal bank regulators.

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

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

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

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

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

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

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

In connection with our acquisition of the Disbursement business, we are subject to further substantial federal and state governmental regulation related to the Disbursement business that could change and thus force us to make modifications to the Disbursement business. Compliance with the various complex laws and regulations is costly and time consuming, and failure to comply could have a material adverse effect on our business. Additionally, increased regulatory requirements on the Disbursement business may increase costs, which could materially and adversely affect our business, financial condition and/or operating results.

As a third-party servicer under the Title IV regulations, we are directly or indirectly subject to a variety of federal and state laws and regulations. Our contracts with most of our higher education institution clients require us to comply with applicable laws and regulations, including:

- Title IV of the Higher Education Act of 1965, or Title IV;
- FERPA;
- the USA PATRIOT Act and related anti-money laundering requirements; and
- certain federal rules regarding safeguarding personal information, including rules implementing the privacy provisions of GLBA.

Higher Education Regulations

Third-Party Servicer. Because of the services we provide to some institutions with regard to the handling of Title IV funds, we are considered a "third-party servicer" under the Title IV regulations. Those regulations require a third-party servicer to submit annually a compliance audit conducted by outside independent auditors that cover the servicer's Title IV activities. Each year we must submit a "Compliance Attestation Examination of the Title IV Student Financial Assistance Programs" audit to the DOE, which includes a report by an independent audit firm. This yearly compliance audit submission to DOE provides comfort to our higher education institution clients that we are in compliance with the third-party servicer regulations that may apply to us. We also provide this compliance audit report to clients upon request to help them fulfill their compliance audit obligations as Title IV participating institutions.

Under DOE's regulations, a third-party servicer that contracts with a Title IV institution acts in the nature of a fiduciary in the administration of Title IV programs. Among other requirements, the regulations provide that a third-party servicer is jointly and severally liable with its client institution for any liability to DOE arising out of the servicer's violation of Title IV or its implementing regulations, which could subject us to material fines related to acts or omissions of entities beyond our control. DOE is also empowered to limit, suspend or terminate the violating servicer's eligibility to act as a third-party servicer and to impose significant civil penalties on the violating servicer.

Additionally, on behalf of our higher education institution clients, we are required to comply with DOE's cash management regulations regarding payment of financial aid credit balances to students and providing bank accounts to students that may be used for receiving such payments. In the event DOE concluded that we had violated Title IV or its implementing regulations and should be subject to one or more of these sanctions, our business and results of operations could be materially and adversely affected. There is limited enforcement and interpretive history of Title IV regulations.

On May 18, 2015, DOE published its NPRM on program integrity and improvement issues. Final rules relating to Title IV cash management were published in the Federal Register on October 30, 2015. The Final Rules included, among others, provisions related to (i) restrictions on the ability of higher education institutions and third-party servicers like us to market financial products to students including sending unsolicited debit cards to students, (ii) prohibitions on the assessment of certain types of account fees on student account holders and (iii) requirements related to ATM access for student account holders that became effective as of July 1, 2016. Although the complete impact of the Final Rules are unknown, there could be a significant negative impact on the Disbursement business and, in turn, our business.

FERPA. Our higher education institution clients are subject to FERPA, which provides, with certain exceptions, that an educational institution that receives any federal funding under a program administered by DOE may not have a policy or practice of disclosing education records or "personally identifiable information" from education records, other than directory information, to third parties without the student's or parent's written consent. Our higher education institution clients that use the Disbursement business services disclose to us certain non-directory information concerning their students, including contact information, student identification numbers and the amount of students' credit balances. We believe that our higher education institution clients may disclose this information to us without the students' or their parents' consent pursuant to one or more exceptions under FERPA. However, if DOE asserts that we do not fall into one of these exceptions or if future changes to legislation or regulations require student consent before our higher education institution clients can disclose this information to us, a sizable number of students may cease using our products and services, which could materially and adversely affect our business, financial condition and results of operations.

Additionally, as we are indirectly subject to FERPA, we may not permit the transfer of any personally identifiable information to another party other than in a manner in which a higher education institution may disclose it. In the event that we re-disclose student information in violation of this requirement, FERPA requires our clients to suspend our access to any such information for a period of five years. Any such suspension could have a material adverse effect on our business, financial condition and results of operations.

State Laws. We may also be subject to similar state laws and regulations, including those that restrict higher education institutions from disclosing certain personally identifiable information of students. State attorney generals and other enforcement agencies may monitor our compliance with state and federal laws and regulations that affect our business, including those pertaining to higher education and banking, and conduct investigations of our business that are time consuming and expensive and could result in fines and penalties that have a material adverse effect on our business, financial condition and results of operations.

Additionally, individual state legislatures may propose and enact new laws that restrict or otherwise affect our ability to offer our products and services as we currently do, which could have a material adverse effect on our business, financial condition and results of operations.

Taxes

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

We are subject to U.S. federal income tax as well as income tax of various states primarily in the mid-Atlantic region of the United States. Years that remain open for potential review by (i) the IRS are 2015 through 2017 and (ii) state taxing authorities are 2013 through 2017. The results of these reviews could result in increased recognition of income tax expense in our consolidated financial statements as well as possible fines and penalties.

Changes in U.S. federal, state or local tax laws may negatively impact the Company's financial performance.

We are subject to changes in tax law that could increase Customers' effective tax rates. These law changes may be retroactive to previous periods and as a result could negatively affect Customers' current and future financial performance. In December 2017, the Tax Act was signed into law, which resulted in significant changes to the Code. The Tax Act reduced Customers' Federal corporate income tax rate to 21% beginning in 2018. However, the Tax Act also imposed limitations on Customers' ability to take certain deductions, such as the deduction for FDIC deposit insurance premiums, which partially offset the increase in net income from the lower tax rate.

In addition, a number of the changes to the Code are set to expire in future years. There is substantial uncertainty concerning whether those expiring provisions will be extended, or whether future legislation will further revise the Code.

Risks Relating to Our Securities

Risks Relating to Our Voting Common Stock

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

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

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

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

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

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

Actual or anticipated issuances or sales of substantial amounts of our common stock in the future could cause the value of our common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. Actual issuances of our common stock could also significantly dilute the voting power of the common stock.

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

At December 31, 2019, we are not required to issue any additional equity securities to existing holders of our common stock on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities, warrants or options, will generally dilute the holdings of our existing holders of common stock, and such issuances or the perception of such issuances may reduce the market price of our common stock. Our outstanding preferred stock has preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to holders of our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital-raising efforts is uncertain. Thus, holders of our common stock bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the value of our common stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Holders of Series C, Series D, Series E and Series F Preferred stock have limited voting rights.

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

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

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

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

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

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

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

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

Risks Relating to Our Senior Notes and Subordinated Notes

Our 4.5% Senior Notes, 3.95% Senior Notes, 6.125% Subordinated Notes and 5.375% Subordinated Notes contain limited covenants.

The terms of our 4.5% Senior Notes and 3.95% Senior Notes, which we refer to as the Senior Notes, and 6.125% and 5.375% Subordinated Notes, which we refer to as the Subordinated Notes, generally do not prohibit us from incurring additional debt or other liabilities. If we incur additional debt or liabilities, our ability to pay our obligations on the Senior Notes and Subordinated Notes could be adversely affected. In addition, the terms of our Senior Notes and Subordinated Notes do not require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, do not protect holders of those notes in the event that we experience material adverse changes in our financial condition or results of operations. Holders of the Senior Notes and Subordinated Notes also have limited protection in the event of a highly leveraged transaction, reorganization, default under our existing indebtedness, restructuring, merger or similar transaction.

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

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

In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary’s liquidation or otherwise, and, as a result, the ability of a holder of the 4.5% Senior Notes and 3.95% Senior Notes to benefit indirectly from such distribution will be subject to the prior claims of preferred equity holders and creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, the 4.5% Senior Notes and 3.95% Senior Notes are effectively subordinated to all existing and future liabilities and any outstanding preferred equity of our subsidiaries.

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

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

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

The Senior Notes and Subordinated Notes are our unsecured obligations. The Senior Notes will rank equal in right of payment with all of our secured and unsecured senior indebtedness and will rank senior in right of payment to all of our subordinated indebtedness. Although the Senior Notes are “senior notes,” they will be effectively subordinate to all liabilities of our subsidiaries. Because the Senior Notes are unsecured, they will be effectively subordinated to all of our future secured senior indebtedness to the extent of the value of the assets securing such indebtedness.

The Subordinated Notes will rank equal in right of payment with all of our secured and unsecured subordinated indebtedness and will rank junior in right of payment to all of our senior indebtedness, including the Senior Notes. As is the case with the Senior Notes, the Subordinated Notes are effectively subordinated to all liabilities of our subsidiaries. Because the Subordinated Notes are unsecured, they will be effectively subordinated to all of our future secured subordinated indebtedness to the extent of the value of the assets securing such indebtedness.

The Senior Notes and Subordinated Notes may not have an active trading market.

The Senior Notes and 6.125% Subordinated Notes are not listed on any securities exchange, and there is no active trading market for these notes. Although the 5.375% Subordinated Notes are listed on the NYSE, there is no guarantee that a trading market will develop or be maintained. In addition to the other factors described below, the lack of a trading market for the Senior Notes and Subordinated Notes may adversely affect the holder’s ability to sell the notes and the prices at which the notes may be sold.

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Customers leases its Corporate headquarters located at 1015 Penn Avenue, Wyomissing, PA 19610, and its Bank headquarters at 99 Bridge St., Phoenixville, PA 19460. Customers also leases all of its branches, limited purpose, and administrative office properties from third parties. Customers believes that its offices are sufficient for its present operations.

Item 3. Legal Proceedings

For information on Customers' legal proceedings, refer to "NOTE 21 - LOSS CONTINGENCIES" to the consolidated financial statements.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

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

Trading Market for Common Stock

Our common stock is traded on the NYSE under the symbol "CUBI."

As of February 25, 2020, there were approximately 367 registered shareholders of Customers Bancorp's common stock. Certain shares are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

Dividends on Common Stock

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

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

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

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

Issuer Purchases of Equity Securities

On November 26, 2013, the Bancorp's board of directors authorized a stock repurchase plan in which the Bancorp could acquire up to 5% of its current outstanding shares at prices not to exceed a 20% premium over the then current book value. On December 11, 2018, the Bancorp's board of directors amended the terms of the 2013 stock repurchase plan to adjust the repurchase terms and book value measurement date such that Customers was authorized to purchase shares of common stock at prices not to exceed the book value per share of Customers' common stock measured as of September 30, 2018. Customers repurchased all remaining authorized shares pursuant to this program in January 2019. Accordingly, there were no common shares repurchased during the fourth quarter 2019.

EQUITY COMPENSATION PLANS

The following table provides certain summary information as of December 31, 2019, concerning our compensation plans (including individual compensation arrangements) under which shares of our common stock may be issued.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options and Rights (#)	Weighted-Average Exercise Price of Outstanding Options ($) (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column) (#)
Equity Compensation Plans			
Approved by Security Holders (1)	3,547,929	$ 21.59	2,052,597
Equity Compensation Plans Not			
Approved by Security Holders	**N/A**	**N/A**	**N/A**

(1) Includes shares of common stock that may be issued upon the exercise of awards granted or rights accrued under the Amended and Restated Customers Bancorp, Inc. 2004 Incentive Equity and Deferred Compensation Plan, Customers Bancorp, Inc. 2010 Plan, the BRRP, Customers Bancorp, Inc. Amended and Restated 2014 ESPP, and the Customers Bancorp, Inc. 2019 Plan. Customers discontinued the BRRP in 2019, upon receipt of shareholder approval of the 2019 Plan.

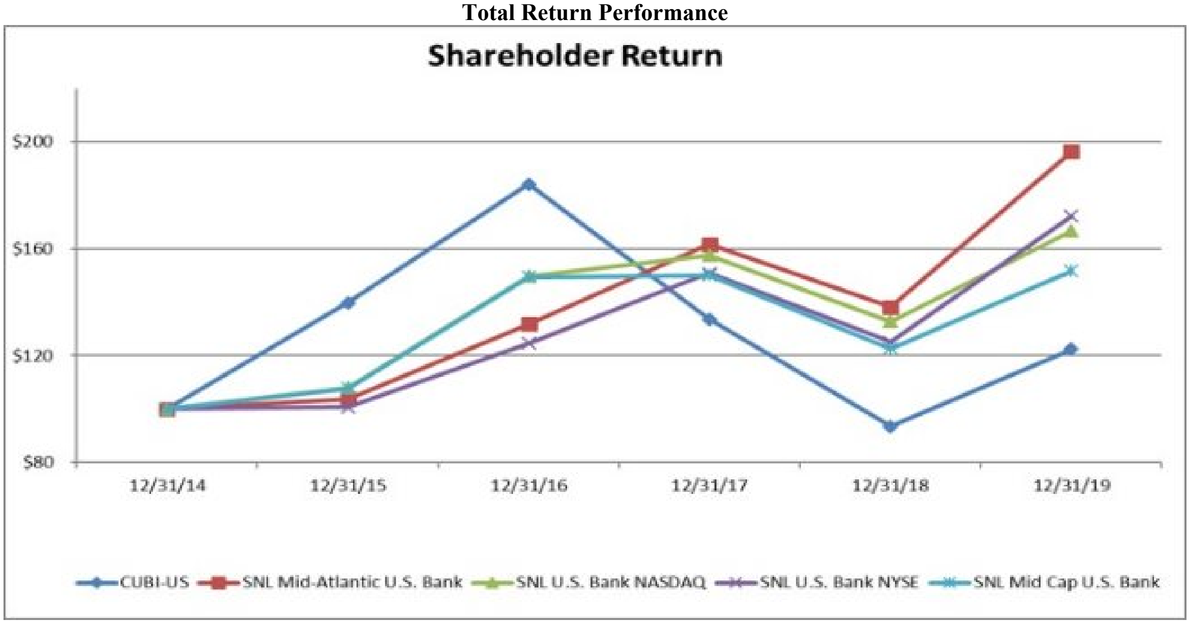
(2) Does not include restricted stock units and stock awards for which, by definition, there exists no exercise price.

Common Stock Performance Graph

The following graph compares the performance of our common stock over the period from December 31, 2014 to December 31, 2019, to that of the total return index for the SNL Mid-Atlantic U.S. Bank Index, SNL U.S. Bank NASDAQ Index, SNL U.S. Bank NYSE Index, and SNL Mid Cap U.S. Bank index, assuming an investment of $100 on December 31, 2014 for the SNL indices when calculating total annual shareholder return, reinvestment of dividends, if any, is assumed. Customers Bancorp obtained the information contained in the performance graph from SNL Financial.

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

Total Return Performance



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Item 6. Selected Financial Data

Customers Bancorp, Inc. and Subsidiaries

The following table presents Customers' summary consolidated financial data. The summary consolidated financial data should be read in conjunction with, and is qualified in their entirety by, Customers Bancorp's financial statements and the accompanying notes and the other information included elsewhere in this Annual Report on Form 10-K.

(dollars in thousands, except per share information)	2019	2018	2017	2016	2015
For the Years Ended December 31,					
Interest income	$ 463,739	$ 417,951	$ 372,850	$ 322,539	$ 249,850
Interest expense	186,429	160,074	105,507	73,042	53,560
Net interest income	277,310	257,877	267,343	249,497	196,290
Provision for loan and lease losses	24,227	5,642	6,768	3,041	20,566
Total non-interest income	80,938	58,998	78,910	56,370	27,717
Total non-interest expense	231,901	220,179	215,606	178,231	114,946
Income before income tax expense	102,120	91,054	123,879	124,595	88,495
Income tax expense	22,793	19,359	45,042	45,893	29,912
Net income	79,327	71,695	78,837	78,702	58,583
Preferred stock dividends	14,459	14,459	14,459	9,515	2,493
Net income available to common shareholders	$ 64,868	$ 57,236	$ 64,378	$ 69,187	$ 56,090
Earnings per common share:					
Basic earnings per common share	$ 2.08	$ 1.81	$ 2.10	$ 2.51	$ 2.09
Diluted earnings per common share	$ 2.05	$ 1.78	$ 1.97	$ 2.31	$ 1.96
At Period End					
Total assets	$ 11,520,717	$ 9,833,425	$ 9,839,555	$ 9,382,736	$ 8,398,205
Cash and cash equivalents	212,505	62,135	146,323	264,709	264,593
Investment securities available for sale, at fair value	595,876	665,012	471,371	493,474	560,253
Loans held for sale	486,328	1,507	146,077	695	42,114
Loans receivable, mortgage warehouse, at fair value	2,245,758	1,405,420	1,793,408	2,116,815	1,754,950
Loans and leases receivable	7,318,988	7,138,074	6,768,258	6,154,637	5,453,479
Allowance for loan and lease losses	56,379	39,972	38,015	37,315	35,647
Deposits	8,648,936	7,142,236	6,800,142	7,303,775	5,909,501
Borrowings (1)	1,692,745	1,667,918	2,062,237	1,147,706	1,890,442
Shareholders' equity	1,052,795	956,816	920,964	855,872	553,902
Tangible common equity (2)	820,129	722,846	687,198	620,780	494,682
Selected Ratios and Share Data					
Return on average assets	0.74 %	0.69 %	0.77 %	0.86 %	0.81 %
Return on average common equity	8.30 %	7.90 %	9.38 %	12.41 %	11.82 %
Book value per common share	$ 26.66	$ 23.85	$ 22.42	$ 21.08	$ 18.52
Tangible book value per common share (2)	$ 26.17	$ 23.32	$ 21.90	$ 20.49	$ 18.39
Common shares outstanding	31,336,791	31,003,028	31,382,503	30,289,917	26,901,801
Net interest margin, tax equivalent (2)	2.75 %	2.58 %	2.73 %	2.84 %	2.81 %
Equity to assets	9.14 %	9.73 %	9.36 %	9.12 %	6.60 %
Tangible common equity to tangible assets (2)	7.13 %	7.36 %	7.00 %	6.63 %	5.89 %
Common equity Tier 1 capital to risk-weighted assets – Customers Bancorp, Inc.	7.98 %	8.96 %	8.81 %	8.49 %	7.61 %
Common equity Tier 1 capital to risk-weighted assets – Customers Bank	11.32 %	12.82 %	13.08 %	11.63 %	8.62 %
Tier 1 risk-based capital ratio – Customers Bancorp, Inc.	10.10 %	11.58 %	11.58 %	11.41 %	8.46 %
Tier 1 risk-based capital ratio – Customers Bank	11.32 %	12.82 %	13.08 %	11.63 %	8.62 %

Total risk-based capital ratio – Customers Bancorp, Inc.	12.21 %	13.01 %	13.05 %	13.05 %	10.62 %
Total risk-based capital ratio – Customers Bank	12.93 %	14.62 %	14.96 %	13.61 %	10.85 %
Tier 1 leverage ratio – Customers Bancorp, Inc.	9.26 %	9.67 %	8.94 %	9.07 %	7.16 %
Tier 1 leverage ratio – Customers Bank	10.38 %	10.70 %	10.09 %	9.23 %	7.30 %
Asset Quality					
Non-performing loans	$ 21,346	$ 27,494	$ 26,415	$ 17,792	$ 10,771
Non-performing loans to loans and leases receivable (3)	0.29 %	0.39 %	0.39 %	0.29 %	0.20 %
Non-performing loans to total loans and leases	0.21 %	0.32 %	0.30 %	0.22 %	0.15 %
Other real estate owned	$ 173	$ 816	$ 1,726	$ 3,108	$ 5,057
Non-performing assets	21,519	28,310	28,141	20,900	15,828
Non-performing assets to total assets	0.19 %	0.29 %	0.29 %	0.22 %	0.19 %
Allowance for loan and lease losses to loans and leases receivable (3)	0.77 %	0.56 %	0.56 %	0.61 %	0.65 %
Allowance for loan and lease losses to non-performing loans	264.12 %	145.38 %	143.91 %	209.73 %	330.95 %
Net charge-offs	$ 7,821	$ 3,685	$ 6,068	$ 1,662	$ 11,979
Net charge-offs to average total loans and leases receivable (3)	0.08 %	0.05 %	0.09 %	0.03 %	0.26 %

(1) Borrowings includes FHLB advances, Federal funds purchased, subordinated debt and other borrowings.
(2) Non-GAAP measure. Please refer to the reconciliation schedules that follow this table.
(3) Excludes loans receivable, mortgage warehouse, at fair value which are not evaluated for impairment and do not have an allowance for loan loss.

Customers' selected financial data contains non-GAAP financial measures calculated using non-GAAP amounts. These measures include net interest margin tax equivalent, tangible common equity and tangible book value per common share, and tangible common equity to tangible assets. Management uses these non-GAAP measures to present historical periods comparable to the current period presentation. In addition, management believes the use of these non-GAAP measures provides additional clarity when assessing the Bancorp's financial results and use of equity. These disclosures should not be viewed as substitutes for results determined to be in accordance with U.S. GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other entities. Customers Bancorp calculates tangible common equity by excluding intangible assets from total shareholders' equity. Tangible book value per common share equals tangible common equity divided by common shares outstanding. The non-GAAP tax-equivalent basis uses a marginal tax rate of 26% for the year ended December 31, 2019 and 2018, and a marginal tax rate of 35% for the years ended December 31, 2017, 2016, and 2015 to approximate interest income as a taxable asset.

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

(in thousands, except per share data)	2019	2018	2017	2016	2015
Total shareholders' equity (GAAP)	$ 1,052,795	$ 956,816	$ 920,964	$ 855,872	$ 553,902
Less: goodwill and other intangibles	(15,195)	(16,499)	(16,295)	(17,621)	(3,651)
Less: preferred stock	(217,471)	(217,471)	(217,471)	(217,471)	(55,569)
Tangible common equity (Non-GAAP)	$ 820,129	$ 722,846	$ 687,198	$ 620,780	$ 494,682
Shares outstanding	31,337	31,003	31,383	30,290	26,902
Book value per common share (GAAP)	$ 26.66	$ 23.85	$ 22.42	$ 21.08	$ 18.52
Less: effect of excluding intangible assets	(0.49)	(0.53)	(0.52)	(0.59)	(0.13)
Tangible book value per common share (Non-GAAP)	$ 26.17	$ 23.32	$ 21.90	$ 20.49	$ 18.39
Total assets (GAAP)	$ 11,520,717	$ 9,833,425	$ 9,839,555	$ 9,382,736	$ 8,398,205
Less: goodwill and other intangibles	(15,195)	(16,499)	(16,295)	(17,621)	(3,651)
Total tangible assets (Non-GAAP)	$ 11,505,522	$ 9,816,926	$ 9,823,260	$ 9,365,115	$ 8,394,554
Equity to assets (GAAP)	9.14 %	9.73 %	9.36 %	9.12 %	6.60 %
Tangible common equity to tangible assets (Non-GAAP)	7.13 %	7.36 %	7.00 %	6.63 %	5.89 %

A reconciliation of net interest income to net interest income tax equivalent and other related amounts is set forth below.

(dollars in thousands)	2019	2018	2017	2016	2015
Net interest income (GAAP)	$ 277,310	$ 257,877	$ 267,343	$ 249,497	$ 196,290
Tax-equivalent adjustment	734	685	645	390	449
Net interest income tax equivalent (Non-GAAP)	$ 278,044	$ 258,562	$ 267,988	$ 249,887	$ 196,739
Average total interest earning assets	$ 10,123,708	$ 10,011,799	$ 9,820,762	$ 8,791,304	$ 6,996,595
Net interest margin (GAAP)	2.74 %	2.58 %	2.72 %	2.84 %	2.81 %
Net interest margin, tax equivalent (Non-GAAP)	2.75 %	2.58 %	2.73 %	2.84 %	2.81 %

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

This Management's Discussion and Analysis should be read in conjunction with "Business - Executive Summary" and the Bancorp's consolidated financial statements and related notes for the year ended December 31, 2019. For the comparison of the years ended December 31, 2018 and 2017, refer to Part II, Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of our Annual Report on Form 10-K for our fiscal year ended December 31, 2018, filed with the SEC on March 1, 2019.

Overview

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

BankMobile, a division of Customers Bank, derives a majority of its revenue from interest income on other consumer loans, interchange and card revenue and deposit fees.

There is credit risk inherent in all loans, so Customers maintains an ALLL to absorb probable losses on existing loans and leases that may become uncollectible. Customers maintains this allowance by charging a provision for loan and lease losses against its operating earnings. Customers has included a detailed discussion of this process, as well as several tables describing its ALLL, in NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION and NOTE 7 - LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR LOAN AND LEASE LOSSES to Customers' audited financial statements.

New Accounting Pronouncements

For information about the impact that recently adopted or issued accounting guidance will have on us, refer to NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION to Customers' audited financial statements.

Critical Accounting Policies

Customers has adopted various accounting policies that govern the application of U.S. GAAP and that are consistent with general practices within the banking industry in the preparation of its consolidated financial statements. Customers' significant accounting policies are described in NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION to Customers' audited financial statements.

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

The critical accounting policies that are both important to the portrayal of Customers' financial condition and results of operations and require complex, subjective judgments are the accounting policies for the following: ALLL and the Valuation of Interest-Only GNMA Securities. These critical accounting policies and material estimates, along with the related disclosures, are reviewed by Customers' Audit Committee of the Board of Directors.

Allowance for Loan and Lease Losses

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

Valuation of Interest-Only GNMA Securities

On June 28, 2019, Customers obtained ownership of certain interest-only GNMA securities that served as the primary collateral for loans made to one commercial mortgage warehouse customer through a Uniform Commercial Code private sale transaction. Upon acquisition, Customers elected the fair value option for these interest-only GNMA securities, with changes in fair value reported as unrealized gain (loss) on investment securities within non-interest income. At December 31, 2019, Customers used an internally developed discounted cash flow model to value the interest-only GNMA securities. The significant unobservable input used in the discounted cash flow model included estimated prepayment speed. Significant increases (decreases) in this input would result in a significantly lower (higher) fair value measurement. To the extent actual outcomes differ from management's estimates, additional changes in fair value may be required which may adversely affect Customers' results of operations in the future.

Results of Operations

The following discussion of Customers Bancorp's consolidated results of operations should be read in conjunction with its consolidated financial statements, including the accompanying notes. Please refer to Critical Accounting Policies in this Management's Discussion and Analysis and NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION to Customers' audited financial statements for information concerning certain significant accounting policies and estimates applied in determining reported results of operations.

The following table sets forth the condensed statements of income for the years ended December 31, 2019 and 2018:

	For the Years Ended December 31,			
(dollars in thousands)	2019	2018	Change	% Change
Net interest income	$ 277,310	$ 257,877	$ 19,433	7.5 %
Provision for loan and lease losses	24,227	5,642	18,585	329.4 %
Total non-interest income	80,938	58,998	21,940	37.2 %
Total non-interest expense	231,901	220,179	11,722	5.3 %
Income before income tax expense	102,120	91,054	11,066	12.2 %
Income tax expense	22,793	19,359	3,434	17.7 %
Net income	79,327	71,695	7,632	10.6 %
Preferred stock dividends	14,459	14,459	—	— %
Net income available to common shareholders	$ 64,868	$ 57,236	$ 7,632	13.3 %

Customers reported net income available to common shareholders of $64.9 million for the year ended December 31, 2019, compared to $57.2 million for the year ended December 31, 2018. Factors contributing to the change in net income available to common shareholders for the year ended December 31, 2019 compared to the year ended December 31, 2018 were as follows:

Net interest income

Net interest income increased $19.4 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 as NIM expanded 17 basis points to 2.75%, average interest-earning assets increased $111.9 million, and average non-interest deposits increased $240.5 million. The NIM expansion largely resulted from a 41 basis point increase in the yield on interest-earning assets for the year ended December 31, 2019, partially offset by higher funding costs as the cost of interest-bearing liabilities increased by 35 basis points. Customers' total cost of funds, including non-interest bearing deposits, was 1.95% and 1.70% for the years ended December 31, 2019 and 2018, respectively.

Provision for loan and lease losses

The $18.6 million increase in the provision for loan and lease losses for the year ended December 31, 2019 compared to the year ended December 31, 2018 reflected Customers' initiatives to increase commercial and industrial loans and leases and other consumer loans. The provision for loan and lease losses of $24.2 million for the year ended December 31, 2019 included $16.7 million for year over year changes in the mix of the loan portfolio and $0.7 million for specifically identified loans, offset in part by a $0.3 million release of the allowance estimate resulting from improved asset quality and lower incurred losses than previously expected. The provision for loan and lease losses of $5.5 million for the year ended December 31, 2018 included $4.0 million for loan growth and $3.2 million for impaired loans, offset in part by a $1.5 million release of the allowance estimate resulting from improved asset quality and lower incurred losses on PCI loans than previously estimated. Net charge-offs for the year ended December 31, 2019 were $7.8 million, or eight basis points of average total loans and leases, compared to $3.7 million, or four basis points of average total loans and leases for the year ended December 31, 2018.

Non-interest income

The $21.9 million increase in non-interest income for the year ended December 31, 2019 compared to the year ended December 31, 2018 resulted primarily from an $18.7 million loss realized from the sale of $495 million of lower-yielding investment securities for the year ended December 31, 2018, a $1.0 million gain realized from the sale of $95 million of available for sale corporate note securities during the year ended December 31, 2019, increases of $6.7 million in commercial lease income, $5.0 million in deposit fees and $2.9 million in unrealized gains from fair value adjustments on investment securities. These increases were offset in part by a $7.5 million loss on acquisition of interest-only GNMA securities for the year ended December 31, 2019, and decreases of $1.8 million in interchange and card revenue, $1.7 million in other non-interest income, $0.5 million in mortgage banking income, and $0.5 million in gain on sales of SBA loans for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Non-interest expense

The $11.7 million increase in non-interest expense for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from increases of $5.1 million in commercial lease depreciation, $4.9 million in professional services, $4.0 million in provision for operating losses, $2.8 million in salaries and employee benefits, $1.6 million in advertising and promotion, $1.3 million in occupancy, and $0.7 million in other non-interest expense. These increases were offset in part by decreases of $4.3 million in merger and acquisition related expenses, $2.8 million in FDIC assessments, non-income taxes, and regulatory fees, and $1.0 million in technology, communication, and bank operations for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Income tax expense

Customers' effective tax rate was 22.3% for the year ended December 31, 2019 compared to 21.3% for the year the ended December 31, 2018. The increase in effective tax rate primarily resulted from a favorable return to provision adjustment, which included the benefit of a research and development tax credit, during the year ended December 31, 2018.

Preferred stock dividends

Preferred stock dividends were $14.5 million for the years ended December 31, 2019 and 2018. There were no changes to the amount of preferred stock outstanding or the dividends paid during the years ended December 31, 2019 and 2018.

NET INTEREST INCOME

Net interest income (the difference between the interest earned on loans and leases, investments and interest-earning deposits with banks, and interest paid on deposits, borrowed funds and subordinated debt) is the primary source of Customers' earnings. The following table summarizes Customers' net interest income, related interest spread, net interest margin and the dollar amount of changes in interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2019 and 2018. Information is provided for each category of interest-earning assets and interest-bearing liabilities with respect to (i) changes attributable to volume (i.e., changes in average balances multiplied by the prior-period average rate) and (ii) changes attributable to rate (i.e., changes in average rate multiplied by prior-period average balances). For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	For the Years Ended December 31,						For the Years Ended December 31,		
	2019			2018			2019 vs. 2018		
(dollars in thousands)	Average balance	Interest income or expense	Average yield or cost	Average balance	Interest income or expense	Average yield or cost	Due to rate	Due to volume	Total
Assets									
Interest-earning deposits	$ 103,833	$ 2,782	2.68 %	$ 217,168	$ 4,115	1.90 %	$ 1,309	$ (2,642)	$ (1,333)
Investment securities (1)	653,694	23,713	3.63 %	1,005,688	33,209	3.30 %	3,053	(12,549)	(9,496)
Loans and leases:									
Commercial loans to mortgage companies	1,799,489	82,329	4.58 %	1,610,168	79,152	4.92 %	(5,720)	8,897	3,177
Multi-family loans	2,982,185	115,380	3.87 %	3,549,511	135,526	3.82 %	1,756	(21,902)	(20,146)
Commercial and industrial loans and leases (2)	2,111,181	107,267	5.08 %	1,743,696	82,348	4.72 %	6,622	18,297	24,919
Non-owner occupied commercial real estate loans	1,243,236	56,322	4.53 %	1,257,545	54,304	4.32 %	2,637	(619)	2,018
Residential mortgages	694,889	28,860	4.15 %	497,772	20,145	4.05 %	512	8,203	8,715
Other consumer loans	445,166	41,333	9.28 %	20,028	1,759	8.78 %	106	39,468	39,574
Total loans and leases (3)	9,276,146	431,491	4.65 %	8,678,720	373,234	4.30 %	31,564	26,693	58,257
Other interest-earning assets	90,035	5,753	6.39 %	110,223	7,393	6.71 %	(339)	(1,301)	(1,640)
Total interest-earning assets	10,123,708	463,739	4.58 %	10,011,799	417,951	4.17 %	41,114	4,674	45,788
Non-interest-earning assets	543,962			406,303					
Total assets	$ 10,667,670			$ 10,418,102					
Liabilities									
Interest checking accounts	$ 955,630	17,384	1.82 %	$ 630,335	9,397	1.49 %	$ 2,398	$ 5,589	$ 7,987
Money market deposit accounts	3,151,328	68,676	2.18 %	3,417,779	60,578	1.77 %	13,116	(5,018)	8,098
Other savings accounts	538,375	11,421	2.12 %	135,994	2,272	1.67 %	764	8,385	9,149
Certificates of deposit	1,943,361	43,983	2.26 %	2,066,896	38,561	1.87 %	7,805	(2,383)	5,422
Total interest-bearing deposits (4)	6,588,694	141,464	2.15 %	6,251,004	110,808	1.77 %	24,493	6,163	30,656
Federal funds purchased and other borrowings	1,523,171	44,965	2.95 %	1,951,921	49,266	2.52 %	7,567	(11,868)	(4,301)
Total interest-bearing liabilities	8,111,865	186,429	2.30 %	8,202,925	160,074	1.95 %	28,165	(1,810)	26,355
Non-interest-bearing deposits (4)	1,430,149			1,189,638					
Total deposits and borrowings	9,542,014		1.95 %	9,392,563		1.70 %			
Other non-interest-bearing liabilities	126,325			83,563					
Total liabilities	9,668,339			9,476,126					
Shareholders' equity	999,331			941,976					
Total liabilities and shareholders' equity	$ 10,667,670			$ 10,418,102					
Net interest earnings		277,310			257,877		$ 12,949	$ 6,484	$ 19,433
Tax-equivalent adjustment (5)		734			685				
Net interest earnings		$ 278,044			$ 258,562				
Interest spread			2.63 %			2.47 %			
Net interest margin			2.74 %			2.58 %			
Net interest margin tax equivalent (5)			2.75 %			2.58 %			

(1) For presentation in this table, average balances and the corresponding average yields for investment securities are based upon historical cost, adjusted for amortization of premiums and accretion of discounts.
(2) Includes owner occupied commercial real estate loans.
(3) Includes non-accrual loans, the effect of which is to reduce the yield earned on loans and leases, and deferred loan fees.
(4) Total costs of deposits (including interest bearing and non-interest-bearing) were 1.76% and 1.49% for the years ended December 31, 2019 and 2018, respectively.
(5) Non-GAAP tax-equivalent basis, using an estimated marginal tax rate of 26% for both the year ended December 31, 2019 and 2018, presented to approximate interest income as a taxable asset. Management uses non-GAAP measures to present historical periods comparable to the current period presentation. In addition, management believes the use of these non-GAAP measures provides additional clarity when assessing Customers’ financial results. These disclosures should not be viewed as substitutes for results determined to be in accordance with U.S. GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other entities.

Net interest income increased $19.4 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 as NIM expanded 17 basis points to 2.75%, and average interest-earning assets increased $111.9 million and non-interest bearing deposits increased $240.5 million. The NIM expansion largely resulted from a 41 basis point increase in the yield on interest-earning assets for the year ended December 31, 2019, partially offset by higher funding costs as the cost of interest-bearing liabilities increased by 35 basis points. Compared to the year ended December 31, 2018, total loan and lease yields increased 35 basis points to 4.65% as the yield on commercial and industrial loans and leases increased 36 basis points and the yield on other consumer loans increased to 9.28%, driven by the purchase of other consumer loans totaling $1.1 billion during the year ended December 31, 2019. Total investment securities yields increased 33 basis points to 3.63% mostly due to the sale of $495 million of lower-yielding securities during third quarter 2018. Given the Federal Reserve interest rate hikes in 2018 and the associated increase in market interest rates, which were partially offset by two Federal Reserve interest rate cuts in third quarter 2019 and one in fourth quarter 2019, the cost of interest-bearing deposits increased 38 basis points to 2.15% and borrowing costs increased 43 basis points to 2.95% for the year ended December 31, 2019. Customers' total costs of deposits (including interest-bearing and non-interest-bearing) were 1.76% and 1.49% for the years ended December 31, 2019 and 2018, respectively, an increase of 27 basis points.

PROVISION FOR LOAN AND LEASE LOSSES

For more information about the provision and Customers' ALLL methodology and loss experience, see Critical Accounting Policies and Financial Condition - Loan and Leases, Credit Risk, and Asset Quality herein and NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION and NOTE 7 - LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR LOAN AND LEASE LOSSES to Customers' audited financial statements.

Customers maintains an ALLL to cover estimated probable losses incurred as of the balance sheet date on loans and leases held for investment that are not reported at their fair value on a recurring basis. The ALLL is increased through periodic provisions for loan and lease losses that are charged as an expense on the consolidated statements of income and is reduced by charge-offs, net of recoveries. The loan and lease portfolio is reviewed quarterly to evaluate the performance of the portfolio and the adequacy of the ALLL. The ALLL is estimated as of the end of each quarter and compared to the balance recorded in the general ledger, net of charge-offs and recoveries. The allowance is adjusted to the estimated ALLL balance with a corresponding charge (or debit) to the provision for loan and lease losses.

The $18.6 million increase in the provision for loan and lease losses for the year ended December 31, 2019 compared to the year ended December 31, 2018 reflected Customers' initiatives to increase commercial and industrial loans and leases and other consumer loans. The provision for loan and lease losses of $24.2 million for the year ended December 31, 2019 included $16.7 million for year over year changes in the mix of the loan portfolio (shift from multi-family loans to commercial and industrial and other consumer loans) and $0.7 million for specifically identified loans, offset in part by a $0.3 million release of the allowance estimate resulting from improved asset quality and lower incurred losses than previously expected. The provision for loan and lease losses of $5.5 million for the year ended December 31, 2018 included $4.0 million for loan growth and $3.2 million for impaired loans, offset in part by a $1.5 million release of the allowance estimate resulting from improved asset quality and lower incurred losses on PCI loans than previously estimated. Net charge-offs for the year ended December 31, 2019 were $7.8 million, or eight basis points of average total loans and leases, compared to $3.7 million, or four basis points of average total loans and leases for the year ended December 31, 2018. The increase in net charge-offs was concentrated in other consumer loans.

NON-INTEREST INCOME

The table below presents the components of non-interest income for the years ended December 31, 2019 and 2018.

	For the Years Ended December 31,			
(dollars in thousands)	2019	2018	Change	% Change
Interchange and card revenue	$ 28,941	$ 30,695	$ (1,754)	(5.7)%
Deposit fees	12,815	7,824	4,991	63.8 %
Commercial lease income	12,051	5,354	6,697	125.1 %
Bank-owned life insurance	7,272	7,620	(348)	(4.6)%
Mortgage warehouse transactional fees	7,128	7,158	(30)	(0.4)%
Gain (loss) on sale of SBA and other loans	2,770	3,294	(524)	(15.9)%
Mortgage banking income	66	606	(540)	(89.1)%
Loss upon acquisition of interest-only GNMA securities	(7,476)	—	(7,476)	NM
Gain (loss) on sale of investment securities	1,001	(18,659)	19,660	NM
Unrealized gain (loss) on investment securities	1,299	(1,634)	2,933	NM
Other	15,071	16,740	(1,669)	(10.0)%
Total non-interest income	$ 80,938	$ 58,998	$ 21,940	37.2 %

Interchange and card revenue

The $1.8 million decrease in interchange and card revenue for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from lower activity volumes at the BankMobile segment. Because our total assets exceeded $10 billion at December 31, 2019, Customers will become subject to increased regulatory requirements in 2020. Banks with over $10 billion in total assets are no longer exempt from the requirements of the Federal Reserve's rules on interchange transaction fees for debit cards. This means that, as of July 1, 2020, Customers will now be limited to receiving only a "reasonable" interchange transaction fee for any debit card transactions processed using debit cards issued by our bank subsidiary to our customers. The Federal Reserve has determined that it is unreasonable for a bank with more than $10 billion in total assets to receive more than $0.21 plus 5 basis points of the transaction plus a $0.01 fraud adjustment for an interchange transaction fee for debit card transactions. This reduction in the amount of interchange fees we receive for electronic debit interchange will reduce Customers' interchange and card revenues.

Deposit fees

The $5.0 million increase in deposit fees for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from an increase in service charges on certain deposit accounts relating to a change in the fee structure at the BankMobile segment.

Commercial lease income

Commercial lease income represents income earned on commercial operating leases generated by Customers' Equipment Finance Group in which Customers is the lessor. The $6.7 million increase in commercial lease income for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from the continued growth of Customers' equipment finance business. The net carrying value of leased assets increased from $54.5 million at December 31, 2018 to $93.6 million at December 31, 2019.

Gain (loss) on sale of SBA and other loans

The $0.5 million decrease in gain (loss) on sale of SBA and other loans for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from a strategic initiative to retain SBA loans on our balance sheet for the first nine months of 2019. Customers resumed selling these loans in fourth quarter 2019.

Mortgage banking income

The $0.5 million decrease in mortgage banking income for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from a $0.8 million loss realized from the sale of $230 million of non-QM residential mortgages during fourth quarter 2019.

Loss on acquisition of interest-only GNMA securities

The $7.5 million loss realized upon the acquisition of certain interest-only GNMA securities for the year ended December 31, 2019 compared to the year ended December 31, 2018 resulted from a commercial mortgage warehouse customer that unexpectedly ceased operations in second quarter 2019. Customers took possession of the interest-only GNMA securities that served as the primary collateral for loans made to this mortgage warehouse customer. The shortfall in the fair value of the interest-only GNMA securities upon acquisition resulted in a write-down of $7.5 million for the year ended December 31, 2019.

Gain (loss) on sale of investment securities

The $19.7 million increase in gain (loss) on sale of investment securities for the year ended December 31, 2019 compared to the year ended December 31, 2018 resulted from a $1.0 million gain realized from the sale of $95 million of available for sale corporate bonds for the year ended December 31, 2019, compared to an $18.7 million loss realized from the sale of $495 million of lower-yielding investment securities for the year ended December 31, 2018.

Unrealized gain (loss) on investment securities

The $2.9 million increase in unrealized gain (loss) on investment securities for the year ended December 31, 2019 compared to the year ended December 31, 2018 resulted from improvements in the fair values of the interest-only GNMA securities and equity securities issued by a foreign entity.

Other non-interest income

The $1.7 million decrease in other non-interest income for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from a $4.8 million gain recognized from discontinuing cash flow hedge accounting for three interest rate swaps for the year ended December 31, 2018, offset in part by mark-to-market adjustments for derivatives not designated in hedge accounting relationships for the year ended December 31, 2019 due to changes in market interest rates.

NON-INTEREST EXPENSE

The table below presents the components of non-interest expense for the years ended December 31, 2019 and 2018.

	For the Years Ended December 31,			
	2019	2018	Change	% Change
(dollars in thousands)				
Salaries and employee benefits	$ 107,632	$ 104,841	$ 2,791	2.7 %
Technology, communication and bank operations	43,481	44,454	(973)	(2.2)%
Professional services	25,109	20,237	4,872	24.1 %
Occupancy	13,098	11,809	1,289	10.9 %
Commercial lease depreciation	9,473	4,388	5,085	115.9 %
FDIC assessments, non-income taxes, and regulatory fees	5,861	8,642	(2,781)	(32.2)%
Provision for operating losses	9,638	5,616	4,022	71.6 %
Advertising and promotion	4,044	2,446	1,598	65.3 %
Merger and acquisition related expenses	100	4,391	(4,291)	(97.7)%
Loan workout	1,687	2,183	(496)	(22.7)%
Other real estate owned	398	449	(51)	(11.4)%
Other	11,380	10,723	657	6.1 %
Total non-interest expense	$ 231,901	$ 220,179	$ 11,722	5.3 %

Salaries and employee benefits

The $2.8 million increase in salaries and employee benefits for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from an increase in average full-time equivalent team members, primarily in the BankMobile segment, and annual merit increases.

Technology, communications, and bank operations

The $1.0 million decrease in technology, communications, and bank operations expense for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from successful concentrated cost savings initiatives, partially offset by continued investment to improve and maintain Customers' digital information technology infrastructure and support expanded products and services offered through our White Label partnership.

Professional services

The $4.9 million increase in professional services for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from consulting services associated with supporting our White Label partnership and digital transformation efforts.

Occupancy

The $1.3 million increase in occupancy for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from an increase in depreciation expense on information technology equipment.

Commercial lease depreciation

The $5.1 million increase in commercial lease depreciation for the year ended December 31, 2019 compared to the year ended December 31, 2018 resulted from the continued growth of the operating lease arrangements originated by Customers' Equipment Finance Group in which Customers is the lessor.

FDIC assessments, non-income taxes, and regulatory fees

The $2.8 million decrease in FDIC assessments, non-income taxes, and regulatory fees for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from a $2.6 million small bank assessment credit provided by the FDIC for the year ended December 31, 2019 related to Customers' contributions to the growth of the FDIC's deposit insurance fund since July 2016.

Provision for operating losses

The $4.0 million increase in provision for operating losses for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from losses due to an internet-based organized crime ring which targeted BankMobile checking accounts during the year ended December 31, 2019 and increased other disputed charges.

Advertising and promotion

The $1.6 million increase in advertising and promotion for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from the promotion of Customers' digital banking products and service offerings available through our White Label partnership.

Merger and acquisition related expenses

The $4.3 million decrease in merger and acquisition related expenses for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from the October 2018 termination of the planned spin-off and merger between Customers and Flagship Community Bank.

Other non-interest expenses

The $0.7 million increase in other non-interest expenses for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from legal contingency accruals totaling $2.0 million relating to the previously disclosed Halbreiner and DOE matters, partially offset by management's continued efforts to monitor and control expenses.

INCOME TAXES

The table below presents income tax expense and the effective tax rate for the years ended December 31, 2019 and 2018.

(dollars in thousands)	For the Years Ended December 31, 2019	2018	Change	% Change
Income before income tax expense	$ 102,120	$ 91,054	$ 11,066	12.2 %
Income tax expense	22,793	19,359	3,434	17.7 %
Effective tax rate	22.3 %	21.3 %		

The $3.4 million increase in income tax expense for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily resulted from increased pre-tax income and a $1.7 million favorable return to provision adjustment for the year ended December 31, 2018, which included the benefit of a research and development tax credit, recorded during 2018 upon the completion of the 2017 income tax returns.

Financial Condition

General

Customers' total assets were $11.5 billion at December 31, 2019. This represented a $1.7 billion increase from total assets of $9.8 billion at December 31, 2018. The increase in total assets was primarily driven by increases of $1.5 billion in total loans and leases, $150.4 million in cash and cash equivalents, and $112.4 million in other assets, partially offset by a decrease in investment securities of $69.1 million.

Total liabilities were $10.5 billion at December 31, 2019. This represented a $1.6 billion increase from $8.9 billion at December 31, 2018. The increase in total liabilities primarily resulted from increases in total deposits of $1.5 billion, federal funds purchased of $351.0 million, subordinated debt of $72.1 million, and accrued interest payable and other liabilities of $59.8 million, offset in part by a reduction in FHLB advances of $398.1 million.

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

(dollars in thousands)	December 31, 2019	2018	Change	% Change
Cash and cash equivalents	$ 212,505	$ 62,135	$ 150,370	242.0 %
Investment securities, at fair value	595,876	665,012	(69,136)	(10.4)%
Loans held for sale	486,328	1,507	484,821	NM
Loans receivable, mortgage warehouse, at fair value	2,245,758	1,405,420	840,338	59.8 %
Loans and leases receivable	7,318,988	7,138,074	180,914	2.5 %
Allowance for loan and lease losses	(56,379)	(39,972)	(16,407)	41.0 %
Total assets	11,520,717	9,833,425	1,687,292	17.2 %
Total deposits	8,648,936	7,142,236	1,506,700	21.1 %
Federal funds purchased	538,000	187,000	351,000	187.7 %
FHLB advances	850,000	1,248,070	(398,070)	(31.9)%
Other borrowings	123,630	123,871	(241)	(0.2)%
Subordinated debt	181,115	108,977	72,138	66.2 %
Total liabilities	10,467,922	8,876,609	1,591,313	17.9 %
Total shareholders’ equity	1,052,795	956,816	95,979	10.0 %
Total liabilities and shareholders’ equity	$ 11,520,717	$ 9,833,425	$ 1,687,292	17.2 %

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and due from banks and interest-earning deposits. Cash and due from banks consists mainly of vault cash and cash items in the process of collection. Cash on hand and due from banks were $33.1 million and $17.7 million at December 31, 2019 and 2018, respectively. The cash on hand and cash due from banks balances vary from day to day, primarily due to fluctuations in customers’ deposits with the Bank.

Interest-earning deposits consist of cash deposited at other banks, primarily the FRB. Interest-earning deposits were $179.4 million and $44.4 million at December 31, 2019 and 2018, respectively. The balance of interest-earning deposits varies from day to day, depending on several factors, such as fluctuations in customers’ deposits with Customers, payment of checks drawn on customers’ accounts and strategic investment decisions made to maximize Customers' net interest income, while effectively managing interest-rate risk and liquidity.

Investment Securities

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

At December 31, 2019, investment securities totaled $595.9 million compared to $665.0 million at December 31, 2018. The decrease primarily resulted from the sale of $95 million of available for sale corporate note securities, partially offset by a market-driven recovery in the fair value of agency-guaranteed mortgage-backed securities and corporate note securities and from obtaining ownership of certain interest-only GNMA securities in June 2019 with a fair value of $16.3 million as of December 31, 2019. These securities served as the primary collateral for loans made to one commercial mortgage warehouse customer. These securities are reported at fair value, with fair value changes recorded directly in earnings based on a fair value option election.

For financial reporting purposes, available for sale debt securities are carried at fair value. Unrealized gains and losses on available for sale debt securities are included in other comprehensive income (loss) and reported as a separate component of shareholders' equity, net of the related tax effect. Changes in the fair value of marketable equity securities and securities reported at fair value based on a fair value option election are recorded in non-interest income in the period in which they occur.

The following table sets forth the amortized cost and fair value of the investment securities at December 31, 2019 and 2018.

	December 31,		December 31,	
	2019	2018	2019	2018
(amounts in thousands)	Amortized Cost		Fair Value	
Available for sale debt securities				
Agency-guaranteed residential mortgage-backed securities	$ 273,252	$ 311,267	$ 278,321	$ 305,374
Corporate notes (1)	284,639	381,407	298,877	357,920
Available for sale debt securities	$ 557,891	$ 692,674	577,198	663,294
Interest-only GNMA securities (2)			16,272	—
Equity securities (3)			2,406	1,718
Total investment securities, at fair value			$ 595,876	$ 665,012

(1) At December 31, 2019, includes corporate note securities issued by other domestic bank holding companies. At December 31, 2018, includes corporate note securities issued by other domestic and foreign bank holding companies.

(2) Reported at fair value with fair value changes recorded in non-interest income based on a fair value option election.

(3) Includes equity securities issued by a foreign entity.

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

	December 31, 2019						
	Amortized Cost						Fair Value
(dollars in thousands)	< 1yr	1 -5 years	5 -10 years	After 10 years	No specific maturity	Total	Total
Investment securities							
Residential mortgage-backed securities	$ —	$ —	$ —	$ —	$ 273,252	$ 273,252	$ 278,321
Yield	—	—	—	—	3.50 %	3.50 %	—
Corporate notes	—	15,000	267,639	2,000	—	284,639	298,877
Yield	—	5.71 %	3.89 %	5.63 %	—	4.00 %	—
Interest-only GNMA securities	—	—	—	—	—	—	16,272
Equity securities	—	—	—	—	—	—	2,406
Total	$ —	$ 15,000	$ 267,639	$ 2,000	$ 273,252	$ 557,891	$ 595,876
Weighted-Average Yield	— %	5.71 %	3.89 %	5.63 %	3.50 %	3.76 %	

The residential mortgage-backed securities in the portfolio were issued by Fannie Mae, Freddie Mac, and Ginnie Mae and contain guarantees for the collection of principal and interest on the underlying mortgages.

LOANS AND LEASES

Existing lending relationships are primarily with small and middle market businesses and individual consumers primarily in Southeastern Pennsylvania (Bucks, Berks, Chester, Philadelphia and Delaware Counties); Rye Brook, New York (Westchester County); Hamilton, New Jersey (Mercer County); Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire (Rockingham County); Manhattan and Melville, New York; Washington, D.C.; and Chicago, Illinois. The portfolios of loans to mortgage banking businesses, certain commercial and industrial loan specialty financing, SBA loans, equipment financing and leasing and other consumers are nationwide. The loan portfolio consists primarily of loans to support mortgage banking companies' funding needs, multi-family/commercial real estate, commercial and industrial loans and other consumer loans. Customers continues to focus on small and middle market business loans to grow its commercial lending efforts, particularly its commercial and industrial loan and lease portfolio. In addition, Customers has been deemphasizing its multi-family business, with run-off of approximately $893 million in 2019 and plans to reduce its overall exposure by $500 million more in 2020.

Commercial Lending

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

The commercial lending group focuses primarily on companies with annual revenues ranging from $1 million to $100 million, which typically have credit requirements between $0.5 million and $10 million.

As of December 31, 2019, Customers had $8.4 billion in commercial loans outstanding, totaling approximately 83.8% of its total loan and lease portfolio, which includes loans held for sale and loans receivable, mortgage warehouse, at fair value, compared to commercial loans outstanding of $7.8 billion, comprising approximately 91.6% of its total loan and lease portfolio, at December 31, 2018.

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

Customers' lending to mortgage banking businesses primarily provides financing to mortgage bankers for residential mortgage originations from loan closing until sale in the secondary market. Many providers of liquidity in this segment exited the business in 2009 during a period of market turmoil. Customers saw an opportunity to provide liquidity to this business segment at attractive spreads, generate fee income and attract escrow deposits. The underlying residential loans are taken as collateral for Customers' commercial loans to the mortgage companies. As of December 31, 2019 and 2018, commercial loans to mortgage banking businesses totaled $2.2 billion and $1.4 billion, respectively, and are reported as loans receivable, mortgage warehouse, at fair value on the consolidated balance sheet.

Customers intends to continue to deemphasize its lower-yielding multi-family loan portfolio, and invest in higher-yielding commercial and industrial and other consumer loan portfolios with the multi-family run-off. Customers' multi-family lending group continues to focus on retaining a portfolio of high-quality multi-family loans within Customers' covered markets while cross-selling other products and services. These lending activities primarily target the refinancing of loans with other banks using conservative underwriting standards and provide purchase money for new acquisitions by borrowers. The primary collateral for these loans is a first lien mortgage on the multi-family property, plus an assignment of all leases related to such property. As of December 31, 2019, Customers had multi-family loans of $2.4 billion outstanding, comprising approximately 23.8% of the total loan and lease portfolio, compared to $3.3 billion, or approximately 38.4% of the total loan and lease portfolio, at December 31, 2018.

The Equipment Finance Group offers equipment financing and leasing products and services for a broad range of asset classes. It services vendors, dealers, independent finance companies, bank-owned leasing companies and strategic direct customers in the plastics, packaging, machine tool, construction, transportation and franchise markets. As of December 31, 2019 and 2018, Customers had $257.9 million and $172.9 million, respectively, of equipment finance loans outstanding. As of December 31, 2019 and 2018, Customers had $89.2 million and $54.5 million of equipment finance leases outstanding, respectively. As of December 31, 2019 and 2018, Customers had $93.6 million and $54.5 million, respectively, of operating leases entered into under this program, net of accumulated depreciation of $14.3 million and $4.8 million, respectively.

Consumer Lending

Customers provides unsecured consumer loans, residential mortgage, and home equity loans to customers. The other consumer loan portfolio consists largely of third-party originated unsecured consumer loans. None of the loans are considered sub-prime at the time of origination. Customers considers sub-prime borrowers to be those with FICO scores below 660. Customers has been selective in its consumer lending and has maintained strict underwriting standards. At December 31, 2019, the average debt-to-income ratio at time of origination, average loan size and average FICO score at time of origination of the unsecured consumer loan portfolio was 22.4%, $14.5 thousand and 744, respectively. Home equity lending is offered to solidify customer relationships and grow relationship revenues in the long term. This lending is important in Customers' efforts to grow total relationship revenues for its consumer households. As of December 31, 2019, Customers had $1.6 billion in consumer loans outstanding, or 16.2% of the total loan and lease portfolio, compared to $721.8 million, or 8.4% of the total loan and lease portfolio, as of December 31, 2018. Customers purchased $1.1 billion of other consumer loans through arrangements with third-party fintech companies during the year ended December 31, 2019 compared to $30 million during the year ended December 31, 2018. Customers purchased $105.9 million of residential mortgage loans from third-party financial institutions during the year ended December 31, 2019.

Loans Held for Sale

The composition of loans held for sale was as follows:

	December 31,				
(amounts in thousands)	2019	2018	2017	2016	2015
Commercial loans:					
Multi-family loans, at lower of cost or fair value	$ 482,873	$ —	$ 144,191	$ —	$ 39,257
Total commercial loans held for sale	482,873	—	144,191	—	39,257
Consumer loans:					
Home equity conversion mortgages, at lower of cost or fair value	1,325	—	—	—	—
Residential mortgage loans, at fair value	2,130	1,507	1,886	695	2,857
Total consumer loans held for sale	3,455	1,507	1,886	695	2,857
Loans held for sale	$ 486,328	$ 1,507	$ 146,077	$ 695	$ 42,114

At December 31, 2019, loans held for sale totaled $486.3 million, or 4.84% of the total loan and lease portfolio, and $1.5 million, or 0.02% of the total loan and lease portfolio, at December 31, 2018. Loans held for sale are reported on the balance sheet at either fair value (due to the election of the fair value option) or at the lower of cost or fair value. An ALLL is not recorded on loans that are classified as held for sale.

Total Loans and Leases Receivable

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

	December 31,				
(amounts in thousands)	2019	2018	2017	2016	2015
Loans receivable, mortgage warehouse, at fair value	$ 2,245,758	$ 1,405,420	$ 1,793,408	$ 2,116,815	$ 1,754,950
Loans receivable:					
Commercial:					
Multi-family	1,909,274	3,285,297	3,502,381	3,214,999	2,909,439
Commercial and industrial (including owner occupied commercial real estate) (1)	2,441,987	1,951,277	1,633,818	1,382,343	1,111,400
Commercial real estate non-owner occupied	1,223,529	1,125,106	1,218,719	1,193,715	956,255
Construction	118,418	56,491	85,393	64,789	87,240
Total commercial loans and leases receivable	5,693,208	6,418,171	6,440,311	5,855,846	5,064,334
Consumer:					
Residential real estate	375,014	566,561	234,090	193,502	271,613
Manufactured housing	70,398	79,731	90,227	101,730	113,490
Other consumer	1,178,283	74,035	3,547	3,483	3,708
Total consumer loans receivable	1,623,695	720,327	327,864	298,715	388,811
Loans and leases receivable	7,316,903	7,138,498	6,768,175	6,154,561	5,453,145
Deferred (fees) costs and unamortized (discounts) premiums, net	2,085	(424)	83	76	334
Allowance for loan and lease losses	(56,379)	(39,972)	(38,015)	(37,315)	(35,647)
Total loans and leases receivable, net of allowance for loan and lease losses	$ 9,508,367	$ 8,503,522	$ 8,523,651	$ 8,234,137	$ 7,172,782

(1) Includes direct finance leases of $89.2 million, $54.5 million, $26.6 million, $10.3 million and $6.4 million at December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

Customers' total loans and leases receivable portfolio includes loans receivable which are reported at fair value based on an election made to account for these loans at their fair value and loans and leases receivable which are primarily reported at their outstanding unpaid principal balance, net of charge-offs, deferred costs and fees, and unamortized premiums and discounts and are evaluated for impairment.

Loans receivable, mortgage warehouse, at fair value

The mortgage warehouse product line primarily provides financing to mortgage companies nationwide from the time of origination of the underlying mortgage loans until the mortgage loans are sold into the secondary market. As a mortgage warehouse lender, Customers provides a form of financing to mortgage bankers by purchasing for resale the underlying residential mortgages on a short-term basis under a master repurchase agreement. These loans are reported as loans receivable, mortgage warehouse, at fair value on the consolidated balance sheets. Because these loans are reported at their fair value, they do not have an ALLL and are therefore excluded from ALLL related disclosures. At December 31, 2019, all of Customers' commercial mortgage warehouse loans were current in terms of payment.

Customers is subject to the risks associated with such lending, including, but not limited to, the risks of fraud, bankruptcy and default of the mortgage banker or of the underlying residential borrower, any of which could result in credit losses. Customers' mortgage warehouse lending team members monitor these mortgage originators by obtaining financial and other relevant information to reduce these risks during the lending period. Loans receivable, mortgage warehouse, at fair value totaled $2.2 billion and $1.4 billion at December 31, 2019 and 2018, respectively.

Loans and leases receivable

Loans and leases receivable (excluding loans held for sale and loans receivable, mortgage warehouse, at fair value), net of the ALLL, increased by $0.2 billion to $7.3 billion at December 31, 2019, from $7.1 billion at December 31, 2018. The increase in loans and leases receivable, net of the ALLL, was attributable to higher balances in the commercial and industrial (including owner occupied commercial real estate) and other consumer loan portfolios, with each portfolio increasing by $0.5 billion and $1.1 billion, respectively, from December 31, 2018. These increases were partially offset by a $1.4 billion reduction in the multi-family portfolio from December 31, 2018, which includes the effect of transferring $0.5 billion of multi-family loans to held for sale at September 30, 2019. The overall loans and leases receivable fluctuations were the result of Customers' strategic efforts to reduce the lower-yielding loans in the multi-family portfolio and replace them with higher-yielding commercial and industrial and other consumer loans.

The following table presents Customers' loans receivable (excluding loans held for sale and loans receivable, at fair value) as of December 31, 2019 based on the remaining term to contractual maturity, and presents the amount of those loans with predetermined fixed rates and floating or adjustable rates:

(amounts in thousands)	Within one year	After one but within five years	After five years	Total
Commercial loans:				
Multi-family	$ 337,106	$ 561,288	$ 1,010,880	$ 1,909,274
Commercial and industrial (including owner occupied commercial real estate)	459,889	1,252,846	729,252	2,441,987
Commercial real estate non-owner occupied	247,371	564,809	411,349	1,223,529
Construction	42,141	47,992	28,285	118,418
Total commercial loans	$ 1,086,507	$ 2,426,935	$ 2,179,766	$ 5,693,208
Amount of such loans with:				
Predetermined rates	$ 561,196	$ 1,240,936	$ 358,164	$ 2,160,296
Floating or adjustable rates	525,311	1,185,999	1,821,602	3,532,912
Total commercial loans	$ 1,086,507	$ 2,426,935	$ 2,179,766	$ 5,693,208
Consumer Loans:				
Residential real estate	$ 3,165	$ 12,091	$ 359,758	$ 375,014
Manufactured housing	337	3,948	66,113	70,398
Other consumer	3,032	954,689	220,562	1,178,283
Total consumer loans	$ 6,534	$ 970,728	$ 646,433	$ 1,623,695
Amount of such loans with:				
Predetermined rates	$ 5,991	$ 959,307	$ 609,648	$ 1,574,946
Floating or adjustable rates	543	11,421	36,785	48,749
Total consumer loans	$ 6,534	$ 970,728	$ 646,433	$ 1,623,695

Credit Risk

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

The provision for loan and lease losses was $24.2 million, $5.6 million, and $6.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. The ALLL maintained for loans and leases receivable (excluding loans held for sale and loans receivable, mortgage warehouse, at fair value) was $56.4 million, or 0.77% of loans and leases receivable, at December 31, 2019, and $40.0 million, or 0.56% of loans receivable, at December 31, 2018. Net charge-offs were $7.8 million for the year ended December 31, 2019, an increase of $4.1 million compared to $3.7 million for the year ending December 31, 2018. The increase in net charge-offs year over year was mainly driven by increased net charge-offs in the other consumer loan portfolio.

The table below presents Customers' ALLL for the periods indicated.

	For the Years Ended December 31,				
(amounts in thousands)	2019	2018	2017	2016	2015
Balance at the beginning of the period	$ 39,972	$ 38,015	$ 37,315	$ 35,647	$ 30,932
Loan and lease charge-offs (1)					
Multi-family	541	—	—	—	—
Commercial and industrial (2)	651	2,469	4,888	2,947	11,709
Commercial real estate non-owner occupied	—	—	486	140	327
Construction	—	—	—	—	1,064
Residential real estate	297	466	415	493	276
Other consumer	8,101	1,822	1,338	825	36
Total Charge-offs	9,590	4,757	7,127	4,405	13,412
Loan and lease recoveries (1)					
Multi-family	7	—	—	—	—
Commercial and industrial (2)	1,286	729	685	381	562
Commercial real estate non-owner occupied	—	5	—	130	—
Construction	136	241	164	1,854	204
Residential real estate	27	76	72	367	575
Other consumer	314	21	138	11	92
Total Recoveries	1,770	1,072	1,059	2,743	1,433
Total net charge-offs	7,820	3,685	6,068	1,662	11,979
Provision for loan and lease losses (3)	24,227	5,642	6,768	3,330	16,694
Balance at the end of the period	$ 56,379	$ 39,972	$ 38,015	$ 37,315	$ 35,647

(1) Charge-offs and recoveries on PCI loans that are accounted for in pools are recognized on a net basis when the pool matures.

(2) Includes owner occupied commercial real estate loans.

(3) The provision amounts exclude the benefit/(cost) of FDIC loss sharing arrangements of $0.3 million and $(3.9) million, for the years ended December 31, 2016 and 2015, respectively.

The ALLL is based on a quarterly evaluation of the loan and lease portfolio and is maintained at a level that management considers adequate to absorb probable losses incurred as of the balance sheet date. All commercial loans, with the exception of commercial mortgage warehouse loans, which are reported at fair value, are assigned internal credit-risk ratings, based upon an assessment of the borrower, the structure of the transaction and the available collateral and/or guarantees. All loans and leases are monitored regularly by the responsible officer, and the risk ratings are adjusted when considered appropriate. The risk assessment allows management to identify problem loans and leases timely. Management considers a variety of factors and recognizes the inherent risk of loss that always exists in the lending process. Management uses a disciplined methodology to estimate an appropriate level of ALLL. Refer to Critical Accounting Policies herein and NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION to Customers' audited financial statements for further discussion on management's methodology for estimating the ALLL.

Approximately 78% of Customers' commercial real estate, construction, consumer residential and commercial and industrial loan types have real estate as collateral (collectively, "the real estate portfolio"), primarily in the form of a first lien position. Current appraisals providing current value estimates of the property are received when Customers' credit group determines that the facts and circumstances have significantly changed since the date of the last appraisal, including that real estate values have deteriorated. The credit committee and loan officers review loans that are 15 or more days delinquent and all non-accrual loans on a periodic basis. In addition, loans where the loan officers have identified a "borrower of interest" are discussed to determine if additional analysis is necessary to apply the risk-rating criteria properly. The risk ratings for the real estate loan portfolio are determined based upon the current information available, including but not limited to discussions with the borrower, updated financial information, economic conditions within the geographic area and other factors that may affect the cash flow of the loan. If a loan is individually evaluated for impairment, the collateral value or discounted cash flow analysis is generally used to determine the estimated fair value of the underlying collateral, net of estimated selling costs, and compared to the outstanding loan balance to determine the amount of reserve necessary, if any. Appraisals used in this evaluation process are typically less than two years aged. For loans where real estate is not the primary source of collateral, updated financial information is obtained, including accounts receivable and inventory aging reports and relevant supplemental financial data to estimate the fair value of the loan, net of estimated selling costs, and compared to the outstanding loan balance to estimate the required reserve.

These impairment measurements are inherently subjective as they require material estimates, including, among others, estimates of property values in appraisals, the amounts and timing of expected future cash flows on individual loans, and general considerations for historical loss experience, economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios, all of which require judgment and may be susceptible to significant change over time and as a result of changing economic conditions or other factors. Pursuant to ASC 310-10-35 *Loan Impairment* and ASC 310-40 *Troubled Debt Restructurings by Creditors,* impaired loans, consisting primarily of non-accrual and restructured loans, are considered in the methodology for determining the ALLL. Impaired loans are generally evaluated based on the expected future cash flows or the fair value of the underlying collateral (less estimated costs to sell) if principal repayment is expected to come from the sale or operation of such collateral.

The following table shows the ALLL by various portfolios as of December 31, 2019, 2018, 2017, 2016 and 2015:

	December 31,									
	2019		2018		2017		2016		2015	
(amounts in thousands)	ALLL	Percent of loans in each category to loans and leases receivable	ALLL	Percent of loans in each category to loans and leases receivable	ALLL	Percent of loans in each category to loans and leases receivable	ALLL	Percent of loans in each category to loans and leases receivable	ALLL	Percent of loans in each category to loans and leases receivable
Multi-family	$ 6,157	26.1 %	$ 11,462	46.0 %	$ 12,168	51.7 %	$ 11,602	52.2 %	$ 12,016	53.4 %
Commercial and industrial (1)	17,791	33.4 %	15,465	27.3 %	14,150	24.1 %	13,233	22.5 %	10,212	20.4 %
Commercial real estate non-owner occupied	6,243	16.7 %	6,093	15.8 %	7,437	18.0 %	7,894	19.4 %	8,420	17.5 %
Construction	1,262	1.6 %	624	0.8 %	979	1.3 %	840	1.1 %	1,074	1.6 %
Total Commercial Loans and Leases	31,453	77.8 %	33,644	89.9 %	34,734	95.2 %	33,569	95.1 %	31,722	92.9 %
Residential real estate	3,218	5.1 %	3,654	7.9 %	2,929	3.5 %	3,342	3.1 %	3,298	5.0 %
Manufactured housing	1,060	1.0 %	145	1.1 %	180	1.3 %	286	1.7 %	494	2.1 %
Other consumer	20,648	16.1 %	2,529	1.1 %	172	0.1 %	118	0.1 %	133	0.1 %
Total Consumer Loans	24,926	22.2 %	6,328	10.1 %	3,281	4.8 %	3,746	4.9 %	3,925	7.1 %
Loans and Leases Receivable	$ 56,379	100.0 %	$ 39,972	100.0 %	$ 38,015	100.0 %	$ 37,315	100.0 %	$ 35,647	100.0 %

(1) Includes owner occupied commercial real estate loans.

Asset Quality

Customers segments the loan and lease receivables by product or other characteristic generally defining a shared characteristic with other loans or leases in the same group. Credit losses from originated loans and leases are absorbed by the ALLL. Credit losses from acquired loans are absorbed by the ALLL, nonaccretable difference fair value marks and cash reserves. The schedule that follows includes both loans held for sale and loans held for investment.

Asset Quality at December 31, 2019

(dollars in thousands)	Total loans and leases	Current	30-89 Days past due	90 Days or more past due and accruing	Non-accrual/NPL (a)	OREO (b)	NPA (a)+(b)	NPL to loan and lease type (%)	NPA to loans and leases + OREO (%)
Loan and Lease Type									
Multi-family	$ 1,909,274	$ 1,903,024	$ 2,133	$ —	$ 4,117	$ —	$ 4,117	0.22 %	0.22 %
Commercial & industrial [(1)]	2,441,987	2,427,383	7,783	327	6,494	—	6,494	0.27 %	0.27 %
Commercial real estate non-owner occupied	1,223,529	1,215,389	8,034	30	76	—	76	0.01 %	0.01 %
Construction	118,418	118,418	—	—	—	—	—	— %	— %
Total commercial loans and leases receivable	5,693,208	5,664,214	17,950	357	10,687	—	10,687	0.19 %	0.19 %
Residential	375,014	362,482	6,242	162	6,128	78	6,206	1.63 %	1.65 %
Manufactured housing	70,398	62,487	3,855	2,401	1,655	95	1,750	2.35 %	2.48 %
Other consumer	1,178,283	1,170,941	5,756	35	1,551	—	1,551	0.13 %	0.13 %
Total consumer loans receivable	1,623,695	1,595,910	15,853	2,598	9,334	173	9,507	0.57 %	0.59 %
Deferred (fees) costs and unamortized (discounts) premiums, net	2,085	2,085	—	—	—	—	—	— %	— %
Loans and leases receivable	7,318,988	7,262,209	33,803	2,955	20,021	173	20,194	0.27 %	0.28 %
Loans receivable, mortgage warehouse, at fair value	2,245,758	2,245,758	—	—	—	—	—	— %	— %
Total loans held for sale	486,328	485,003	—	—	1,325	—	1,325	0.27 %	0.27 %
Total portfolio	$ 10,051,074	$ 9,992,970	$ 33,803	$ 2,955	$ 21,346	$ 173	$ 21,519	0.21 %	0.21 %

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

Asset Quality at December 31, 2019 (continued)

(dollars in thousands)	Total loans and leases	Non-accrual/NPL	ALLL	Cash reserve	Total credit reserves	Reserves to loans and leases (%)	Reserves to NPLs (%)
Loan and Lease Type							
Multi-family	$ 1,909,274	$ 4,117	$ 6,157	$ —	$ 6,157	0.32 %	149.55 %
Commercial & industrial [(1)]	2,441,987	6,494	17,791	—	17,791	0.73 %	273.96 %
Commercial real estate non-owner occupied	1,223,529	76	6,243	—	6,243	0.51 %	8214.47 %
Construction	118,418	—	1,262	—	1,262	1.07 %	— %
Total commercial loans and leases receivable	5,693,208	10,687	31,453	—	31,453	0.55 %	294.31 %
Residential	375,014	6,128	3,218	—	3,218	0.86 %	52.51 %
Manufactured housing	70,398	1,655	1,060	118	1,178	1.67 %	71.18 %
Other consumer	1,178,283	1,551	20,648	—	20,648	1.75 %	1331.27 %
Total consumer loans receivable	1,623,695	9,334	24,926	118	25,044	1.54 %	268.31 %
Deferred (fees) costs and unamortized (discounts) premiums, net	2,085	—	—	—	—	— %	— %
Loans and leases receivable	7,318,988	20,021	56,379	118	56,497	0.77 %	282.19 %
Loans receivable, mortgage warehouse, at fair value	2,245,758	—	—	—	—	— %	— %
Total loans held for sale	486,328	1,325	—	—	—	— %	— %
Total portfolio	$ 10,051,074	$ 21,346	$ 56,379	$ 118	$ 56,497	0.56 %	264.67 %

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

Customers manages its credit risk through the diversification of the loan and lease portfolio and the application of policies and procedures designed to foster sound credit standards and monitoring practices. While various degrees of credit risk are associated with substantially all investing activities, the lending function carries the greatest degree of potential loss. At December 31, 2019 and 2018, NPLs to total loans was 0.21% and 0.32%, respectively. Total reserves to NPLs was 264.7% and 147.2% at December 31, 2019 and 2018, respectively.

The tables below set forth non-accrual loans, NPAs and asset quality ratios:

	December 31,				
(amounts in thousands)	2019	2018	2017	2016	2015
Loans 90+ days delinquent still accruing (1)	$ 1,794	$ 2,188	$ 2,743	$ 2,813	$ 2,805
Non-accrual loans	$ 21,346	$ 27,494	$ 26,415	$ 17,792	$ 10,771
OREO	173	816	1,726	3,108	5,057
Total non-performing assets	$ 21,519	$ 28,310	$ 28,141	$ 20,900	$ 15,828

(1) Excludes PCI loans.

	December 31,				
	2019	2018	2017	2016	2015
Non-accrual loans and leases to loans and leases receivable (1)	0.27 %	0.39 %	0.39 %	0.29 %	0.20 %
Non-accrual loans to total loans and leases	0.21 %	0.32 %	0.30 %	0.22 %	0.15 %
Non-performing assets to total assets	0.18 %	0.29 %	0.29 %	0.22 %	0.19 %
Non-accrual loans and loans 90+ days delinquent to total assets	0.19 %	0.30 %	0.30 %	0.22 %	0.16 %
Allowance for loan and lease losses to:					
Loans and leases receivable (1)	0.77 %	0.56 %	0.56 %	0.61 %	0.65 %
Non-accrual loans	281.60 %	145.38 %	143.91 %	209.73 %	330.95 %

(1) Excludes loans held for sale and loans receivable, mortgage warehouse, at fair value.

The table below sets forth loans that were non-performing at December 31, 2019, 2018, 2017, 2016 and 2015.

	December 31,				
(amounts in thousands)	2019	2018	2017	2016	2015
Multi-family	$ 4,117	$ 1,155	$ —	$ —	$ —
Commercial and industrial (1)	4,531	17,764	17,392	8,443	1,973
Commercial real estate	1,963	1,037	1,453	2,039	2,700
Commercial real estate non-owner occupied	76	129	160	2,057	1,307
Residential real estate	7,453	5,605	5,420	2,959	2,202
Manufactured housing	1,655	1,693	1,959	2,236	2,449
Other consumer	1,551	111	31	58	140
Total non-performing loans	$ 21,346	$ 27,494	$ 26,415	$ 17,792	$ 10,771

(1) Includes owner occupied commercial real estate loans.

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

Problem Loan Identification and Management

To facilitate the monitoring of credit quality within the commercial and industrial, multi-family, commercial real estate and construction portfolios and for purposes of analyzing historical loss rates used in the determination of the ALLL for the respective portfolio segment, Customers utilizes the following categories of risk ratings: pass (there are six risk ratings for pass loans), special mention, substandard, doubtful or loss. The risk-rating categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated regularly thereafter. Pass ratings, which are assigned to those borrowers who do not have identified potential or well-defined weaknesses and for whom there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis, generally during the month preceding the end of the calendar quarter. While assigning risk ratings involves judgment, the risk-rating process allows management to identify riskier credits in a timely manner and allocate the appropriate resources to manage the loans and leases.

Customers assigns a special mention rating to loans and leases that have potential weaknesses that deserve management's close attention. If not addressed, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan and lease and Customers' financial position. At December 31, 2019 and 2018, special mention loans and leases were $111.2 million and $126.2 million, respectively, and are considered performing loans and are therefore not included in the tables above.

Risk ratings are not established for residential real estate, home equity loans, installment loans and other consumer loans mainly because these portfolios consist of a larger number of homogeneous loans with smaller balances. Instead, these portfolios are evaluated for risk mainly based on aggregate payment history through the monitoring of delinquency levels and trends.

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

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

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

Troubled Debt Restructurings

At December 31, 2019, 2018 and 2017, there were $13.3 million, $19.2 million and $20.4 million, respectively, in loans categorized as a TDR. TDRs are reported as impaired loans in the period of their restructuring and are evaluated to determine whether they should be placed on non-accrual status. In subsequent years, a TDR may be returned to accrual status if the borrower satisfies a minimum six-month performance requirement; however, it will remain classified as impaired. Generally, Customers requires sustained performance for nine months before returning a TDR to accrual status.

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

TDR modifications primarily involve interest-rate concessions, extensions of term, deferrals of principal and other modifications. Other modifications typically reflect other nonstandard terms which Customers would not offer in non-troubled situations. During the years ended December 31, 2019, 2018 and 2017, loans aggregating $1.4 million, $1.7 million and $8.1 million, respectively, were modified in TDRs. TDR modifications of loans within the commercial and industrial category were primarily extensions of term, deferrals of principal and other modifications; modifications of residential real estate loans were primarily extensions of term and deferrals of principal; and modifications of manufactured housing loans were primarily interest rate concessions, extensions of term and deferrals of principal. As of December 31, 2019, there were no commitments to lend additional funds to debtors whose loans have been modified in TDRs. As of December 31, 2018 and 2017, except for one commercial and industrial loan with an outstanding commitment of $1.5 million and $2.1 million, respectively, there were no other commitments to lend additional funds to debtors whose loans have been modified in TDRs.

As of December 31, 2019, three manufactured housing loans totaling $73 thousand and one residential real estate loan for $81 thousand that were modified in TDRs within the past twelve months defaulted on payments. As of December 31, 2018, four manufactured housing loans totaling $92 thousand that were modified in TDRs within the past twelve months defaulted on payments. As of December 31, 2017, five manufactured housing loans totaling $0.2 million that were modified in TDRs within the related past twelve months defaulted on payments.

Loans modified in TDRs are evaluated for impairment. The nature and extent of impairment of TDRs, including those that have experienced a subsequent default, is considered in the determination of an appropriate level of ALLL. During the the year ended December 31, 2019, allowances totaling $17 thousand were recorded on fifteen loans that had been modified in TDRs. There were no allowances recorded as a result of TDR modifications during 2018. For the year ended December 31, 2017, there was one allowance resulting from TDR modifications totaling $1 thousand for one manufactured housing loan.

ACCRUED INTEREST RECEIVABLE

At December 31, 2019, accrued interest receivable totaled $38.1 million compared to $33.0 million at December 31, 2018. The increase primarily resulted from increases in the yield and outstanding balances of interest-earning assets.

BANK PREMISES AND EQUIPMENT AND OTHER ASSETS

At December 31, 2019, bank premises and equipment, net of accumulated depreciation and amortization, totaled $9.4 million compared to $11.1 million at December 31, 2018. The decrease primarily resulted from depreciation and amortization expenses of $3.4 million, partially offset by purchases of bank premises and equipment of $1.7 million.

At December 31, 2019, Customers Bank’s restricted stock holdings totaled $84.2 million compared to $89.7 million at December 31, 2018. These holdings consist of stock of the Federal Reserve Bank, the FHLB and Atlantic Community Bankers Bank and are required as part of our relationship with these banks.

At December 31, 2019 and 2018, other assets totaled $298.1 million and $185.7 million, respectively. Other assets consist primarily of ROU lease assets (the adoption of ASC 842 on January 1, 2019 resulted in ROU lease assets of $20.2 million at December 31, 2019 with no comparable amount at December 31, 2018), operating leases through Customers' Equipment Finance Group (net investment in operating leases of $94.7 million at December 31, 2019 compared to $55.3 million at December 31, 2018), mark-to-market adjustments for interest-rate swaps, software, and prepaid expenses.

At December 31, 2019, the cash surrender value of BOLI totaled $272.5 million compared to $264.6 million at December 31, 2018. Presented within BOLI on the consolidated balance sheet is the cash surrender value of the SERP balances of $3.8 million and $3.1 million at December 31, 2019 and 2018, respectively.

DEPOSITS

Customers offers a variety of deposit accounts, including checking, savings, MMDA and time deposits. Deposits are primarily obtained from Customers' geographic service area and nationwide through branchless digital banking, our White Label relationship, deposit brokers, listing services and other relationships.

The components of deposits at December 31, 2019 and 2018 were as follows:

	December 31,			
(dollars in thousands)	2019	2018	Change	% Change
Demand, non-interest bearing	$ 1,343,391	$ 1,122,171	$ 221,220	19.7 %
Demand, interest bearing	1,235,292	803,948	431,344	53.7 %
Savings, including MMDA	4,401,719	3,481,936	919,783	26.4 %
Non-time deposits	6,980,402	5,408,055	1,572,347	29.1 %
Time, $100,000 and over	402,161	792,370	(390,209)	(49.2)%
Time, other	1,266,373	941,811	324,562	34.5 %
Time deposits	1,668,534	1,734,181	(65,647)	(3.8)%
Total deposits	$ 8,648,936	$ 7,142,236	$ 1,506,700	21.1 %

Total deposits were $8.6 billion at December 31, 2019, an increase of $1.5 billion, or 21.1%, from $7.1 billion at December 31, 2018. Non-time deposits increased by $1.6 billion, or 29.1%, to $7.0 billion at December 31, 2019, from $5.4 billion at December 31, 2018. This increase was primarily driven by Customers' initiative to improve its net interest margin by expanding its sources of lower-cost funding. These efforts led to increases in non-interest bearing demand deposits of $0.2 billion, interest bearing demand deposits of $0.4 billion and savings, including MMDA, of $0.9 billion. These increases were offset in part by decreases in time deposits of $65.6 million, or 3.8%.

At December 31, 2019 the Bank had $1.4 billion in state and municipal deposits to which it had pledged $1.4 billion of available borrowing capacity through the FHLB to the depositors through a letter of credit arrangement.

Time deposits greater than $250,000 totaled $0.2 billion and $0.5 billion at December 31, 2019, and 2018, respectively.

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

	For the Years Ended December 31,			
	2019		2018	
(dollars in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand, non-interest bearing	$ 1,430,149	0.00 %	$ 1,189,638	0.00 %
Demand, interest-bearing	955,630	1.82 %	630,335	1.49 %
Savings, including MMDA	3,689,703	2.17 %	3,553,773	1.77 %
Time deposits	1,943,361	2.26 %	2,066,896	1.87 %
Total	$ 8,018,843	1.76 %	$ 7,440,642	1.49 %

At December 31, 2019, the scheduled maturities of time deposits greater than $100,000 were as follows:

(amounts in thousands)	December 31, 2019
3 months or less	$ 57,655
Over 3 through 6 months	76,823
Over 6 through 12 months	157,990
Over 12 months	109,693
Total	$ 402,161

For additional information, see NOTE 10 - DEPOSITS to Customers' audited financial statements.

FHLB ADVANCES AND OTHER BORROWINGS

Borrowed funds from various sources are generally used to supplement deposit growth and meet other operating needs. Customers' borrowings generally include short-term and long-term advances from the FHLB, federal funds purchased, senior unsecured notes and subordinated debt. Subordinated debt is also considered as Tier 2 capital for certain regulatory calculations.

Short-term debt

Short-term debt at December 31, 2019 and 2018 was as follows:

	December 31,			
	2019		2018	
(amounts in thousands)	Amount	Rate	Amount	Rate
FHLB advances	$ 500,000	2.15 %	$ 1,248,070	2.62 %
Federal funds purchased	538,000	1.60 %	187,000	2.60 %
Total short-term borrowings	$ 1,038,000		$ 1,435,070	

For additional information on Customers' short-term debt, see NOTE 11 – BORROWINGS to Customers' audited financial statements.

Long-term debt

FHLB and FRB Advances

Long-term FHLB and FRB advances at December 31, 2019 and 2018, was as follows:

	December 31,			
	2019		2018	
(amounts in thousands)	Amount	Rate	Amount	Rate
FHLB advances	$ 350,000	2.36 %	$ —	— %
Total long-term FHLB advances	$ 350,000		$ —	

There were no advances outstanding with the FRB at December 31, 2019 and 2018, respectively.

The maximum borrowing capacity with the FHLB and FRB at December 31, 2019 and 2018, was as follows:

(amounts in thousands)	December 31, 2019	December 31, 2018
Total maximum borrowing capacity with the FHLB	$ 3,445,416	$ 4,146,899
Total maximum borrowing capacity with the FRB	136,842	102,461
Qualifying loans serving as collateral against FHLB and FRB advances	4,496,983	5,221,957

Senior Notes and Subordinated Debt

Long-term senior notes and subordinated debt at December 31, 2019 and 2018 was as follows:

(dollars in thousands)		December 31, 2019	December 31, 2018					
Issued by	Ranking	Carrying Amount	Carrying Amount	Rate	Issued Amount	Date Issued	Maturity	Price
Customers Bancorp	Senior	$ 24,432	$ —	4.500 %	$ 25,000	September 2019	September 2024	100.000 %
Customers Bancorp	Senior	99,198	98,911	3.950 %	100,000	June 2017	June 2022	99.775 %
Customers Bancorp	Senior	—	24,960	4.625 %	25,000	June 2014	June 2019	100.000 %
Total other borrowings		123,630	123,871					
Customers Bancorp	Subordinated (1)(2)	72,040	—	5.375 %	74,750	December 2019	December 2034	100.000 %
Customers Bank	Subordinated (1)(3)	109,075	108,977	6.125 %	110,000	June 2014	June 2029	100.000 %
Total subordinated debt		$ 181,115	$ 108,977					

(1) The subordinated notes qualify as Tier 2 capital for regulatory capital purposes.
(2) Customers Bancorp has the ability to call the subordinated notes, in whole, or in part, at a redemption price equal to 100% of the principal balance at certain times on or after December 30, 2029.
(3) The subordinated notes will bear an annual fixed rate of 6.125% until June 26, 2024. From June 26, 2024 until maturity, the notes will bear an annual interest rate equal to the three-month LIBOR plus 344.3 basis points. Customers Bank has the ability to call the subordinated notes, in whole, or in part, at a redemption price equal to 100% of the principal balance at certain times on or after June 26, 2024.

SHAREHOLDERS' EQUITY

The components of shareholders' equity were as follows at the dates indicated:

(dollars in thousands)	December 31, 2019	December 31, 2018	Change	% Change
Preferred stock	$ 217,471	$ 217,471	$ —	— %
Common stock	32,617	32,252	365	1.1 %
Additional paid in capital	444,218	434,314	9,904	2.3 %
Retained earnings	381,519	316,651	64,868	20.5 %
Accumulated other comprehensive loss, net	(1,250)	(22,663)	21,413	(94.5)%
Treasury stock	(21,780)	(21,209)	(571)	2.7 %
Total shareholders' equity	$ 1,052,795	$ 956,816	$ 95,979	10.0 %

Shareholders' equity increased by $96.0 million, or 10.0%, to $1.1 billion at December 31, 2019, when compared to shareholders' equity of $956.8 million at December 31, 2018. The increase primarily resulted from net income of $79.3 million for the year ended December 31, 2019, a reduction in accumulated other comprehensive loss of $21.4 million, and an increase of $9.9 million in additional paid in capital, partially offset by preferred stock dividends of $14.5 million and repurchases of shares of Customers' common stock totaling $0.6 million. The reduction in accumulated other comprehensive loss, net primarily resulted from an increase in the fair value of available for sale debt securities, partially offset by a decline in the fair value of cash flow hedges, both due to the decline in market interest rates during the year. The increases in additional paid in capital resulted primarily from the issuance of common stock under share-based compensation arrangements for the year ended December 31, 2019.

LIQUIDITY

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

Customers' investment portfolio provides periodic cash flows through regular maturities and amortization and can be used as collateral to secure additional funding. Customers' principal sources of funds are deposits, borrowings, principal and interest payments on loans and leases, other funds from operations, and proceeds from common and preferred stock issuances. Borrowing arrangements are maintained with the FHLB and the FRB to meet short-term liquidity needs. Longer-term borrowing arrangements are also maintained with the FHLB. As of December 31, 2019, Customers' borrowing capacity with the FHLB was $3.4 billion, of which $0.9 billion was utilized in borrowings and commitments; and $1.4 billion of available capacity was used to collateralize state and municipal deposits. As of December 31, 2018, Customers' borrowing capacity with the FHLB was $4.1 billion, of which $1.2 billion was utilized in borrowings and commitments; and $1.7 billion of available capacity was used to collateralize state and municipal deposits. As of December 31, 2019 and 2018, Customers' borrowing capacity with the FRB was $136.8 million and $102.5 million, respectively.

The principal source of the Bancorp's liquidity is the dividends it receives from the Bank, which may be impacted by the following: bank-level capital needs, laws and regulations, corporate policies, contractual restrictions and other factors. There are statutory and regulatory limitations on the ability of the Bank to pay dividends or make other capital distributions or to extend credit to the Bancorp or its non-bank subsidiaries.

The table below summarizes Customers' cash flows for the years indicated:

	For the Years Ended December 31,			
(dollars in thousands)	2019	2018	Change	% Change
Net cash provided by (used in) operating activities	$ 78,280	$ 97,474	$ (19,194)	(19.7)%
Net cash provided by (used in) investing activities	(1,444,435)	(104,098)	(1,340,337)	NM
Net cash provided by (used in) financing activities	1,516,525	(77,564)	1,594,089	NM
Net increase (decrease) in cash and cash equivalents	$ 150,370	$ (84,188)	$ 234,558	(278.6)%

Cash flows provided by (used in) operating activities

Cash provided by operating activities of $78.3 million for the year ended December 31, 2019 primarily resulted from net income of $79.3 million, non-cash operating adjustments of $68.1 million, and an increase of $15.0 million in accrued interest payable and other liabilities, partially offset by an increase of $84.1 million in accrued interest receivable and other assets.

Cash provided by operating activities of $97.5 million for the year ended December 31, 2018 primarily resulted from net income of $71.7 million, non-cash operating adjustments of $50.5 million, and an increase of $9.9 million in accrued interest payable and other liabilities, partially offset by an increase of $34.6 million in accrued interest receivable and other assets.

Cash flows provided by (used in) investing activities

Cash used in investing activities of $1.4 billion for the year ended December 31, 2019 primarily resulted from purchases of loans of $1.2 billion and net originations of mortgage warehouse loans of $881.6 million, partially offset by proceeds from the sales of loans of $273.4 million, a decrease in loans and leases, excluding mortgage warehouse loans, of $239.0 million and proceeds from sale of investment securities available for sale of $97.6 million.

Cash used in investing activities of $104.1 million for the year ended December 31, 2018 primarily resulted from purchases of investment securities available for sale of $763.2 million and purchases of loans of $397.9 million. These uses of cash were offset in part by cash provided by investing activities of $476.2 million from the proceeds from sales of investment securities available for sale, net proceeds from repayments of mortgage warehouse loans of $388.0 million and proceeds from the sales of loans of $110.5 million.

Cash flows provided by (used in) financing activities

Cash provided by financing activities of $1.5 billion for the year ended December 31, 2019 primarily resulted from an increase in deposits of $1.5 billion, proceeds from long-term FHLB borrowings of $350.0 million and net federal funds purchased of $351.0 million, partially offset by repayment of short-term borrowed funds from the FHLB of $748.1 million.

Cash used in financing activities of $77.6 million for the year ended December 31, 2018 primarily resulted from a decrease in short-term borrowed funds from the FHLB of $363.8 million, repayments of long-term debt of $63.3 million, payments of preferred stock dividends of $14.5 million and repurchases of common stock of $13.0 million, partially offset by an increase in deposits of $342.1 million and an increase in federal funds purchased of $32.0 million.

CAPITAL ADEQUACY

The Bank and Bancorp are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on Customers' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and Bancorp must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items, as calculated under the regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Bancorp to maintain minimum amounts and ratios (set forth in the following table) of common equity Tier 1, Tier 1, and total capital to risk-weighted assets, and Tier 1 capital to average assets (as defined in the regulations). At December 31, 2019 and 2018, the Bank and the Bancorp met all capital adequacy requirements to which they were subject to.

Generally, to comply with the regulatory definition of adequately capitalized, or well capitalized, respectively, or to comply with the Basel III capital requirements, an institution must at least maintain the common equity Tier 1, Tier 1 and total risk-based capital ratios and the Tier 1 leverage ratio in excess of the related minimum ratios set forth in the following table.

			Minimum Capital Levels to be Classified as:					
	Actual		Adequately Capitalized		Well Capitalized		Basel III Compliant	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019								
Common equity Tier 1 (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 821,810	7.984 %	$ 463,211	4.500 %	N/A	N/A	$ 720,551	7.000 %
Customers Bank	$ 1,164,652	11.323 %	$ 462,842	4.500 %	$ 668,549	6.500 %	$ 719,976	7.000 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,039,281	10.096 %	$ 617,615	6.000 %	N/A	N/A	$ 874,955	8.500 %
Customers Bank	$ 1,164,652	11.323 %	$ 617,122	6.000 %	$ 822,829	8.000 %	$ 874,256	8.500 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,256,309	12.205 %	$ 823,487	8.000 %	N/A	N/A	$ 1,080,827	10.500 %
Customers Bank	$ 1,330,155	12.933 %	$ 822,829	8.000 %	$ 1,028,537	10.000 %	$ 1,079,964	10.500 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 1,039,281	9.258 %	$ 449,026	4.000 %	N/A	N/A	$ 449,026	4.000 %
Customers Bank	$ 1,164,652	10.379 %	$ 448,851	4.000 %	$ 561,064	5.000 %	$ 448,851	4.000 %
December 31, 2018								
Common equity Tier 1 (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 745,795	8.964 %	$ 374,388	4.500 %	N/A	N/A	$ 530,384	6.375 %
Customers Bank	$ 1,066,121	12.822 %	$ 374,160	4.500 %	$ 540,453	6.500 %	$ 530,059	6.375 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 963,266	11.578 %	$ 499,185	6.000 %	N/A	N/A	$ 655,180	7.875 %
Customers Bank	$ 1,066,121	12.822 %	$ 498,879	6.000 %	$ 665,173	8.000 %	$ 654,779	7.875 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,081,962	13.005 %	$ 655,580	8.000 %	N/A	N/A	$ 821,575	9.875 %
Customers Bank	$ 1,215,522	14.619 %	$ 665,173	8.000 %	$ 831,466	10.000 %	$ 821,072	9.875 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 963,266	9.665 %	$ 398,668	4.000 %	N/A	N/A	$ 398,668	4.000 %
Customers Bank	$ 1,066,121	10.699 %	$ 398,570	4.000 %	$ 498,212	5.000 %	$ 398,570	4.000 %

The capital ratios above reflect the capital requirements under "Basel III" adopted effective during first quarter 2015 and the capital conservation buffer phased in beginning January 1, 2016. Failure to maintain the required capital conservation buffer will result in limitations on capital distributions and on discretionary bonuses to executive officers. As of December 31, 2019, the Bank and

Customers Bancorp were in compliance with the Basel III requirements. See NOTE 18 - REGULATORY CAPITAL to Customers' audited financial statements for additional discussion regarding regulatory capital requirements.

Capital Ratios

Customers continued to build capital during 2019. However, the decision made in fourth quarter 2019 to cross the $10.0 billion asset threshold at year-end, with total assets of $11.5 billion at December 31, 2019, resulted in lower capital ratios when compared to December 31, 2018. In general, for the past few years, Customers Bancorp capital growth has been achieved by retained earnings and issuances of common stock under share-based compensation arrangements, offset in part by the repurchase of common shares. Customers Bank capital growth has been achieved by retained earnings and capital contributions from Customers Bancorp from proceeds received from issuances of senior and subordinated notes. During 2019 and 2018, Customers Bancorp did not issue any preferred stock or common stock other than in connection with share-based compensation agreements. For more information relating to preferred and common stock, see NOTE 12 - SHAREHOLDERS' EQUITY to Customers' audited financial statements.

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

The maintenance of appropriate levels of capital is an important objective of Customers' asset and liability management process. Through its initial capitalization and subsequent offerings, Customers believes it has continued to maintain a strong capital position. Since first quarter 2015, Customers Bank's board of directors has declared a quarterly cash dividend to the Bank's sole shareholder, Customers Bancorp. Cash dividends declared by the Bank and paid to Customers Bancorp during 2019 and 2018, include the following:

- $11.3 million declared on January 24, 2018, and paid on March 12, 2018;
- $11.3 million declared on April 25, 2018, and paid on June 11, 2018;
- $11.3 million declared on July 25, 2018, and paid on September 10, 2018;
- $11.3 million declared on October 24, 2018, and paid on December 10, 2018;
- $14.5 million declared on January 30, 2019, and paid on March 11, 2019;
- $15.5 million declared on April 22, 2019, and paid on June 10, 2019;
- $20.0 million declared on July 24, 2019, and paid on September 10, 2019; and
- $20.0 million declared on October 23, 2019, and paid on December 10, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

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

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

As of December 31, 2019 and 2018, the following off-balance sheet commitments, financial instruments and other arrangements were outstanding:

	December 31,	
(amounts in thousands)	2019	2018
Commitments to fund loans and leases	$ 261,902	$ 345,608
Unfunded commitments to fund mortgage warehouse loans	1,378,364	1,537,900
Unfunded commitments under lines of credit and credit cards	1,065,474	867,131
Letters of credit	48,856	55,659
Other unused commitments	2,736	4,822

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

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

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

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

CONTRACTUAL OBLIGATIONS

The following table sets forth contractual obligations and other commitments representing required and potential cash outflows as of December 31, 2019. Interest on subordinated notes and senior notes was calculated using the current contractual interest rates.

Contractual cash obligations

(amounts in thousands)	Within one year	After one but within three year	After three but within five years	More than five years	Total
On-balance sheet obligations					
Federal funds purchased	$ 538,000	$ —	$ —	$ —	$ 538,000
FHLB advances - short-term	500,000	—	—	—	500,000
FHLB advances - long-term	—	350,000	—	—	350,000
Senior notes	—	100,000	25,000	—	125,000
Subordinated notes	—	—	—	184,750	184,750
Interest on FHLB advances - long-term	8,250	3,093	—	—	11,343
Interest on senior notes	5,075	8,175	1,953	—	15,203
Interest on subordinated notes	10,755	21,511	21,511	70,422	124,199
Low income housing contributions	1,401	5,333	22	90	6,846
Benefit plan commitments	300	600	600	3,000	4,500
Contractual maturities of time deposits	1,467,088	195,483	5,963	—	1,668,534
Operating leases	5,539	8,959	5,274	2,817	22,589
Total on-balance sheet obligations	$ 2,536,408	$ 693,154	$ 60,323	$ 261,079	$ 3,550,964
Off-balance sheet obligations					
Loan commitments	$ 1,871,892	$ 490,881	$ 138,248	$ 204,719	$ 2,705,740
Other commitments (1)	—	2,736	—	—	2,736
Standby letters of credit	45,975	2,881	—	—	48,856
Total off-balance sheet obligations	1,917,867	496,498	138,248	204,719	2,757,332
Total contractual cash obligations	$ 4,454,275	$ 1,189,652	$ 198,571	$ 465,798	$ 6,308,296

(1) Represents commitments funding in approximately one-to-three years that are subject to unscheduled requests for payment.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Sensitivity

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

Customers uses two complementary methods to analyze and measure interest rate sensitivity as part of the overall management of interest rate risk; they are income simulation modeling and estimates of EVE. The combination of these two methods provides a reasonably comprehensive summary of the levels of interest rate risk of Customers' exposure to time factors and changes in interest rate environments.

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

Through the use of income simulation modeling, Customers has estimated the net interest income for the year ending December 31, 2020, based upon the assets, liabilities and off-balance sheet financial instruments in existence at December 31, 2019. Customers has also estimated changes to that estimated net interest income based upon rate shocks. For upward rate shocks modeling a rising rate environment, current market interest rates were increased immediately by 100, 200 and 300 basis points. For 2020 downward rate shocks modeling a falling rate environment, current market rates were decreased immediately by 100 basis points due to the limitations of the current low interest rate environment that renders the Down 200 and Down 300 rate shocks impractical. The downward rate shocks modeled will be revisited in the future if necessary and will be contingent upon additional Federal Reserve interest rate hikes. The following table reflects the estimated percentage change in estimated net interest income for the year ending December 31, 2020 and 2019, resulting from changes in interest rates.

Net change in net interest income

	% Change December 31,	
Rate Shocks	2020	2019
Up 3%	3.3 %	(15.7)%
Up 2%	2.7 %	(9.8)%
Up 1%	1.6 %	(4.5)%
Down 1%	(1.9)%	3.9 %
Down 2%	N/A	6.7 %

EVE estimates the discounted present value of asset and liability cash flows. Discount rates are based upon market prices for comparable assets and liabilities. Upward and downward rate shocks are used to measure volatility of EVE in relation to a constant rate environment. For upward rate shocks modeling a rising rate environment, current market interest rates were increased immediately by 100, 200 and 300 basis points. For downward rate shocks modeling a falling rate environment, current market rates at December 31, 2019 were decreased immediately by 100 basis points due to the limitations of the current low interest rate environment that renders the downward 200 and 300 rate shocks impractical. The downward rate shocks modeled will be revisited in the future if necessary and will be contingent upon additional Federal Reserve interest rate hikes. This method of measurement primarily evaluates the longer-term repricing risks and options in Customers Bank’s balance sheet.

The following table reflects the estimated EVE at risk and the ratio of EVE to EVE adjusted assets at December 31, 2019 and 2018, resulting from the referenced shocks to interest rates.

	From Base December 31,	
Rate Shocks	2019	2018
Up 3%	(5.6)%	(22.8)%
Up 2%	(2.0)%	(13.3)%
Up 1%	(0.1)%	(5.7)%
Down 1%	(1.1)%	3.8 %
Down 2%	N/A	6.5 %

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

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2019, that are anticipated, based upon certain assumptions, to reprice or mature in each of the future time periods shown. Except as stated below, the amount of assets and liabilities shown that reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2019, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be repaid and/or repriced as a result of contractual amortization and anticipated prepayments of adjustable and fixed-rate loans and as a result of contractual-rate adjustments on adjustable-rate loans.

Balance Sheet Gap Analysis at December 31, 2019 (dollars in thousands)	3 months or less	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Assets							
Interest-earning deposits and federal funds sold	$ 179,410	$ —	$ —	$ —	$ —	$ —	$ 179,410
Investment securities	20,213	9,949	27,231	78,550	68,933	382,907	587,783
Loans and leases (a)	4,155,704	437,913	819,179	3,060,113	1,167,742	405,362	10,046,013
Other interest-earning assets	—	—	—	—	91,679	—	91,679
Total interest-earning assets	4,355,327	447,862	846,410	3,138,663	1,328,354	788,269	10,904,885
Non interest-earning assets	—	—	—	—	—	565,198	565,198
Total assets	$ 4,355,327	$ 447,862	$ 846,410	$ 3,138,663	$ 1,328,354	$ 1,353,467	$ 11,470,083
Liabilities							
Other interest-bearing deposits	$ 305,380	$ 289,755	$ 535,835	$ 1,792,223	$ 652,700	$ 2,089,164	$ 5,665,057
Time deposits	382,903	465,249	618,591	194,956	9,120	936	1,671,755
Federal funds purchased and other borrowings	1,038,000	—	—	350,000	—	—	1,388,000
Subordinated debt	—	—	—	—	—	109,075	109,075
Total interest-bearing liabilities	1,726,283	755,004	1,154,426	2,337,179	661,820	2,199,175	8,833,887
Non-interest-bearing liabilities	65,452	61,901	113,908	477,235	222,349	468,722	1,409,567
Shareholders' equity	—	—	—	—	—	1,226,629	1,226,629
Total liabilities and shareholders' equity	$ 1,791,735	$ 816,905	$ 1,268,334	$ 2,814,414	$ 884,169	$ 3,894,526	$ 11,470,083
Interest sensitivity gap	$ 2,563,592	$ (369,043)	$ (421,924)	$ 324,249	$ 444,185	$ (2,541,059)	
Cumulative interest sensitivity gap		$ 2,194,549	$ 1,772,625	$ 2,096,874	$ 2,541,059	$ —	
Cumulative interest sensitivity gap to total assets	22.4 %	19.1 %	15.5 %	18.3 %	22.2 %	0.0 %	
Cumulative interest-earning assets to cumulative interest-bearing liabilities	252.3 %	193.6 %	155.4 %	147.1 %	152.5 %	123.4 %	

(a) Includes loans held for sale

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

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

Item 8. Financial Statements and Supplementary Data

Customers Bancorp, Inc.

Financial statements for the three years ended
December 31, 2019, 2018 and 2017

INDEX TO CUSTOMERS BANCORP, INC. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Customers Bancorp, Inc.

Customers Bancorp, Inc.
Wyomissing, Pennsylvania

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Customers Bancorp, Inc. and subsidiaries (the "Company") as of December 31, 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. We have also audited, in accordance with the standards of the PCAOB, the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Audit Committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Allowance for Loan and Lease Losses — Refer to Notes 2 and 7 to the financial statements*.**

Critical Audit Matter Description

The Company's allowance for loan and lease losses is management's estimate of probable losses inherent in the loan portfolio as of the balance sheet date. The Company segments its loan portfolio into groups of loans with similar risk characteristics and applies a loss rate to each segment to calculate the allowance for loan and lease losses. In determining the loss rate to apply to each segment, management considers its historical loss experience and industry and peer loss information.

We identified the determination of the loss rates to calculate the allowance for loan and lease losses as a critical audit matter because of the judgments required to determine the appropriate loss rates. This required a higher degree of auditor judgment to evaluate the reasonableness of management's judgments related to determining the appropriate loss rate for each segment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments related to determining the appropriate loss rate for each segment included the following, among others:

- We tested the effectiveness of internal controls related to the allowance for loan and lease losses methodology, including management's controls over the determination of the loss rates for each loan portfolio segment.
- We evaluated the reasonableness of the loss rates selected by management.
- We tested the Company's historical loss information and evaluated the relevance and reliability of the peer and industry loss information.

Fair Value – Level 3 Investment Securities — Refer to Notes 2 and 5 to the financial statements.

Critical Audit Matter Description

The Company obtained ownership of certain interest-only GNMA securities that served as the primary collateral for loans made to one commercial mortgage warehouse customer through a Uniform Commercial Code private sale transaction. Upon acquisition, the Company elected to account for these interest-only GNMA securities at fair value and are classified as level 3 in the fair value hierarchy.

Unlike the fair value of other assets and liabilities that are readily observable and therefore more easily independently corroborated, the valuation of financial instruments classified as Level 3 is inherently subjective, and often involves the use of complex proprietary models and unobservable inputs.

We identified the fair value of interest-only GNMA securities as a critical audit matter because of the judgments required in the selection of a constant prepayment rate, an unobservable input, in the discounted cash flow model used by the Company to estimate the fair value. This required a higher degree of auditor judgment and the use of our fair value specialist to audit the estimated fair value of the interest-only GNMA securities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to auditing the estimated fair value of the interest-only GNMA securities included the following, among others:

- We tested the effectiveness of internal controls over management's selection of the constant prepayment rate used in the discounted cash flow model to value the interest-only GNMA securities as well as the estimate of the fair value of the interest-only GNMA securities.
- With the assistance of our fair value specialists, we independently selected a constant prepayment rate to estimate fair value using a discounted cash flow model, calculated the estimated fair values of the GNMA interest-only securities and compared our estimates to the Company's estimates.

/s/ Deloitte & Touche LLP

We have served as the Company's auditor since 2019.

Philadelphia, Pennsylvania
March 2, 2020

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Customers Bancorp, Inc. and its subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the PCAOB, the consolidated financial statements as of and for the year ended December 31, 2019, of the Company, and our report dated March 2, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP
Philadelphia, Pennsylvania
March 2, 2020

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Customers Bancorp, Inc. (the "Company") and subsidiaries as of December 31, 2018, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We served as the Company's auditor from 2013 to 2019.

Philadelphia, Pennsylvania
March 1, 2019

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

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks	$ 33,095	$ 17,696
Interest earning deposits	179,410	44,439
Cash and cash equivalents	212,505	62,135
Investment securities available for sale, at fair value	595,876	665,012
Loans held for sale (includes $2,130 and $1,507, respectively, at fair value)	486,328	1,507
Loans receivable, mortgage warehouse, at fair value	2,245,758	1,405,420
Loans and leases receivable	7,318,988	7,138,074
Allowance for loan and lease losses	(56,379)	(39,972)
Total loans and leases receivable, net of allowance for loan and lease losses	9,508,367	8,503,522
FHLB, Federal Reserve Bank, and other restricted stock	84,214	89,685
Accrued interest receivable	38,072	32,955
Bank premises and equipment, net	9,389	11,063
Bank-owned life insurance	272,546	264,559
Other real estate owned	173	816
Goodwill and other intangibles	15,195	16,499
Other assets	298,052	185,672
Total assets	$ 11,520,717	$ 9,833,425
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	$ 1,343,391	$ 1,122,171
Interest bearing	7,305,545	6,020,065
Total deposits	8,648,936	7,142,236
Federal funds purchased	538,000	187,000
FHLB advances	850,000	1,248,070
Other borrowings	123,630	123,871
Subordinated debt	181,115	108,977
Accrued interest payable and other liabilities	126,241	66,455
Total liabilities	10,467,922	8,876,609
Commitments and contingencies (NOTE 21)		
Shareholders' equity:		
Preferred stock, par value $1.00 per share; liquidation preference $25.00 per share; 100,000,000 shares authorized, 9,000,000 shares issued and outstanding as of December 31, 2019 and 2018	217,471	217,471
Common stock, par value $1.00 per share; 200,000,000 shares authorized; 32,617,410 and 32,252,488 shares issued as of December 31, 2019 and 2018; 31,336,791 and 31,003,028 shares outstanding as of December 31, 2019 and 2018	32,617	32,252
Additional paid in capital	444,218	434,314
Retained earnings	381,519	316,651
Accumulated other comprehensive loss, net	(1,250)	(22,663)
Treasury stock, at cost (1,280,619 and 1,249,460 shares as of December 31, 2019 and 2018)	(21,780)	(21,209)
Total shareholders' equity	1,052,795	956,816
Total liabilities and shareholders' equity	$ 11,520,717	$ 9,833,425

See accompanying notes to the consolidated financial statements.

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

	For the Years Ended December 31,		
	2019	2018	2017
Interest income:			
Loans and leases	$ 431,491	$ 373,234	$ 339,936
Investment securities	23,713	33,209	25,153
Other	8,535	11,508	7,761
Total interest income	463,739	417,951	372,850
Interest expense:			
Deposits	141,464	110,808	67,582
FHLB advances	26,519	31,043	21,130
Subordinated debt	6,983	6,737	6,739
Federal funds purchased and other borrowings	11,463	11,486	10,056
Total interest expense	186,429	160,074	105,507
Net interest income	277,310	257,877	267,343
Provision for loan and lease losses	24,227	5,642	6,768
Net interest income after provision for loan and lease losses	253,083	252,235	260,575
Non-interest income:			
Interchange and card revenue	28,941	30,695	41,509
Deposit fees	12,815	7,824	10,039
Commercial lease income	12,051	5,354	647
Bank-owned life insurance	7,272	7,620	7,219
Mortgage warehouse transactional fees	7,128	7,158	9,345
Gain (loss) on sale of SBA and other loans	2,770	3,294	4,223
Mortgage banking income	66	606	875
Loss upon acquisition of interest-only GNMA securities	(7,476)	—	—
Impairment loss on investment securities	—	—	(12,934)
Gain (loss) on sale of investment securities	1,001	(18,659)	8,800
Unrealized gain (loss) on investment securities	1,299	(1,634)	—
Other	15,071	16,740	9,187
Total non-interest income	80,938	58,998	78,910
Non-interest expense:			
Salaries and employee benefits	107,632	104,841	95,518
Technology, communication and bank operations	43,481	44,454	45,885
Professional services	25,109	20,237	28,051
Occupancy	13,098	11,809	11,161
Commercial lease depreciation	9,473	4,388	522
FDIC assessments, non-income taxes, and regulatory fees	5,861	8,642	7,906
Provision for operating losses	9,638	5,616	6,435
Advertising and promotion	4,044	2,446	1,470
Merger and acquisition related expenses	100	4,391	410
Loan workout	1,687	2,183	2,366
Other real estate owned	398	449	570
Other	11,380	10,723	15,312
Total non-interest expense	231,901	220,179	215,606
Income before income tax expense	102,120	91,054	123,879
Income tax expense	22,793	19,359	45,042
Net income	79,327	71,695	78,837
Preferred stock dividends	14,459	14,459	14,459
Net income available to common shareholders	$ 64,868	$ 57,236	$ 64,378
Basic earnings per common share	$ 2.08	$ 1.81	$ 2.10
Diluted earnings per common share	$ 2.05	$ 1.78	$ 1.97

See accompanying notes to the consolidated financial statements.

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

	For the Years Ended December 31,		
	2019	2018	2017
Net income	$ 79,327	$ 71,695	$ 78,837
Unrealized gains (losses) on available for sale debt securities:			
Unrealized gains (losses) arising during the period	49,688	(46,069)	12,266
Income tax effect	(12,919)	11,978	(4,378)
Reclassification adjustments for (gains) losses included in net income	(1,001)	18,659	(8,800)
Income tax effect	260	(4,851)	3,432
Net unrealized gains (losses) on available for sale debt securities	36,028	(20,283)	2,520
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	(21,157)	1,995	666
Income tax effect	5,501	(518)	(260)
Reclassification adjustment for (gains) losses included in net income	1,407	(2,917)	2,634
Income tax effect	(366)	758	(1,027)
Net unrealized gains (losses) on cash flow hedges	(14,615)	(682)	2,013
Other comprehensive income (loss), net of income tax effect	21,413	(20,965)	4,533
Comprehensive income (loss)	$ 100,740	$ 50,730	$ 83,370

See accompanying notes to the consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2019, 2018 and 2017
(amounts in thousands, except share data)

	Preferred Stock		Common Stock						
	Shares of Preferred Stock Outstanding	Preferred Stock	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2016	9,000,000	$ 217,471	30,289,917	$ 30,820	$ 427,008	$ 193,698	$ (4,892)	$ (8,233)	$ 855,872
Net income	—	—	—	—	—	78,837	—	—	78,837
Other comprehensive income (loss)	—	—	—	—	—	—	4,533	—	4,533
Preferred stock dividends(1)	—	—	—	—	—	(14,459)	—	—	(14,459)
Share-based compensation expense	—	—	—	—	6,088	—	—	—	6,088
Exercise of warrants	—	—	74,161	74	985	—	—	—	1,059
Issuance of common stock under share-based-compensation arrangements	—	—	1,018,425	1,019	(11,985)	—	—	—	(10,966)
Balance, December 31, 2017	9,000,000	217,471	31,382,503	31,913	422,096	258,076	(359)	(8,233)	920,964
Reclassification of the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive loss	—	—	—	—	—	298	(298)	—	—
Reclassification of net unrealized gains on equity securities from accumulated other comprehensive loss	—	—	—	—	—	1,041	(1,041)	—	—
Net income	—	—	—	—	—	71,695	—	—	71,695
Other comprehensive income (loss)	—	—	—	—	—	—	(20,965)	—	(20,965)
Preferred stock dividends(1)	—	—	—	—	—	(14,459)	—	—	(14,459)
Share-based compensation expense	—	—	—	—	8,605	—	—	—	8,605
Exercise of warrants	—	—	5,242	5	107	—	—	—	112
Issuance of common stock under share-based-compensation arrangements	—	—	334,483	334	3,506	—	—	—	3,840
Repurchase of common shares	—	—	(719,200)	—	—	—	—	(12,976)	(12,976)
Balance, December 31, 2018	9,000,000	217,471	31,003,028	32,252	434,314	316,651	(22,663)	(21,209)	956,816
Net income	—	—	—	—	—	79,327	—	—	79,327
Other comprehensive income (loss)	—	—	—	—	—	—	21,413	—	21,413
Preferred stock dividends(1)	—	—	—	—	—	(14,459)	—	—	(14,459)
Share-based compensation expense	—	—	—	—	8,898	—	—	—	8,898
Issuance of common stock under share-based-compensation arrangements	—	—	364,922	365	1,006	—	—	—	1,371
Repurchase of common shares	—	—	(31,159)	—	—	—	—	(571)	(571)
Balance, December 31, 2019	9,000,000	$ 217,471	31,336,791	$ 32,617	$ 444,218	$ 381,519	$ (1,250)	$ (21,780)	$ 1,052,795

(1) Dividends per share of $1.75, $1.63, $1.61, and $1.50 per share were declared on Series C, D, E, and F preferred stock for the years ended December 31, 2019, 2018, and 2017, respectively.

See accompanying notes to the consolidated financial statements.

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

	For the Years Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities			
Net income	$ 79,327	$ 71,695	$ 78,837
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan and lease losses	24,227	5,642	6,768
Depreciation and amortization	22,879	14,157	10,801
Share-based compensation expense	9,851	9,740	7,167
Deferred taxes	14,516	9,303	14,820
Net amortization of investment securities premiums and discounts	1,016	1,403	702
Unrealized (gain) loss on investment securities	(1,299)	1,634	—
(Gain) loss on sale of investment securities	(1,001)	18,659	(8,800)
Loss upon acquisition of interest-only GNMA securities	7,476	—	—
Impairment loss on investment securities	—	—	12,934
(Gain) loss on sale of loans	(2,804)	(3,913)	(4,898)
Origination of loans held for sale	(48,044)	(31,699)	(41,172)
Proceeds from the sale of loans held for sale	47,455	32,676	40,656
Amortization of fair value discounts and premiums	893	194	88
Net (gain) loss on sales of other real estate owned	137	183	154
Valuation and other adjustments to other real estate owned	62	153	298
Earnings on investment in bank-owned life insurance	(7,272)	(7,620)	(7,219)
(Increase) decrease in accrued interest receivable and other assets	(84,141)	(34,614)	(32,256)
Increase (decrease) in accrued interest payable and other liabilities	15,002	9,881	(16,687)
Net Cash Provided by (Used in) Operating Activities	78,280	97,474	62,193
Cash Flows from Investing Activities			
Proceeds from maturities, calls and principal repayments on investment securities	38,709	44,313	48,124
Proceeds from sales of investment securities available for sale	97,555	476,182	769,203
Purchases of investment securities available for sale	—	(763,242)	(796,594)
Origination of mortgage warehouse loans	(31,782,542)	(27,209,330)	(30,084,255)
Proceeds from repayments of mortgage warehouse loans	30,900,905	27,597,318	30,407,662
Net (increase) decrease in loans and leases, excluding mortgage warehouse loans	239,018	59,534	(960,372)
Proceeds from sale of loans	273,388	110,526	462,518
Purchase of loans	(1,167,417)	(397,888)	(262,641)
Proceeds from bank-owned life insurance	—	529	1,418
Purchases of bank-owned life insurance	—	—	(90,000)
Net proceeds from (purchases of) FHLB, Federal Reserve Bank, and other restricted stock	5,471	16,233	(37,510)
Purchases of bank premises and equipment	(1,705)	(1,777)	(2,135)
Proceeds from sales of other real estate owned	735	2,213	1,680
Purchases of university relationship intangible asset	—	(1,502)	—
Purchases of leased assets under lessor operating leases	(48,552)	(37,207)	(22,223)
Net Cash Provided by (Used in) Investing Activities	(1,444,435)	(104,098)	(565,125)
Cash Flows from Financing Activities			
Net increase (decrease) in deposits	1,506,700	342,094	(503,633)
Net increase (decrease) in short-term borrowed funds from the FHLB	(748,070)	(363,790)	743,060
Net increase (decrease) in federal funds purchased	351,000	32,000	72,000
Proceeds from long-term borrowed funds from the FHLB	350,000	—	—
Proceeds from issuance of subordinated long-term debt	72,030	—	—
Proceeds from issuance of other long-term borrowings	24,477	—	98,564
Repayments of other borrowings	(25,000)	(63,250)	—
Preferred stock dividends paid	(14,459)	(14,459)	(14,459)
Exercise of warrants	—	112	1,059
Purchase of treasury stock	(571)	(12,976)	—
Payments of employee taxes withheld from share-based awards	(1,732)	(880)	(14,761)

Proceeds from issuance of common stock	2,150	3,585	2,716
Net Cash Provided by (Used in) Financing Activities	1,516,525	(77,564)	384,546
Net Increase (Decrease) in Cash and Cash Equivalents	150,370	(84,188)	(118,386)
Cash and Cash Equivalents – Beginning	62,135	146,323	264,709
Cash and Cash Equivalents – Ending	$ 212,505	$ 62,135	$ 146,323

(continued)

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

	For the Years Ended December 31,		
	2019	2018	2017
Supplementary Cash Flow Information:			
Interest paid	$ 182,596	$ 160,384	$ 101,575
Income taxes paid	7,410	4,794	40,282
Noncash Operating and Investing Activities:			
Transfer of loans to other real estate owned	$ 291	$ 1,639	$ 750
Transfer of loans held for investment to held for sale	499,774	—	150,638
Transfer of loans held for sale to held for investment	—	129,691	—
Acquisition of interest-only GNMA securities securing a mortgage warehouse loan	17,157	—	—
Acquisition of residential reverse mortgage loans securing a mortgage warehouse loan	1,325	—	—

See accompanying notes to the consolidated financial statements.

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

NOTE 1 – DESCRIPTION OF THE BUSINESS

Customers Bancorp, Inc. ("Customers Bancorp") is a bank holding company engaged in banking activities through its wholly owned subsidiary, Customers Bank ("the Bank"), collectively referred to as "Customers" herein.

Customers Bancorp and its wholly owned subsidiaries, the Bank, and non-bank subsidiaries, serve residents and businesses in Southeastern Pennsylvania (Bucks, Berks, Chester, Philadelphia and Delaware Counties); Rye Brook, New York (Westchester County); Hamilton, New Jersey (Mercer County); Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire (Rockingham County); Manhattan and Melville, New York; Washington, D.C.; Chicago, Illinois; and nationally for certain loan and deposit products. The Bank has 13 full-service branches and provides commercial banking products, primarily loans and deposits. In addition, Customers Bank also administratively supports loan and other financial products, including equipment finance leases, to customers through its limited-purpose offices in Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire; Manhattan and Melville, New York; Philadelphia, Pennsylvania; Washington, D.C.; and Chicago, Illinois. The Bank also provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies. Through BankMobile, a division of Customers Bank, Customers offers state of the art high tech digital banking services to consumers, students, and the "under banked" nationwide, along with "Banking as a Service" offerings with white label partners.

The Bank is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Reserve Bank and is periodically examined by those regulatory authorities. Customers Bancorp has made certain equity investments through its wholly owned subsidiaries CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of Presentation

The consolidated financial statements have been prepared in conformity with U.S. GAAP and pursuant to the rules and regulations of the SEC. The accounting and reporting policies of Customers Bancorp and subsidiaries are in conformity with U.S. GAAP and predominant practices of the banking industry. The preparation of financial statements requires management to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The ALLL and the valuation of the interest-only GNMA securities are material estimates that are particularly susceptible to significant change in the near-term.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Customers Bancorp and its wholly owned subsidiaries, including Customers Bank, CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd., as well as Customers Bank's wholly owned subsidiaries, BankMobile Technologies, Inc., Customers Commercial Finance, LLC and Devon Service PA LLC. All intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Statements of Cash Flows

Cash and cash equivalents include cash on hand, amounts due from banks and interest-bearing deposits with banks with a maturity date of three months or less and are recorded at cost. The carrying value of cash and cash equivalents is a reasonable estimate of its approximate fair value. Changes in the balances of cash and cash equivalents are reported on the consolidated statements of cash flows. Cash receipts from the repayment or sale of loans are classified within the statement of cash flows based on management's original intent upon origination of the loan, as prescribed by accounting guidance related to the statement of cash flows. Commercial mortgage warehouse loans are classified as held for investment and presented at "Loans receivable, mortgage warehouse, at fair value" on the consolidated balance sheets and the cash flow activities associated with these commercial mortgage warehouse lending activities are reported as investing activities on the consolidated statements of cash flows.

Restrictions on Cash and Amounts due from Banks

The Bank is required to maintain average balances at a certain level of cash and amounts on deposit with the Federal Reserve Bank. Customers Bank generally maintains balances in excess of the required levels at the Federal Reserve Bank. At December 31, 2019 and 2018, these required reserve balances were $69.1 million and $58.4 million, respectively.

Business Combinations

Business combinations are accounted for by applying the acquisition method in accordance with ASC 805, *Business Combinations*. Under the acquisition method, identifiable assets acquired and liabilities assumed are measured at their fair values as of the date of acquisition and are recognized separately from goodwill. The results of operations of the acquired entity are included in the consolidated statement of income from the date of acquisition. Customers recognizes goodwill when the acquisition price exceeds the estimated fair value of the net assets acquired.

Investment Securities

Customers acquires securities, largely agency-guaranteed mortgage-backed securities and corporate notes, to effectively utilize cash and capital and to generate earnings. Security transactions are recorded as of the trade date. Debt securities are classified at the time of acquisition as available for sale, HTM or trading, and their classification determines the accounting as follows:

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

Interest-only GNMA securities: On June 28, 2019, Customers obtained ownership of certain interest-only GNMA securities that served as the primary collateral for loans made to one commercial mortgage warehouse customer through a Uniform Commercial Code private sale transaction, as further described in NOTE 5 – INVESTMENT SECURITIES. Upon acquisition, Customers elected the fair value option for these interest-only GNMA securities, with changes in fair value reported as unrealized gain (loss) on investment securities within non-interest income. The fair value of these securities at December 31, 2019 was $16.3 million.

Held to maturity: Investment securities classified as HTM are those debt securities that Customers has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for the amortization of premiums and accretion of discounts, computed by a method which approximates the interest method over the terms of the securities. There were no securities classified as HTM as of December 31, 2019 and 2018.

Equity securities: Equity securities are carried at their fair value, with changes in fair value reported in other non-interest income beginning in 2018. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. For years ended December 31, 2017 and prior, equity securities were classified as available for sale and carried at fair value, with unrealized gains or losses reported as increases or decreases in AOCI, net of the related deferred tax effect.

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

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

On January 1, 2018, Customers adopted the new accounting standard for financial instruments, which requires equity securities to be measured at fair value, except those accounted for under the equity method of accounting, with changes in fair value recognized in earnings in the period in which they occur and will no longer be deferred in AOCI. The adoption of this guidance resulted in a $1.0 million increase to beginning retained earnings and a $1.0 million decrease to beginning AOCI.

Loan Accounting Framework

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

- Loans held for sale,
- Loans at fair value,
- Loans receivable and
- Purchased loans.

The discussion that follows describes the accounting for loans in these categories.

Loans Held for Sale and Loans at Fair Value

Loans originated or purchased by Customers with the intent to sell them in the secondary market are carried either at the lower of cost or fair value, determined in the aggregate, or at fair value, depending upon an election made at the time the loan is originated or purchased. These loans are generally sold on a non-recourse basis with servicing released. Gains and losses on the sale of loans accounted for at the lower of cost or fair value are recognized in earnings based on the difference between the proceeds received and the carrying amount of the loans, inclusive of deferred origination fees and costs, if any.

As a result of changes in events and circumstances or developments regarding management's view of the foreseeable future, loans not originated or purchased with the intent to sell may subsequently be designated as held for sale. These loans are transferred to the held-for-sale portfolio at the lower of amortized cost or fair value. When the amortized cost of the loan exceeds its fair value at the date of transfer to the held-for-sale portfolio, the excess will be recognized as a charge against the ALLL to the extent the loan's reduction in fair value has already been provided for in the ALLL. Any subsequent lower of cost or fair value adjustments are recognized as a valuation allowance with charges recognized in non-interest income.

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

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

Loans Receivable - Mortgage Warehouse, at Fair Value

Certain mortgage warehouse lending transactions subject to master repurchase agreements are reported at fair value based on an election made to account for the loans at fair value. Pursuant to these agreements, Customers funds the pipelines for these mortgage lenders by sending payments directly to the closing agents for funded loans and receives proceeds directly from third party investors when the loans are sold into the secondary market. Commercial mortgage warehouse loans are classified as held for investment and presented as "Loans receivable, mortgage warehouse, at fair value" on the consolidated balance sheets.

An ALLL is not maintained on loans reported at fair value.

Loans and Leases Receivable

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

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

Purchased Loans

Customers believes that the varying circumstances under which it purchaes loans and the diverse credit quality of loans purchased should drive the decision as to whether loans in a portfolio should be deemed to be PCI loans. Therefore, loan purchases are evaluated on a case-by-case basis to determine the appropriate accounting treatment. Loans purchased that do not have evidence of credit deterioration at the purchase date are accounted for in accordance with ASC 310-10, and loans purchased with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are accounted for in accordance with ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality.*

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

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

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

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

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

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

Allowance for Loan and Lease Losses

The ALLL is Management's estimate of the probable losses inherent in the loan portfolio as of the balance sheet date and are recognized through provisions for loan and lease losses. Loans and leases deemed to be uncollectible are charged against the ALLL, and subsequent recoveries, if any, are credited to the ALLL. The ALLL is maintained at a level considered appropriate to absorb probable incurred loan and lease losses inherent in the loan and lease portfolio as of the reporting date.

Customers segments its loan and lease portfolio into groups of loans with similar risk characteristics for purposes of estimating the ALLL.

Customers' loan and lease groups include multi-family, commercial and industrial, owner and non-owner occupied commercial real estate, construction, residential real estate, manufactured housing, other consumer and PCI loans. SBA loans are further segmented. Customers also further segments its residential real estate portfolio into two classes based upon certain risk characteristics: first-mortgage loans and home equity loans and lines of credit. The remaining loan groups are also considered classes for purposes of monitoring and assessing credit quality based on certain risk characteristics. Additionally, within each loan group the acquired loans that are accounted for under ASC 310-10 are further segmented.

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

The impaired-loan and lease component of the ALLL generally relates to loans and leases for which it is probable that Customers will be unable to collect all amounts due according to the contractual terms of the loan and lease agreements. Customers analyzes certain loans and leases in its portfolio for impairment in accordance with ASC 310-10-35. Customers' impaired loans and leases generally include loans and leases that have been (i) placed on non-accrual, (ii) restructured in a TDR, regardless of their payment status and (iii) charged-off to their net realizable value. For such loans and leases, an allowance is established when the (i) discounted cash flows, (ii) collateral value or (iii) the impaired loan or lease estimated fair value is lower than the carrying value of the loan or lease.

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

- National, regional and local economic and business conditions, including review of changes in the unemployment rate;
- Volume and severity of past-due loans, non-accrual loans and classified loans;
- Lending policies and procedures, including underwriting standards and historically based loss/collection, charge-off and recovery practices;
- Nature and volume of the portfolio;
- Existence and effect of any credit concentrations and changes in the level of such concentrations;
- Risk ratings;
- Changes in the values of collateral for collateral dependent loans;
- Changes in the quality of the loan review system;
- Experience, ability and depth of lending management and staff; and
- Other external factors, such as changes in the legal, regulatory or competitive environment.

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

The discussion that follows describes Customers' underwriting policies for its primary lending activities and its credit monitoring and charge-off practices.

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

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

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

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

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

Other consumer loans consist primarily of unsecured loans to individuals which are originated through Customers' retail network or acquired through purchases from third parties, primarily market place lenders. None of the loans are sub-prime at the time of origination. Customers considers sub-prime borrowers to be those with FICO scores below 660. Consumer loans have a greater credit risk than residential loans because of the difference in the underlying collateral, if any. The application of various federal and state bankruptcy and insolvency laws may limit the amount that can be recovered on such loans.

Delinquency status and other borrower characteristics are used to monitor loans and leases and identify credit risks, and the general reserves are established based on the expected incurred net charge-offs, adjusted for qualitative factors.

Charge-offs on commercial and industrial, construction, multi-family and commercial real estate loans and leases are recorded when management estimates that there are insufficient cash flows to repay the contractual loan obligation based upon financial information available and valuation of the underlying collateral. Shortfalls in the underlying collateral value for loans or leases determined to be collateral dependent are charged-off immediately.

Customers also takes into account the strength of any guarantees and the ability of the borrower to provide value related to those guarantees in determining the ultimate charge-off or allowance associated with an impaired loan or lease. Accordingly, Customers may charge-off a loan or lease to a value below the net appraised value if it believes that an expeditious liquidation is desirable under the circumstance, and it has legitimate offers or other indications of interest to support a value that is less than the net appraised value. Alternatively, Customers may carry a loan or lease at a value that is in excess of the appraised value in certain circumstances, such as when Customers has a guarantee from a borrower that Customers believes has realizable value. In evaluating the strength of any guarantee, Customers evaluates the financial wherewithal of the guarantor, the guarantor’s reputation and the guarantor’s willingness and desire to work with Customers. Customers then conducts a review of the strength of the guarantee on a frequency established as the circumstances and conditions of the borrower warrant.

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

Credit Quality Factors

Commercial and industrial, multi-family, commercial real estate and construction loans and leases are each assigned a numerical rating of risk based on an internal risk-rating system. The risk rating is assigned at loan origination and indicates management's estimate of credit quality. Risk ratings are reviewed on a periodic or “as needed” basis. Residential real estate, manufactured housing and other consumer loans are evaluated primarily based on payment activity of the loan. Risk ratings are not established for residential real estate, home equity loans, manufactured housing loans, and other consumer loans, mainly because these portfolios consist of a larger number of homogeneous loans with smaller balances. Instead, these portfolios are evaluated for risk mainly based on aggregate payment history (through the monitoring of delinquency levels and trends). For additional information about credit quality risk ratings refer to NOTE 7 – LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR LOAN AND LEASE LOSSES.

Impaired Loans and Leases

A loan or lease is generally considered impaired when, based on current information and events, it is probable that Customers will be unable to collect all amounts due according to the contractual terms of the loan or lease agreement. Customers' impaired loans and leases generally include loans and leases that have been (i) placed on non-accrual, (ii) restructured in a TDR, regardless of their payment status and (iii) charged-off to their net realizable value. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans and leases that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan or lease and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record and the amount of the shortfall in relation to the principal and interest owed.

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

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the identifiable net assets of businesses acquired through business combinations accounted for under the acquisition method. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as customer and university relationships and non-compete agreements, are amortized over their estimated useful lives and are subject to impairment testing.

Goodwill and indefinite-lived intangible assets are reviewed for impairment annually as of October 31 and between annual tests when events and circumstances indicate that impairment may have occurred. If there is a goodwill impairment charge, it will be the amount by which the reporting unit's carrying amount exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The same annual impairment test is applied to goodwill at all reporting units. Customers applies a qualitative assessment for its reporting units to determine if the one-step quantitative impairment test is necessary.

Intangible assets subject to amortization are reviewed for impairment under ASC 360 which requires that a long-lived asset or asset group be tested for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset.

As part of its qualitative assessment, Customers reviewed regional and national trends in current and expected economic conditions, examining indicators such as GDP growth, interest rates and unemployment rates. Customers also considered its own historical performance, expectations of future performance, indicative deal values and other trends specific to the banking and financial technology industries. Based on its qualitative assessment, Customers determined that there was no evidence of impairment on the balance of goodwill and other intangible assets. As of December 31, 2019 and 2018, goodwill and other intangible assets totaled $15.2 million and $16.5 million, respectively.

FHLB, Federal Reserve Bank and other restricted stock

FHLB, Federal Reserve Bank and other restricted stock represents required investment in the capital stock of the FHLB, the Federal Reserve Bank and Atlantic Community Bankers Bank and is carried at cost. Total restricted stock as of December 31, 2019 and 2018, was $84.2 million and $89.7 million, respectively, which included $60.8 million and $67.3 million, respectively, of FHLB stock.

Other Real Estate Owned

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. After foreclosure, valuations are periodically performed by third-party appraisers, and the real estate is carried at the lower of its carrying amount or fair value less estimated costs to sell. Any declines in the fair value of the real estate properties below the initial cost basis are recorded through a valuation allowance. Increases in the fair value of the real estate properties net of estimated selling costs will reverse the valuation allowance but only up to the costs basis which was established at the initial measurement date. Revenue and expenses from operations and changes in the valuation allowance are included in earnings.

Bank-Owned Life Insurance

BOLI policies insure the lives of officers of Customers and name Customers as beneficiary. Non-interest income is generated tax free (subject to certain limitations) from the increase in value of the policies' underlying investments made by the insurance company. Cash proceeds received from the settlement of the BOLI policies are tax-free and can be used to partially offset costs associated with employee compensation and benefit programs.

Bank Premises and Equipment

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

Lessor Operating Leases

Leased assets under operating leases are carried at amortized cost net of accumulated depreciation and any impairment charges. The depreciation expense of the leased assets is recognized on a straight-line basis over the contractual term of the leases up to their expected residual value. The expected residual value and, accordingly, the monthly depreciation expense, may change throughout the term of the lease. Operating lease rental income for leased assets is recognized in other non-interest income on a straight-line basis over the lease term. Customers periodically reviews its leased assets for impairment. An impairment loss is recognized if the carrying amount of the leased asset exceeds its fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the leased asset.

Treasury Stock

Common stock purchased for treasury is recorded at cost.

Income Taxes

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

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

In assessing the realizability of federal or state deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and prudent, feasible and permissible as well as available tax planning strategies in making this assessment. See NOTE 15 - INCOME TAXES for additional information.

Share-Based Compensation

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

Compensation cost for all share-based awards is calculated and recognized over the team member's service period, defined as the vesting period. For performance-based awards, compensation cost is recognized over the vesting period as long as it remains probable that the performance conditions will be met. If the service or performance conditions are not met, Customers reverses previously recorded compensation expense upon forfeiture. Customers' accounting policy election is to recognize forfeitures as they occur.

In 2014, the shareholders of Customers Bancorp approved an ESPP. Because the purchase price under the plan is 85% (a 15% discount to the market price) of the fair market value of a share of common stock on the first day of each quarterly subscription period, the plan is considered to be a compensatory plan under current accounting guidance. Therefore, the entire amount of the discount is recognizable compensation expense. See NOTE 14 - SHARE-BASED COMPENSATION for additional information.

Transfers of Financial Assets

Transfers of financial assets, including loan participations sold, are accounted for as sales when control over the assets has been surrendered (settlement date). Control over transferred assets is generally considered to have been surrendered when (i) the assets have been isolated from Customers, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) Customers does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. If the sale criteria are met, the transferred financial assets are removed from Customers' balance sheet, and a gain or loss on sale is recognized. If the sale criteria are not met, the transfer is recorded as a secured borrowing with the assets remaining on Customers' balance sheet, and the proceeds received from the transaction recognized as a liability.

Segment Information

Customers' chief operating decision makers allocate resources and assess performance for two distinct business segments, "Customers Bank Business Banking" and "BankMobile." The Customers Bank Business Banking segment is delivered predominately to commercial customers in Southeastern Pennsylvania, New York, New Jersey, Massachusetts, Rhode Island, New Hampshire, Washington, D.C., and Illinois through a single point of contact business model and provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies. The BankMobile segment provides state-of-the-art high-tech digital banking and disbursement services to consumers, students and the "under banked" nationwide, along with "Banking as a Service" offerings with existing and potential white label partners. BankMobile, as a division of Customers Bank, is a full service bank that is accessible to customers anywhere and anytime through the customer's smartphone or other web-enabled device. Additional information regarding reportable segments can be found in NOTE 24 - BUSINESS SEGMENTS.

Derivative Instruments and Hedging

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

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

Beginning in March 2014, Customers entered into pay-fixed interest-rate swaps to hedge the variable cash flows associated with the forecasted issuance of debt and a certain variable rate deposit relationship. Customers documented and designated these interest-rate swaps as cash flow hedges. The effective portion of changes in the fair value of financial derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the financial derivatives is also recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive income (loss) related to financial derivatives will be reclassified to interest expense as interest payments are made on Customers' variable-rate debt. As of December 31, 2019, Customers had four financial derivatives designated in qualifying cash flow hedge relationships with a notional aggregate balance of $725.0 million. As of December 31, 2018, Customers had six financial derivatives designated in qualifying cash flow hedge relationships with a notional aggregate balance of $750.0 million.

Customers has also purchased and sold credit derivatives to either hedge or participate in the performance risk associated with some of its counterparties. These derivatives were not designated in hedge relationships for accounting purposes and are being recorded at their fair value, with fair value changes recorded directly in earnings. At December 31, 2019 and 2018, Customers had an outstanding notional balance of credit derivatives of $167.1 million and $94.9 million, respectively.

In accordance with the FASB's fair value measurement guidance, Customers made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. See NOTE 20 - DERIVATIVE INSTRUMENTS for additional information.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes changes in unrealized gains and losses on debt securities available for sale arising during the period and reclassification adjustments for realized gains and losses on debt securities available for sale included in net income. Other comprehensive income (loss) also includes the effective and ineffective portion of changes in fair value of financial derivatives designated and qualifying as cash flow hedges. Cash flow hedge amounts classified as comprehensive income are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings.

Earnings per Share

Basic EPS represents net income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS includes all potentially dilutive common shares outstanding during the period. Potential common shares that may be issued related to outstanding stock options, restricted stock units and warrants are determined using the treasury stock method. The treasury stock method assumes that the proceeds received for common shares that may be issued for outstanding stock options, restricted stock units, and warrants are used to repurchase the common shares in the market.

Loss Contingencies

Loss contingencies, including claims and legal, regulatory and governmental actions and proceedings arise in the ordinary course of business. In accordance with applicable accounting guidance, Customers establishes an accrued liability when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As facts and circumstances evolve, Customers, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, Customers will establish an accrued liability and record a corresponding amount of litigation-related expense. Customers continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

Collaborative Arrangements

In the normal course of business, Customers may enter into collaborative arrangements primarily to develop and commercialize banking products to its partners' customers. Collaborative arrangements are contractual agreements with third parties that involve a joint operating activity where both Customers and the collaborating partner are active participants in the activity and are exposed to the significant risks and rewards of the activity. Collaborative activities typically include research and development, technology, product development, marketing, and day-to-day operations of the banking product. These arrangements often require the sharing of revenue and expense. Net interest income, non-interest income, and non-interest expenses incurred pursuant to these arrangements are reported net of any payments due to or amounts due from Customers' collaboration partners. Reimbursement of non-interest expenses are reported in other non-interest expense and are recognized at the time the collaborative party becomes obligated to pay.

For the years ended December 31, 2019, 2018 and 2017, net amounts recognized for payments due to or due from collaborative partners for net interest income and non-interest income were not considered material. For the years ended December 31, 2019, 2018 and 2017, Customers recognized $7.7 million, $8.4 million and $2.4 million, respectively, in non-interest expense reimbursements from collaborative arrangements.

Recently Issued Accounting Standards

Accounting Standards Adopted in 2019

During 2019, Customers has adopted the following FASB ASUs, none of which had a material impact to Customers' consolidated financial statements:

Standard	Summary of guidance	Effects on Financial Statements
ASU 2016-02, *Leases* Issued February 2016	• Supersedes the lease accounting guidance for both lessees and lessors under ASC 840, *Leases*. • From the lessee's perspective, the new standard establishes a ROU model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. • Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for lessees. • This ASU requires lessors to account for leases using an approach that is substantially similar to the existing guidance for sales-type, direct financing leases and operating leases. • Effective January 1, 2019. • In July 2018, the FASB issued ASU 2018-11 "Leases (Topic 842): Targeted Improvements," which provides lessees the option to apply the new leasing standard to all open leases as of the adoption date. Prior to this ASU issuance, a modified retrospective transition approach was required. • In December 2018, the FASB issued ASU 2018-20 "Leases (Topic 842): Narrow-Scope Improvements for Lessors," which provides lessors a policy election to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Additionally, the update requires certain lessors to exclude from variable payments lessor costs paid by lessees directly to third parties. • In March 2019, the FASB issued ASU 2019-01 "Codification Improvements," which clarifies that lessors who are not manufacturers or dealers should use the original cost of the underlying asset in a lease as its fair value. Additionally, the update states that lessors who are depository or lending institutions within the scope of ASC 942 should present all principal payments received under leases under investing activities in their Statement of Cash Flows and that interim disclosures under ASC 250-10-50-3 are not required in the interim reports of issuers adopting ASC 842.	• Customers adopted on January 1, 2019. • The adoption did not materially change Customers' recognition of operating lease expense in its consolidated statements of income. • Customers adopted certain practical expedients available under the new guidance, which did not require it to (1) reassess whether any expired or existing contracts contain leases, (2) reassess the lease classification for any expired or existing leases, (3) reassess initial direct costs for any existing leases, (4) separate non-lease components from the associated lease components, (5) evaluate whether certain sales taxes and other similar taxes are lessor costs, and (6) capitalize short-term leases. Additionally, Customers elected to apply the new lease guidance at the adoption date, rather than at the beginning of the earliest period presented and will continue to present comparative periods prior to January 1, 2019 under Topic 840. Customers did not adopt the hindsight practical expedient. • The adoption of the ASU for Customers' lessor equipment finance business did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements. • See NOTE 8 - LEASES.
ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities* Issued March 2017	• Requires that premiums for certain callable debt securities held be amortized to their earliest call date. • Effective on January 1, 2019. • Adoption of this new guidance must be applied on a modified retrospective approach.	• Customers adopted on January 1, 2019. • The adoption did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.

Accounting Standards Adopted in 2019 (continued)

Standard	Summary of guidance	Effects on Financial Statements
ASU 2017-11, *Accounting for Certain Financial Instruments with Down Round Features* Issued July 2017	• Changes the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. • When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) would no longer be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. • For freestanding equity-classified financial instruments, the amendments require entities to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of net income available to common shareholders in basic EPS. • Effective January 1, 2019.	• Customers adopted on January 1, 2019. • The adoption did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting* Issued June 2018	• Expands the scope of Topic 718, Compensation - Stock Compensation, which currently only includes share-based payments issued to employees, to also include share-based payments issued to non-employees for goods and services. • Applies to all share-based payment transactions in which a grantor acquires goods or services from non-employees to be used or consumed in a grantor's own operations by issuing share-based payment awards. • With the amended guidance from ASU 2018-07, non-employees share-based payments are measured with an estimate of the fair value of the equity the business is obligated to issue at the grant date (the date that the business and the stock award recipient agree to the terms of the award). • Compensation would be recognized in the same period and in the same manner as if the entity had paid cash for goods or services instead of stock. • Effective January 1, 2019.	• Customers adopted on January 1, 2019. • The adoption did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.

Accounting Standards Adopted on January 1, 2020

Standard	Summary of guidance	Effects on Financial Statements
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments Issued April 2019	• Clarifies the scope of the credit losses standard and addresses issues related to accrued interest receivable balances, recoveries, variable interest rates, and prepayments. • Addresses partial-term fair value hedges, fair value hedge basis adjustments and certain transition requirements. • Addresses recognizing and measuring financial instruments, specifically the requirement for remeasurement under ASC 820 when using the measurement alternative, certain disclosure requirements and which equity securities have to be remeasured at historical exchange rates. • Topic 326 Amendments - Effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption permitted. Topic 815 Amendments - Effective for first annual period beginning after the issuance date of this ASU (i.e., fiscal year 2020). Entities that have already adopted the amendments in ASU 2017-12 may elect either to retrospectively apply all the amendments or to prospectively apply all amendments as of the date of adoption. Topic 825 Amendments - Effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.	• Customers adopted on January 1, 2020. • The adoption of this guidance relating to Topics 815 and 825 did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements. Please refer to ASU 2016-13 for further discussion on Customers' adoption of ASU 2016-13 (Topic 326).
ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606* Issued November 2018	• Clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account. In those situations, all the guidance in Topic 606 should be applied, including recognition, measurement, presentation, and disclosure requirements. • Adds unit-of-account guidance in Topic 808 to align with the guidance in Topic 606 when an entity is assessing whether the collaborative arrangement or a part of the arrangement is within scope of Topic 606. • Requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. • Effective for fiscal year beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption permitted.	• Customers adopted on January 1, 2020. • The adoption of this guidance did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.

Accounting Standards Adopted on January 1, 2020 (continued)

Standard	Summary of guidance	Effects on Financial Statements
ASU 2018-15, *Internal-Use Software (Subtopic 350-40): Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* Issued August 2018	• Clarifies that service contracts with hosting arrangements must follow internal-use software guidance Subtopic 350-40 when determining which implementation costs to capitalize as an asset related to the service contract and which costs to expense. • Also clarifies that capitalized implementation costs of a hosting arrangement that is a service contract are to be amortized over the term of the hosting arrangement, which includes the noncancelable period of the arrangement plus options to extend the arrangement if reasonably certain to exercise. • Clarifies that existing impairment guidance in Subtopic 350-40 must be applied to the capitalized implementation costs as if they were long-lived assets. • Applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. • Effective for fiscal year beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption permitted.	• Customers adopted on January 1, 2020. • The adoption of this guidance did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* Issued June 2016	• Requires an entity to utilize a new impairment model known as the current expected credit loss model to estimate lifetime expected credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset (including HTM securities), presents the net amount expected to be collected on the financial asset. • Replaces today's "incurred loss" approach and is expected to result in earlier recognition of credit losses. • For available for sale debt securities, entities will be required to record allowances for credit losses rather than reduce the carrying amount, as they do today under the OTTI model, and will be allowed to reverse previously established allowances in the event the credit of the issuer improves. • Simplifies the accounting model for PCI debt securities and loans. • In May 2019, the FASB issued ASU 2019-05 "Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief," which provides entities that have certain instruments within the scope of Topic 326 with an option to irrevocably elect the fair value option in Subtopic 825, Financial Instruments. This relief is to be applied on an instrument-by-instrument basis for eligible instruments upon adoption of Topic 326. • Effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. • Adoption to be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted.	• Customers will adopt on January 1, 2020. • Customers has established a company-wide, cross-discipline governance structure, which provides implementation oversight and continues evaluating the impact of this ASU and reviewing the loss modeling requirements consistent with expected credit loss estimates. • Customers utilizes a third-party vendor to assist in the implementation process of its new model. • Customers utilizes lifetime loss rate models for its commercial real estate, commercial and industrial, and consumer portfolios. As Customers' loan portfolios have not been subject to a full economic credit cycle, expected lifetime loss rates for its commercial loan portfolios are calibrated based on its peer groups' historical loss rates. Expected lifetime loss rates for Customers' consumer loan portfolio is based on industry data, as the majority of the portfolio has been purchased from third-parties and originated nationwide. Additionally, the expected loss rates include reasonable and supportable forecasts of macroeconomic conditions. • Implementation efforts are continuing to focus on model validation, model calibration, qualitative factors, developing new disclosures, finalizing formal policies and procedures and other governance and control enhancements and documentation. • Customers continues to analyze and modify the calculations. Based on the work to date, Customers does expect a significant increase in the ALLL upon adoption. For regulatory capital purposes, Customers will phase in the CECL adjustment over a 3-year period.

NOTE 3 – EARNINGS PER SHARE

The following are the components and results of Customers' earnings per common share calculations for the periods presented.

	For the Years Ended December 31,		
(amounts in thousands, except share and per share data)	2019	2018	2017
Net income available to common shareholders	$ 64,868	$ 57,236	$ 64,378
Weighted-average number of common shares outstanding – basic	31,183,841	31,570,118	30,659,320
Share-based compensation plans	462,375	658,739	1,917,451
Warrants	—	4,241	19,906
Weighted-average number of common shares – diluted	31,646,216	32,233,098	32,596,677
Basic earnings per common share	$ 2.08	$ 1.81	$ 2.10
Diluted earnings per common share	$ 2.05	$ 1.78	$ 1.97

The following is a summary of securities that could potentially dilute basic earnings per common share in future periods that were not included in the computation of diluted earnings per common share because either the performance conditions for certain of the share-based compensation awards have not been met or to do so would have been anti-dilutive for the periods presented.

	For the Years Ended December 31,		
	2019	2018	2017
Anti-dilutive securities:			
Share-based compensation awards	2,172,157	1,138,251	1,059,225

NOTE 4 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

The following table presents the changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2019 and 2018. Amounts in parentheses indicate reductions to accumulated other comprehensive income (loss).

	Available for Sale Securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses) (2)	Unrealized Gains (Losses) on Cash Flow Hedges (3)	Total
Balance, December 31, 2017	$ (249)	$ 88	$ (161)	$ (198)	$ (359)
Reclassification of the income tax effects of the Tax Cuts and Jobs Act (1)	(256)	—	(256)	(42)	(298)
Reclassification of the net unrealized gains on equity securities (1)	(953)	(88)	(1,041)	—	(1,041)
Balance after reclassification adjustments on January 1, 2018	(1,458)	—	(1,458)	(240)	(1,698)
Current period:					
Unrealized gains (losses) arising during period, before tax	(46,069)	—	(46,069)	1,995	(44,074)
Income tax effect	11,978	—	11,978	(518)	11,460
Other comprehensive income (loss) before reclassifications	(34,091)	—	(34,091)	1,477	(32,614)
Reclassification adjustments for losses (gains) included in net income, before tax	18,659	—	18,659	(2,917)	15,742
Income tax effect	(4,851)	—	(4,851)	758	(4,093)
Amounts reclassified from accumulated other comprehensive income (loss) to net income	13,808	—	13,808	(2,159)	11,649
Net current-period other comprehensive income (loss)	(20,283)	—	(20,283)	(682)	(20,965)
Balance, December 31, 2018	(21,741)	—	(21,741)	(922)	(22,663)
Current period:					
Unrealized gains (losses) arising during period, before tax	49,688	—	49,688	(21,157)	28,531
Income tax effect	(12,919)	—	(12,919)	5,501	(7,418)
Other comprehensive income (loss) before reclassifications	36,769	—	36,769	(15,656)	21,113
Reclassification adjustments for losses (gains) included in net income, before tax	(1,001)	—	(1,001)	1,407	406
Income, tax effect	260	—	260	(366)	(106)
Amounts reclassified from accumulated other comprehensive income (loss) to net income	(741)	—	(741)	1,041	300
Net current-period other comprehensive income (loss)	36,028	—	36,028	(14,615)	21,413
Balance, December 31, 2019	$ 14,287	$ —	$ 14,287	$ (15,537)	$ (1,250)

(1) Amounts reclassified from accumulated other comprehensive income (loss) on January 1, 2018 as a result of the adoption of ASU 2018-02 and ASU 2016-01 resulted in a decrease in accumulated other comprehensive income of $1.3 million and a corresponding increase in retained earnings for the same amount.

(2) Reclassification amounts for available for sale debt securities are reported as gain or loss on sale of investment securities on the consolidated statements of income.

(3) Reclassification amounts for cash flow hedges are reported as interest expense for the applicable hedged items on the consolidated statements of income or other non-interest income on the consolidated statements of income for gains recognized from the discontinuance of cash flow hedge accounting for certain interest rate swaps. No cash flow hedges were discontinued during the year ended December 31, 2019. During the year ended December 31, 2018, a reclassification amount of $95 thousand ($70 thousand net of taxes) was reported as a reduction to interest expense on FHLB advances on the consolidated statements of income and a reclassification amount of $2.8 million ($2.1 million net of taxes) was reported as other non-interest income on the consolidated statements of income from the discontinuance of cash flow hedge accounting for certain interest rate swaps.

NOTE 5 – INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities as of December 31, 2019 and 2018 are summarized as follows:

	December 31, 2019			
(amounts in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale debt securities				
Agency-guaranteed residential mortgage-backed securities	$ 273,252	$ 5,069	$ —	$ 278,321
Corporate notes (1)	284,639	14,238	—	298,877
Available for sale debt securities	$ 557,891	$ 19,307	$ —	577,198
Interest-only GNMA securities (2)				16,272
Equity securities (3)				2,406
Total investment securities, at fair value				$ 595,876

	December 31, 2018			
(amounts in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
Agency-guaranteed residential mortgage-backed securities	$ 311,267	$ —	$ (5,893)	$ 305,374
Corporate notes (1)	381,407	920	(24,407)	357,920
Available for sale debt securities	$ 692,674	$ 920	$ (30,300)	663,294
Equity securities (3)				1,718
Total investment securities, at fair value				$ 665,012

(1) At December 31, 2019, includes corporate securities issued by domestic bank holding companies. At December 31, 2018, includes corporate securities issued by other domestic and foreign bank holding companies.

(2) Reported at fair value with fair value changes recorded in non-interest income based on fair value option election.

(3) Includes equity securities issued by a foreign entity.

On June 28, 2019, Customers obtained ownership of certain interest-only GNMA securities that served as the primary collateral for loans made to one commercial mortgage warehouse customer through a Uniform Commercial Code private sale transaction. In connection with the acquisition of the interest-only GNMA securities, Customers recognized a pre-tax loss of $7.5 million for the year ended December 31, 2019 for the shortfall in the fair value of the interest-only GNMA securities compared to its credit exposure to this commercial mortgage warehouse customer. Upon acquisition, Customers elected the fair value option for these interest-only GNMA securities. The fair value of these securities at December 31, 2019 was $16.3 million.

During the year ended December 31, 2019, Customers recognized unrealized gains of $1.3 million on its interest-only GNMA securities and equity securities. During the year ended December 31, 2018, Customers recognized unrealized losses of $1.6 million on its equity securities. These unrealized gains and losses are reported as unrealized gain (loss) on investment securities within non-interest income on the consolidated statements of income.

The following table presents proceeds from the sale of available for sale debt securities and gross gains and gross losses realized on those sales:

	For the Years Ended December 31,		
(amounts in thousands)	2019	2018	2017
Proceeds from sale of available for sale debt securities	$ 97,555	$ 476,182	$ 769,203
Gross gains	$ 1,931	$ —	$ 8,808
Gross losses	(930)	(18,659)	(8)
Net gains (losses)	$ 1,001	$ (18,659)	$ 8,800

These gains (losses) were determined using the specific identification method and were reported as gain (loss) on sale of investment securities within non-interest income on the consolidated statements of income.

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

	December 31, 2019	
(amounts in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ —	$ —
Due after one year through five years	15,000	15,206
Due after five years through ten years	267,639	281,607
Due after ten years	2,000	2,064
Agency-guaranteed residential mortgage-backed securities	273,252	278,321
Interest-only classes of agency-guaranteed home equity conversion mortgage-backed securities	—	16,272
Total debt securities	$ 557,891	$ 593,470

At December 31, 2019, there were no available for sale debt securities in an unrealized loss position. Gross unrealized losses and fair value of Customers' available for sale debt securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2018 were as follows:

	December 31, 2018					
	Less than 12 months		12 months or more		Total	
(amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale debt securities						
Agency-guaranteed residential mortgage-backed securities	$ 305,374	$ (5,893)	$ —	$ —	$ 305,374	$ (5,893)
Corporate notes	310,036	(24,407)	—	—	310,036	(24,407)
Total	$ 615,410	$ (30,300)	$ —	$ —	$ 615,410	$ (30,300)

At December 31, 2019 and 2018, Customers Bank had pledged investment securities aggregating \$20.4 million and \$23.0 million in fair value, respectively, as collateral against its borrowings primarily with the FHLB and an unused line of credit with another financial institution. These counterparties do not have the ability to sell or repledge these securities.

At December 31, 2019 and 2018, no securities holdings of any one issuer, other than the U.S. Government and its agencies, amounted to greater than 10% of shareholders' equity.

NOTE 6 – LOANS HELD FOR SALE

The composition of loans held for sale as of December 31, 2019 and 2018 was as follows:

(amounts in thousands)	December 31, 2019	December 31, 2018
Commercial loans:		
Multi-family loans, at lower of cost or fair value	$ 482,873	$ —
Total commercial loans held for sale	482,873	—
Consumer loans:		
Home equity conversion mortgages, at lower of cost or fair value	1,325	—
Residential mortgage loans, at fair value	2,130	1,507
Total consumer loans held for sale	3,455	1,507
Loans held for sale	$ 486,328	$ 1,507

Effective September 30, 2019, Customers Bank transferred $499.8 million of multi-family loans from loans and leases receivable (held for investment) to loans held for sale. Customers Bank transferred these loans at their carrying value, which was lower than the estimated fair value at the time of transfer. At December 31, 2019, the carrying value of these loans approximates their fair value.

NOTE 7 – LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The following table presents loans and leases receivable as of December 31, 2019 and 2018:

(amounts in thousands)	December 31, 2019	December 31, 2018
Loans receivable, mortgage warehouse, at fair value	$ 2,245,758	$ 1,405,420
Loans receivable:		
Commercial:		
Multi-family	1,909,274	3,285,297
Commercial and industrial (including owner occupied commercial real estate) (1)	2,441,987	1,951,277
Commercial real estate non-owner occupied	1,223,529	1,125,106
Construction	118,418	56,491
Total commercial loans and leases receivable	5,693,208	6,418,171
Consumer:		
Residential real estate	375,014	566,561
Manufactured housing	70,398	79,731
Other consumer	1,178,283	74,035
Total consumer loans receivable	1,623,695	720,327
Loans and leases receivable	7,316,903	7,138,498
Deferred (fees) costs and unamortized (discounts) premiums, net	2,085	(424)
Allowance for loan and lease losses	(56,379)	(39,972)
Total loans and leases receivable, net of allowance for loan and lease losses	$ 9,508,367	$ 8,503,522

(1) Includes direct finance equipment leases of $89.2 million and $54.5 million at December 31, 2019 and 2018, respectively.

Customers' total loans and leases receivable portfolio includes loans receivable which are reported at fair value based on an election made to account for these loans at fair value and loans and leases receivable which are predominately reported at their outstanding unpaid principal balance, net of charge-offs and deferred costs and fees and unamortized premiums and discounts and are evaluated for impairment.

Loans receivable, mortgage warehouse, at fair value:

Mortgage warehouse loans consist of commercial loans to mortgage companies. These mortgage warehouse lending transactions are subject to master repurchase agreements. As a result of the contractual provisions, for accounting purposes control of the underlying mortgage loan has not transferred and the rewards and risks of the mortgage loans are not assumed by Customers. The mortgage warehouse loans are designated as loans held for investment and reported at fair value based on an election made to account for the loans at fair value. Pursuant to the agreements, Customers funds the pipelines for these mortgage lenders by sending payments directly to the closing agents for funded mortgage loans and receives proceeds directly from third party investors when the underlying mortgage loans are sold into the secondary market. The fair value of the mortgage warehouse loans is estimated as the amount of cash initially advanced to fund the mortgage, plus accrued interest and fees, as specified in the respective agreements. The interest rates on these loans are variable, and the lending transactions are short-term, with an average life under 30 days from purchase to sale. The primary goal of these lending transactions is to provide liquidity to mortgage companies.

At December 31, 2019 and 2018, all of Customers' commercial mortgage warehouse loans were current in terms of payment. As these loans are reported at their fair value, they do not have an ALLL and are therefore excluded from ALLL-related disclosures.

Loans and leases receivable:

The following tables summarize loans and leases receivable by loan and lease type and performance status as of December 31, 2019 and 2018:

	December 31, 2019						
(amounts in thousands)	30-89 Days past due (1)	90 Days or more past due (1)	Total past due (1)	Non- accrual	Current (2)	Purchased-credit-impaired loans (3)	Total loans and leases (4)
Multi-family	$ 2,133	$ —	$ 2,133	$ 4,117	$ 1,901,336	$ 1,688	$ 1,909,274
Commercial and industrial	2,395	—	2,395	4,531	1,882,700	354	1,889,980
Commercial real estate owner occupied	5,388	—	5,388	1,963	537,992	6,664	552,007
Commercial real estate non-owner occupied	8,034	—	8,034	76	1,211,892	3,527	1,223,529
Construction	—	—	—	—	118,418	—	118,418
Residential real estate	5,924	—	5,924	6,128	359,491	3,471	375,014
Manufactured housing (5)	3,699	1,794	5,493	1,655	61,649	1,601	70,398
Other consumer	5,756	—	5,756	1,551	1,170,793	183	1,178,283
Total	$ 33,329	$ 1,794	$ 35,123	$ 20,021	$ 7,244,271	$ 17,488	$ 7,316,903

	December 31, 2018						
(amounts in thousands)	30-89 Days past due (1)	90 Days or more past due (1)	Total past due (1)	Non- accrual	Current (2)	Purchased-credit-impaired loans (3)	Total loans and leases (4)
Multi-family	$ —	$ —	$ —	$ 1,155	$ 3,282,452	$ 1,690	$ 3,285,297
Commercial and industrial	1,914	—	1,914	17,764	1,353,586	536	1,373,800
Commercial real estate owner occupied	193	—	193	1,037	567,809	8,438	577,477
Commercial real estate non-owner occupied	1,190	—	1,190	129	1,119,443	4,344	1,125,106
Construction	—	—	—	—	56,491	—	56,491
Residential real estate	5,940	—	5,940	5,605	550,679	4,337	566,561
Manufactured housing (5)	3,926	2,188	6,114	1,693	69,916	2,008	79,731
Other consumer	200	—	200	111	73,503	221	74,035
Total	$ 13,363	$ 2,188	$ 15,551	$ 27,494	$ 7,073,879	$ 21,574	$ 7,138,498

(1) Includes past-due loans and leases that are accruing interest because collection is considered probable.

(2) Loans and leases where next payment due is less than 30 days from the report date.

(3) Purchased-credit-impaired loans aggregated into a pool are accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, and the past due status of the pools, or that of the individual loans within the pools, is not meaningful. Due to the credit impaired nature of the loans, the loans are recorded at a discount reflecting estimated future cash flows and the Bank recognizes interest income on each pool of loans reflecting the estimated yield and passage of time. Such loans are considered to be performing. Purchased-credit-impaired loans that are not in pools accrete interest when the timing and amount of their expected cash flows are reasonably estimable, and are reported as performing loans.

(4) Amounts exclude deferred costs and fees, unamortized premiums and discounts, and the ALLL.

(5) Certain manufactured housing loans purchased in 2010 are supported by cash reserves held at the Bank of $0.1 million and $0.5 million at December 31, 2019 and 2018, respectively, which are used to fund past-due payments when the loan becomes 90 days or more delinquent. Each quarter, these funds are evaluated to determine if they would be sufficient to absorb the probable incurred losses within the manufactured housing portfolio.

As of both December 31, 2019 and 2018, the Bank had $0.2 million, respectively, of residential real estate held in OREO. As of December 31, 2019 and 2018, the Bank had initiated foreclosure proceedings on $0.9 million and $2.1 million, respectively, in loans secured by residential real estate.

Allowance for loan and lease losses:

The changes in the ALLL for the years ended December 31, 2019 and 2018, and the loans and leases and ALLL by loan and lease type based on impairment-evaluation method as of December 31, 2019 and 2018 are presented in the tables below.

Twelve months ended December 31, 2019 (amounts in thousands)	Multi-family	Commercial and industrial	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Other consumer	Total
Ending Balance, December 31, 2018	$ 11,462	$ 12,145	$ 3,320	$ 6,093	$ 624	$ 3,654	$ 145	$ 2,529	$ 39,972
Charge-offs	(541)	(532)	(119)	—	—	(297)	—	(8,101)	(9,590)
Recoveries	7	1,050	236	—	136	27	—	314	1,770
Provision for loan and lease losses	(4,771)	2,893	(1,202)	150	502	(166)	915	25,906	24,227
Ending Balance, December 31, 2019	$ 6,157	$ 15,556	$ 2,235	$ 6,243	$ 1,262	$ 3,218	$ 1,060	$ 20,648	$ 56,379

As of December 31, 2019 (amounts in thousands)	Multi-family	Commercial and industrial	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Other consumer	Total
Loans and leases receivable:									
Individually evaluated for impairment	$ 4,117	$ 4,591	$ 1,976	$ 76	$ —	$ 9,063	$ 9,898	$ 1,551	$ 31,272
Collectively evaluated for impairment	1,903,469	1,885,035	543,367	1,219,926	118,418	362,480	58,899	1,176,549	7,268,143
Loans acquired with credit deterioration	1,688	354	6,664	3,527	—	3,471	1,601	183	17,488
Total loans and leases receivable	$ 1,909,274	$ 1,889,980	$ 552,007	$ 1,223,529	$ 118,418	$ 375,014	$ 70,398	$ 1,178,283	$ 7,316,903
Allowance for loan and lease losses:									
Individually evaluated for impairment	$ —	$ 523	$ 83	$ —	$ —	$ 44	$ 129	$ 73	$ 852
Collectively evaluated for impairment	6,157	14,768	2,113	4,361	1,262	2,923	897	20,420	52,901
Loans acquired with credit deterioration	—	265	39	1,882	—	251	34	155	2,626
Total allowance for loan and lease losses	$ 6,157	$ 15,556	$ 2,235	$ 6,243	$ 1,262	$ 3,218	$ 1,060	$ 20,648	$ 56,379

Twelve months ended December 31, 2018 (amounts in thousands)	Multi-family	Commercial and industrial	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Other consumer	Total
Ending Balance, December 31, 2017	$ 12,168	$ 10,918	$ 3,232	$ 7,437	$ 979	$ 2,929	$ 180	$ 172	$ 38,015
Charge-offs	—	(1,722)	(747)	—	—	(466)	—	(1,822)	(4,757)
Recoveries	—	403	326	5	241	76	—	21	1,072
Provision for loan and lease losses	(706)	2,546	509	(1,349)	(596)	1,115	(35)	4,158	5,642
Ending Balance, December 31, 2018	$ 11,462	$ 12,145	$ 3,320	$ 6,093	$ 624	$ 3,654	$ 145	$ 2,529	$ 39,972
As of December 31, 2018 (amounts in thousands)									
Loans and leases receivable:									
Individually evaluated for impairment	$ 1,155	$ 17,828	$ 1,069	$ 129	$ —	$ 8,631	$ 10,195	$ 111	$ 39,118
Collectively evaluated for impairment	3,282,452	1,355,436	567,970	1,120,633	56,491	553,593	67,528	73,703	7,077,806
Loans acquired with credit deterioration	1,690	536	8,438	4,344	—	4,337	2,008	221	21,574
Total loans and leases receivable	$ 3,285,297	$ 1,373,800	$ 577,477	$ 1,125,106	$ 56,491	$ 566,561	$ 79,731	$ 74,035	$ 7,138,498
Allowance for loan and lease losses:									
Individually evaluated for impairment	$ 539	$ 261	$ 1	$ —	$ —	$ 41	$ 3	$ —	$ 845
Collectively evaluated for impairment	10,923	11,516	3,319	4,161	624	3,227	89	2,390	36,249
Loans acquired with credit deterioration	—	368	—	1,932	—	386	53	139	2,878
Total allowance for loan and lease losses	$ 11,462	$ 12,145	$ 3,320	$ 6,093	$ 624	$ 3,654	$ 145	$ 2,529	$ 39,972

Impaired Loans - Individually Evaluated for Impairment

The following tables present the recorded investment (net of charge-offs), unpaid principal balance and related allowance by loan type for impaired loans that were individually evaluated for impairment as of December 31, 2019 and 2018 and the average recorded investment and interest income recognized for the years ended December 31, 2019, 2018 and 2017, respectively. Customers had no impaired lease receivables as of December 31, 2019 and 2018. Purchased-credit-impaired loans are considered to be performing and are not included in the tables below.

	December 31, 2019			For the Year Ended December 31, 2019	
(amounts in thousands)	Recorded investment net of charge-offs	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
With no related allowance recorded:					
Multi-family	$ 4,117	$ 4,117	$ —	$ 1,223	$ 239
Commercial and industrial	3,084	4,726	—	7,439	1,077
Commercial real estate owner occupied	1,109	1,880	—	1,111	55
Commercial real estate non-owner occupied	76	187	—	97	7
Residential real estate	4,559	4,861	—	2,766	129
Manufactured housing	4,169	4,169	—	5,638	325
Other consumer	140	140	—	4,127	266
With an allowance recorded:					
Multi-family	—	—	—	231	—
Commercial and industrial	1,507	1,507	523	3,723	64
Commercial real estate owner occupied	867	878	83	278	54
Residential real estate	4,504	4,522	44	2,523	119
Manufactured housing	5,729	5,729	129	3,792	253
Other consumer	1,411	1,411	73	584	—
Total	$ 31,272	$ 34,127	$ 852	$ 33,532	$ 2,588

(amounts in thousands)	December 31, 2018			For the Year Ended, December 31, 2018		For the Year Ended, December 31, 2017	
	Recorded investment net of charge-offs	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
With no related allowance recorded:							
Multi-family	$ —	$ —	$ —	$ 537	$ 8	$ —	$ —
Commercial and industrial	13,660	15,263	—	8,831	673	8,865	214
Commercial real estate owner occupied	1,037	1,766	—	776	19	1,439	70
Commercial real estate non-owner occupied	129	241	—	645	48	898	2
Residential real estate	4,842	5,128	—	4,129	151	4,617	24
Manufactured housing	10,027	10,027	—	10,015	561	10,003	558
Other consumer	111	111	—	89	1	51	—
With an allowance recorded:							
Multi-family	1,155	1,155	539	231	37	—	—
Commercial and industrial	4,168	4,351	261	6,504	25	5,984	230
Commercial real estate owner occupied	32	32	1	443	3	882	—
Residential real estate	3,789	3,789	41	4,566	131	3,307	187
Manufactured housing	168	168	3	214	14	131	8
Total	$ 39,118	$ 42,031	$ 845	$ 36,980	$ 1,671	$ 36,177	$ 1,293

Troubled Debt Restructurings

At December 31, 2019, 2018 and 2017, there were $13.3 million, $19.2 million and $20.4 million, respectively, in loans reported as TDRs. TDRs are reported as impaired loans in the calendar year of their restructuring and are evaluated to determine whether they should be placed on non-accrual status. In subsequent years, a TDR may be returned to accrual status if it satisfies a minimum performance requirement of six months, however, it will remain classified as impaired. Generally, the Bank requires sustained performance for nine months before returning a TDR to accrual status. Modifications of PCI loans that are accounted for within loan pools in accordance with the accounting standards for PCI loans do not result in the removal of these loans from the pool even if the modifications would otherwise be considered a TDR. Accordingly, as each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, modifications of loans within such pools are not considered TDRs. Customers had no lease receivables that had been restructured as a TDR as of December 31, 2019, 2018 and 2017, respectively.

The following table presents total TDRs based on loan type and accrual status at December 31, 2019, 2018 and 2017. Nonaccrual TDRs are included in the reported amount of total non-accrual loans.

	December 31,								
	2019			2018			2017		
(amounts in thousands)	Accruing TDRs	Nonaccrual TDRs	Total	Accruing TDRs	Nonaccrual TDRs	Total	Accruing TDRs	Nonaccrual TDRs	Total
Commercial and industrial	$ 60	$ 23	$ 83	$ 64	$ 5,273	$ 5,337	$ 63	$ 5,939	$ 6,002
Commercial real estate owner occupied	13	—	13	32	—	32	—	—	—
Residential real estate	2,935	631	3,566	3,026	667	3,693	3,828	703	4,531
Manufactured housing	8,243	1,382	9,625	8,502	1,620	10,122	8,130	1,766	9,896
Other consumer	—	10	10	—	12	12	—	—	—
Total TDRs	$ 11,251	$ 2,046	$ 13,297	$ 11,624	$ 7,572	$ 19,196	$ 12,021	$ 8,408	$ 20,429

The following table presents loans modified in a TDR by type of concession for the years ended December 31, 2019, 2018 and 2017. There were no modifications that involved forgiveness of debt for the years ended December 31, 2019, 2018 and 2017.

	For the Years Ended December 31,					
	2019		2018		2017	
(dollars in thousands)	Number of loans	Recorded investment	Number of loans	Recorded investment	Number of loans	Recorded investment
Extensions of maturity	2	$ 514	2	$ 60	5	$ 6,497
Interest-rate reductions	26	923	39	1,615	35	1,574
Total	28	$ 1,437	41	$ 1,675	40	$ 8,071

The following table provides, by loan type, the number of loans modified in TDRs and the related recorded investment for the years ended December 31, 2019, 2018 and 2017.

	For the Years Ended December 31,					
	2019		2018		2017	
(dollars in thousands)	Number of loans	Recorded investment	Number of loans	Recorded investment	Number of loans	Recorded investment
Commercial and industrial	1	$ 431	—	$ —	4	$ 6,437
Residential real estate	1	83	2	352	—	—
Manufactured housing	26	923	38	1,310	36	1,634
Other consumer	—	—	1	13	—	—
Total loans	28	$ 1,437	41	$ 1,675	40	$ 8,071

As of December 31, 2019, there were no commitments to lend additional funds to borrowers whose loans have been modified in TDRs. As of December 31, 2018 and 2017, except for one commercial and industrial loan with an outstanding commitment of $1.5 million and $2.1 million, respectively, there were no other commitments to lend additional funds to debtors whose loans have been modified in TDRs.

The following table presents, by loan type, the number of loans modified in TDRs and the related recorded investment, for which there was a payment default within twelve months following the modification:

	December 31, 2019		December 31, 2018		December 31, 2017	
(dollars in thousands)	Number of loans	Recorded investment	Number of loans	Recorded investment	Number of loans	Recorded investment
Residential real estate	$ 1	$ 81	$ —	$ —	$ —	$ —
Manufactured housing	3	73	4	92	5	211
Total loans	4	$ 154	4	$ 92	5	$ 211

Loans modified in TDRs are evaluated for impairment. The nature and extent of impairment of TDRs, including those which have experienced a subsequent default, is considered in the determination of an appropriate level of ALLL. During the year ended December 31, 2019, allowances totaling $17 thousand were recorded on fifteen loans that had been modified in TDRs. There were no allowances recorded as a result of TDR modifications during 2018. For the year ended December 31, 2017, there was one allowance resulting from TDR modifications totaling $1 thousand for one manufactured housing loan.

Purchased-Credit-Impaired Loans

The changes in accretable yield related to PCI loans for the years ended December 31, 2019, 2018 and 2017 were as follows:

	For the Years Ended December 31,		
(amounts in thousands)	2019	2018	2017
Accretable yield balance, beginning of period	$ 6,178	$ 7,825	$ 10,202
Accretion to interest income	(1,144)	(1,455)	(1,673)
Reclassification from nonaccretable difference and disposals, net	44	(192)	(704)
Accretable yield balance, end of period	$ 5,078	$ 6,178	$ 7,825

Credit Quality Indicators

The ALLL represents management's estimate of probable losses in Customers' loans and leases receivable portfolio, excluding commercial mortgage warehouse loans reported at fair value pursuant to a fair value option election. Multi-family, commercial and industrial, owner occupied commercial real estate, non-owner occupied commercial real estate, and construction loans are rated based on an internally assigned risk rating system which is assigned at the time of loan origination and reviewed on a periodic, or on an "as needed" basis. Residential real estate loans, manufactured housing and other consumer loans are evaluated based on the payment activity of the loan.

To facilitate the monitoring of credit quality within the multi-family, commercial and industrial, owner occupied commercial real estate, non-owner occupied commercial real estate, and construction loan portfolios, and for purposes of analyzing historical loss rates used in the determination of the ALLL for the respective loan portfolios, the Bank utilizes the following categories of risk ratings: pass/satisfactory (includes risk rating 1 through 6), special mention, substandard, doubtful and loss. The risk rating categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass/satisfactory ratings, which are assigned to those borrowers who do not have identified potential or well-defined weaknesses and for whom there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter. While assigning risk ratings involves judgment, the risk-rating process allows management to identify riskier credits in a timely manner and allocate the appropriate resources to manage those loans and leases.

The risk rating grades are defined as follows:

"1" – *Pass/Excellent*

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

"2" – *Pass/Superior*

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

"3" – *Pass/Strong*

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

"4" – *Pass/Good*

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

"5" – *Satisfactory*

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

"6" – *Satisfactory/Bankable with Care*

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

"7" – *Special Mention*

Loans and leases rated 7 are credit facilities that may have potential developing weaknesses and deserve extra attention from the account manager and other management personnel. In the event potential weaknesses are not corrected or mitigated, deterioration in the ability of the borrower to repay the debt in the future may occur. This grade is not assigned to loans and leases that bear certain peculiar risks normally associated with the type of financing involved, unless circumstances have caused the risk to increase to a level higher than would have been acceptable when the credit was originally approved. Loans and leases where significant actual, not potential, weaknesses or problems are clearly evident are graded in the category below.

"8" – *Substandard*

Loans and leases are rated 8 when the loans and leases are inadequately protected by the current sound worth and payment capacity of the obligor or of the collateral pledged, if any. Loans and leases so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the company will sustain some loss if the weaknesses are not corrected.

"9" – *Doubtful*

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

"10" – *Loss*

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

Risk ratings are not established for certain consumer loans, including residential real estate, home equity, manufactured housing, and installment loans, mainly because these portfolios consist of a larger number of homogeneous loans with smaller balances. Instead, these portfolios are evaluated for risk mainly based upon aggregate payment history through the monitoring of delinquency levels and trends and are classified as performing and non-performing. The following tables present the credit ratings of loans and leases receivable as of December 31, 2019 and 2018.

(amounts in thousands)	December 31, 2019 Multi-family	Commercial and industrial	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Other consumer	Total (3)
Pass/Satisfactory	$ 1,816,200	$ 1,841,074	$ 536,777	$ 1,129,838	$ 118,418	$ —	$ —	$ —	$ 5,442,307
Special Mention	69,637	26,285	8,286	6,949	—	—	—	—	111,157
Substandard	23,437	22,621	6,944	86,742	—	—	—	—	139,744
Performing (1)	—	—	—	—	—	362,962	63,250	1,170,976	1,597,188
Non-performing (2)	—	—	—	—	—	12,052	7,148	7,307	26,507
Total	$ 1,909,274	$ 1,889,980	$ 552,007	$ 1,223,529	$ 118,418	$ 375,014	$ 70,398	$ 1,178,283	$ 7,316,903

(amounts in thousands)	December 31, 2018 Multi-family	Commercial and industrial	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Other consumer	Total (3)
Pass/Satisfactory	$ 3,201,822	$ 1,306,466	$ 562,639	$ 1,054,493	$ 56,491	$ —	$ —	$ —	$ 6,181,911
Special Mention	55,696	30,551	9,730	30,203	—	—	—	—	126,180
Substandard	27,779	36,783	5,108	40,410	—	—	—	—	110,080
Performing (1)	—	—	—	—	—	555,016	71,924	73,724	700,664
Non-performing (2)	—	—	—	—	—	11,545	7,807	311	19,663
Total	$ 3,285,297	$ 1,373,800	$ 577,477	$ 1,125,106	$ 56,491	$ 566,561	$ 79,731	$ 74,035	$ 7,138,498

(1) Includes residential real estate, manufactured housing, and other consumer loans not assigned internal ratings.

(2) Includes residential real estate, manufactured housing, and other consumer loans that are past due and still accruing interest or on nonaccrual status.

(3) Excludes commercial mortgage warehouse loans reported at fair value.

Loan Purchases and Sales

Purchases and sales of loans were as follows for the years ended December 31, 2019, 2018 and 2017:

(amounts in thousands)	For the Years Ended December 31, 2019	2018	2017
Purchases (1)			
Residential real estate	$ 105,858	$ 368,402	$ 264,090
Other consumer (2)	1,058,261	30,066	—
Total	$ 1,164,119	$ 398,468	$ 264,090
Sales (3)			
Multi-family	$ —	$ (54,638)	$ (226,831)
Commercial and industrial (4)	(22,267)	(32,263)	(19,974)
Commercial real estate owner occupied (4)	(16,320)	(20,218)	(19,813)
Residential real estate	(230,285)	—	(191,574)
Total	$ (268,872)	$ (107,119)	$ (458,192)

(1) Amounts reported represent the unpaid principal balance at time of purchase. The purchase price was 100.3%, 99.9% and 99.4% of loans outstanding for the years ended December 31, 2019, 2018 and 2017, respectively.

(2) Other consumer loan purchases for the year ended December 31, 2019 and 2018, consist of third-party originated unsecured consumer loans. None of the loans are considered sub-prime at the time of origination. Customers considers sub-prime borrowers to be those with FICO scores below 660.

(3) Amounts reported represent the unpaid principal balance at time of sale. For the years ended December 31, 2019, 2018 and 2017, loan sales resulted in net gains of $2.8 million, $3.3 million and $4.2 million, respectively.

(4) Primarily sales of SBA loans.

Loans Pledged as Collateral

Customers has pledged eligible real estate loans as collateral for potential borrowings from the FHLB and FRB in the amount of $4.6 billion and $5.4 billion at December 31, 2019 and 2018, respectively.

NOTE 8 – LEASES

Lessee

Customers has operating leases for its branches, LPOs, and administrative offices, with remaining lease terms ranging between 4 months and 8 years. These operating leases comprise substantially all of Customers' obligations in which Customers is the lessee. Most lease agreements consist of initial lease terms ranging between 1 and 5 years, with options to renew the leases or extend the term up to 15 years at Customers' sole discretion. Some operating leases include variable lease payments that are based on an index or rate, such as the CPI. Variable lease payments are not included in the liability or ROU asset and are recognized in the period in which the obligations for those payments are incurred. Customers' operating lease agreements do not contain any material residual value guarantees or material restrictive covenants. Pursuant to these agreements, Customers does not have any commitments that would meet the definition of a finance lease.

As most of Customers' operating leases do not provide an implicit rate, Customers utilized its incremental borrowing rate based on the information available at either the adoption of ASC 842 or the commencement date of the lease, whichever was later, when determining the present value of lease payments. Customers does not present ROU assets and corresponding liabilities for operating leases for fiscal years prior to the adoption of this standard.

A ROU asset of $23.8 million, net of $1.1 million in accrued rent, and lease liabilities of $24.9 million were recognized with the adoption of ASU 2016-02 on January 1, 2019.

The following table summarizes operating lease ROU assets and operating lease liabilities and their corresponding balance sheet location:

(amounts in thousands)	Classification	December 31, 2019
ASSETS		
Operating lease ROU assets	Other assets	$ 20,232
LIABILITIES		
Operating lease liabilities	Other liabilities	$ 21,358

The following table summarizes operating lease cost and its corresponding income statement location for the periods presented:

(amounts in thousands)	Classification	Year Ended December 31, 2019
Operating lease cost (1)	Occupancy expenses	$ 5,823

(1) There were no variable lease costs for the year ended December 31, 2019, and sublease income for operating leases is immaterial.

Maturities of non-cancelable operating lease liabilities were as follows at December 31, 2019:

(amounts in thousands)	December 31, 2019
2020	$ 5,539
2021	4,792
2022	4,167
2023	3,174
2024	2,100
Thereafter	2,817
Total minimum payments	22,589
Less: interest	1,231
Present value of lease liabilities	$ 21,358

Customers does not have leases where it is involved with the construction or design of an underlying asset. Customers has signed leases that have not yet commenced as of December 31, 2019 with future minimum lease payments of $2.6 million. Cash paid pursuant to operating lease liabilities was $5.9 million for the year ended December 31, 2019, and is reported as cash flows used in operating activities in the statement of cash flows.

The following table summarizes the weighted average remaining lease term and discount rate for Customers' operating leases at December 31, 2019:

(amounts in thousands)	December 31, 2019
Weighted average remaining lease term (years)	
Operating leases	5.0 years
Weighted average discount rate	
Operating leases	2.90 %

Rent expense was approximately $5.8 million and $5.2 million for the years ended December 31, 2018 and 2017, respectively.

Equipment Lessor

CCF is a wholly-owned subsidiary of Customers Bank and is referred to as the Equipment Finance Group. CCF is primarily focused on originating equipment operating and direct finance equipment leases for a broad range of asset classes. It services vendors, dealers, independent finance companies, bank-owned leasing companies and strategic direct customers in the plastics, packaging, machine tool, construction, transportation and franchise markets. Lease terms typically range from 24 months to 120 months. CCF offers the following lease products: Capital Lease, Purchase Upon Termination, TRAC, Split-TRAC, and FMV. Direct finance equipment leases are included in commercial and industrial loans and leases receivable.

The estimated residual values for direct finance and operating leases are established by utilizing internally developed analyses, external studies, and/or third-party appraisals to establish a residual position. For the direct finance leases, only for a Split-TRAC is there a residual risk and the unguaranteed portions are typically nominal.

Leased assets under operating leases are carried at amortized cost net of accumulated depreciation and any impairment charges and are presented in other assets. The depreciation expense of the leased assets is recognized on a straight-line basis over the contractual term of the leases up to the expected residual value. The expected residual value and, accordingly, the monthly depreciation expense, may change throughout the term of the lease. Operating lease rental income for leased assets is recognized in commercial lease income on a straight-line basis over the lease term. Customers periodically reviews its leased assets for impairment. An impairment loss is recognized if the carrying amount of the leased asset exceeds its fair value and is not recoverable. The carrying amount of leased assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the lease payments and the estimated residual value upon the eventual disposition of the equipment.

The following table summarizes lease receivables and investment in operating leases and their corresponding balance sheet location at December 31, 2019:

(amounts in thousands)	Classification	December 31, 2019	
ASSETS			
Direct financing leases			
Lease receivables	Loans and leases receivable	$	91,762
Guaranteed residual assets	Loans and leases receivable		7,435
Unguaranteed residual assets	Loans and leases receivable		1,260
Deferred initial direct costs	Loans and leases receivable		721
Unearned income	Loans and leases receivable		(11,300)
Net investment in direct financing leases		$	89,878
Operating leases			
Investment in operating leases	Other assets	$	107,850
Accumulated depreciation	Other assets		(14,251)
Deferred initial direct costs	Other assets		1,052
Net investment in operating leases			94,651
Total lease assets		$	184,529

NOTE 9 – BANK PREMISES AND EQUIPMENT

The components of bank premises and equipment as of December 31, 2019 and 2018 were as follows:

		December 31,	
(amounts in thousands)	Expected Useful Life	2019	2018
Leasehold improvements	3 to 25 years	$ 14,218	$ 14,080
Furniture, fixtures and equipment	5 to 10 years	6,333	7,110
IT equipment	3 to 5 years	10,016	8,645
Automobiles	3 to 5 years	492	455
		31,059	30,290
Accumulated depreciation and amortization		(21,670)	(19,227)
Total		$ 9,389	$ 11,063

Depreciation expense and amortization of leasehold improvements, which are included on the consolidated statements of income in occupancy expenses, were $3.4 million, $2.7 million and $2.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 10 – DEPOSITS

The components of deposits at December 31, 2019 and 2018 were as follows:

	December 31,	
(amounts in thousands)	2019	2018
Demand, non-interest bearing	$ 1,343,391	$ 1,122,171
Demand, interest bearing	1,235,292	803,948
Savings, including money market deposit accounts	4,401,719	3,481,936
Time, $100,000 and over	402,161	792,370
Time, other	1,266,373	941,811
Total deposits	$ 8,648,936	$ 7,142,236

The scheduled maturities for time deposits at December 31, 2019 were as follows:

(amounts in thousands)	December 31, 2019
2020	$ 1,467,088
2021	175,994
2022	19,489
2023	2,490
2024	3,473
Total time deposits	$ 1,668,534

Time deposits greater than $250,000 totaled $0.2 billion and $0.5 billion at December 31, 2019 and 2018, respectively.

Included in the demand, interest bearing balances above were $82.1 million and $5.2 million of brokered demand deposits at December 31, 2019 and 2018, respectively. Included in the savings and MMDA balances above were $0.3 billion and $0.6 billion of brokered money market deposits at December 31, 2019 and 2018, respectively. Also included in time, other balances above were $1.1 billion and $0.8 billion of brokered time deposits, respectively, at December 31, 2019 and 2018.

Demand deposit overdrafts reclassified as loans were $2.1 million and $3.4 million at December 31, 2019 and 2018, respectively.

NOTE 11 – BORROWINGS

Short-term debt

Short-term debt at December 31, 2019 and 2018 was as follows:

	December 31,			
	2019		2018	
(dollars in thousands)	Amount	Rate	Amount	Rate
FHLB advances	$ 500,000	2.15 %	$ 1,248,070	2.62 %
Federal funds purchased	538,000	1.60 %	187,000	2.60 %
Total short-term debt	$ 1,038,000		$ 1,435,070	

The following is a summary of additional information relating to Customers' short-term debt:

	December 31,		
(dollars in thousands)	2019	2018	2017
FHLB advances			
Maximum outstanding at any month end	$ 1,190,150	$ 2,622,165	$ 2,283,250
Average balance during the year	793,304	1,526,180	1,415,755
Weighted-average interest rate during the year	2.66 %	2.05 %	1.44 %
Federal funds purchased			
Maximum outstanding at any month end	600,000	195,000	238,000
Average balance during the year	271,400	156,652	163,466
Weighted-average interest rate during the year	2.28 %	1.92 %	1.19 %

At December 31, 2019 and 2018, Customers Bank had aggregate availability under federal funds lines totaling $551.0 million and $522.0 million, respectively.

Long-term debt

FHLB and FRB advances

Long-term FHLB and FRB advances at December 31, 2019 and 2018 were as follows:

	December 31,			
	2019		2018	
(dollars in thousands)	Amount	Rate	Amount	Rate
FHLB advances	$ 350,000	2.36 %	$ —	— %
Total long-term FHLB advances	$ 350,000		$ —	

There were no advances outstanding with the FRB at December 31, 2019 and 2018, respectively.

The maximum borrowing capacity with the FHLB and FRB at December 31, 2019 and 2018, was as follows:

	December 31,	
(amounts in thousands)	2019	2018
Total maximum borrowing capacity with the FHLB	$ 3,445,416	$ 4,146,899
Total maximum borrowing capacity with the FRB	136,842	102,461
Qualifying loans serving as collateral against FHLB and FRB advances	4,496,983	5,221,957

Senior and Subordinated Debt

Long-term senior notes and subordinated debt at December 31, 2019 and 2018 were as follows:

(dollars in thousands)		December 31, 2019	December 31, 2018					
Issued by	Ranking	Amount	Amount	Rate	Issued Amount	Date Issued	Maturity	Price
Customers Bancorp	Senior	$ 24,432	$ —	4.500 %	$ 25,000	September 2019	September 2024	100.000 %
Customers Bancorp	Senior	99,198	98,911	3.950 %	100,000	June 2017	June 2022	99.775 %
Customers Bancorp	Senior	—	24,960	4.625 %	25,000	June 2014	June 2019	100.000 %
Total other borrowings		123,630	123,871					
Customers Bancorp	Subordinated (1)(2)	72,040	—	5.375 %	74,750	December 2019	December 2034	100.000 %
Customers Bank	Subordinated (1)(3)	109,075	108,977	6.125 %	110,000	June 2014	June 2029	100.000 %
Total subordinated debt		$ 181,115	$ 108,977					

(1) The subordinated notes qualify as Tier 2 capital for regulatory capital purposes.
(2) Customers Bancorp has the ability to call the subordinated notes, in whole, or in part, at a redemption price equal to 100% of the principal balance at certain times on or after December 30, 2029.
(3) The subordinated notes will bear an annual fixed rate of 6.125% until June 26, 2024. From June 26, 2024 until maturity, the notes will bear an annual interest rate equal to the three-month LIBOR plus 344.3 basis points. Customers Bank has the ability to call the subordinated notes, in whole, or in part, at a redemption price equal to 100% of the principal balance at certain times on or after June 26, 2024.

NOTE 12 – SHAREHOLDERS' EQUITY

Common Stock

During 2019, 2018 and 2017, Customers Bancorp did not issue any shares of its common stock other than in connection with share-based compensation programs.

In November 2013, Customers Bancorp announced that its Board of Directors had authorized a stock repurchase plan in which it could acquire up to 5% of its current outstanding shares at prices not to exceed a 20% premium over the then current book value. In December 2018, Customers Bancorp announced that its Board of Directors amended the terms of the November 2013 stock repurchase plan to allow purchases to be made at prices not to exceed the book value per share of Customers' common stock measured as of September 30, 2018. In January 2019, Customers repurchased 31,159 shares of its common stock at a weighted average price of $18.35. In December 2018, Customers Bancorp repurchased 719,200 shares of its common stock at a weighted average price of $18.04. There was no stock repurchased during 2017. Customers repurchased all remaining authorized shares pursuant to this program in January 2019.

Preferred Stock

Customers Bancorp currently has four series of preferred stock outstanding. During 2019, 2018 and 2017, Customers Bancorp did not issue any preferred stock.

The table below summarizes Customers' issuances of preferred stock and the dividends paid per share.

(amounts in thousands except share and per share data)		Shares at December 31,		Carrying value at December 31,					
Fixed-to-floating rate:	Issue Date	2019	2018	2019	2018	Contractual Rate in Effect at December 31, 2019	Date at which dividend rate becomes floating and earliest redemption date	Floating rate of Three-Month LIBOR Plus:	Dividend Paid Per Share in 2019
Series C	May 18, 2015	2,300,000	2,300,000	$ 55,569	$ 55,569	7.00 %	June 15, 2020	5.300 %	$ 1.75
Series D	January 29, 2016	1,000,000	1,000,000	24,108	24,108	6.50 %	March 15, 2021	5.090 %	$ 1.63
Series E	April 28, 2016	2,300,000	2,300,000	55,593	55,593	6.45 %	June 15, 2021	5.140 %	$ 1.61
Series F	September 16, 2016	3,400,000	3,400,000	82,201	82,201	6.00 %	December 15, 2021	4.762 %	$ 1.50
Totals		9,000,000	9,000,000	$ 217,471	$ 217,471				

The net proceeds from the preferred stock offerings were used for general corporate purposes, which included working capital and the funding of organic growth at Customers Bank.

Dividends on the Series C, Series D, Series E and Series F Preferred Stock are not cumulative. If Customers Bancorp's board of directors or a duly authorized committee of the board does not declare a dividend on the Series C, Series D, Series E and Series F Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and Customers Bancorp will have no obligation to pay any dividend for that dividend period, whether or not the board of directors or a duly authorized committee of the board declares a dividend on the Series C, Series D, Series E, and Series F Preferred Stock for any future dividend period.

The Series C, Series D, Series E and Series F Preferred Stock have no stated maturity, are not subject to any mandatory redemption, sinking fund or other similar provisions and will remain outstanding unless redeemed at Customers Bancorp's option. Customers Bancorp may redeem the Series C, Series D, Series E and Series F Preferred Stock at its option, at a redemption price equal to $25.00 per share, plus any declared and unpaid dividends (without regard to any undeclared dividends), (i) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2020, for the Series C Preferred Stock, March 15, 2021, for the Series D Preferred Stock, June 15, 2021, for the Series E Preferred Stock and December 15, 2021, for the Series F Preferred Stock and or (ii) in whole but not in part, within 90 days following the occurrence of a regulatory capital treatment event. Any redemption of the Series C, Series D, Series E and Series F Preferred Stock is subject to prior approval of the Federal Reserve Board. The Series C, Series D, Series E and Series F Preferred Stock qualify as Tier 1 capital under regulatory capital guidelines. Except in limited circumstances, the Series C, Series D, Series E and Series F Preferred Stock do not have any voting rights.

NOTE 13 – EMPLOYEE BENEFIT PLANS

401(k) Plan

Customers has a 401(k) profit sharing plan whereby eligible team members may contribute amounts up to the annual IRS statutory contribution limit. Customers provides a matching contribution equal to 50% of the first 6% of the contribution made by the team member. Employer contributions for the years ended December 31, 2019, 2018 and 2017 were $2.2 million, $2.1 million, and $1.9 million, respectively.

Supplemental Executive Retirement Plan

Customers entered into a SERP with its Chairman and CEO that provides annual retirement benefits for a 15-year period upon the later of his reaching the age of 65 or when he terminates employment. The SERP is a defined-contribution type of deferred-compensation arrangement that is designed to provide a target annual retirement benefit of $300,000 per year for 15 years starting at age 65, based on an assumed constant rate of return of 7% per year. The level of retirement benefit is not guaranteed by Customers, and the ultimate retirement benefit can be less than or greater than the target. Customers funds its obligations under the SERP with the increase in cash surrender value of a life insurance policy on the life of the Chairman and CEO which it owns. The present value of the amount owed as of December 31, 2019 and 2018 was $5.5 million and $4.3 million, respectively, and was included in other liabilities.

NOTE 14 – SHARE-BASED COMPENSATION PLANS

Summary

During 2019, the shareholders of Customers Bancorp approved the 2019 Plan, during 2010, the shareholders of Customers Bancorp approved the 2010 Plan, and during 2012, the shareholders of Customers Bancorp approved the 2004 Plan. The 2019 Plan was approved by the shareholders of Customers at its 2019 Annual Meeting of Shareholders on May 30, 2019 and allows for the issuance of 1,500,000 shares. The purpose of these plans is to promote the success and enhance the value of Customers Bancorp by linking the personal interests of the members of the Board of Directors, team members, officers and executives of Customers to those of the shareholders of Customers and by providing such individuals with an incentive for outstanding performance in order to generate superior returns to shareholders of Customers. The 2019 Plan, 2010 Plan and 2004 Plan are intended to provide flexibility to Customers in its ability to motivate, attract and retain the services of members of the Board of Directors, team members, officers and executives of Customers. Stock options and restricted stock units normally vest on the third or fifth anniversary of the grant date provided the grantee remains employed by Customers or continues to serve on the Board. With respect to certain stock options granted under the 2010 Plan, vested options shall be exercisable only when Customers' fully diluted tangible book value will have increased by 50% from the date of grant. Share-based awards generally provide for accelerated vesting if there is a change in control (as defined in the Plans). No stock options may be exercisable for more than 10 years from the date of grant.

The 2019, 2010 and 2004 Plans are administered by the Compensation Committee of the Board of Directors. The 2019 Plan provides for the grant of options, some or all of which may be structured to qualify as Incentive Stock Options if granted to team members, stock appreciation rights, restricted stock, restricted stock units and unrestricted stock to team members, officers, executives, members of the Board of Directors, consultants, and advisors. The maximum number of shares of common stock which may be issued under the 2019 Plan is 1,500,000 shares. The 2010 Plan provides exclusively for the grant of stock options, some or all of which may be structured to qualify as Incentive Stock Options, to team members, officers and executives. The maximum number of shares of common stock which may be issued under the 2010 Plan is 3,666,667 shares. The 2004 Plan provides for the grant of options, some or all of which may be structured to qualify as Incentive Stock Options if granted to team members, stock appreciation rights, restricted stock, restricted stock units and unrestricted stock to team members, officers, executives and members of the Board of Directors. The maximum number of shares of common stock which may be issued under the 2004 Plan is 2,750,000 shares.

On January 1, 2011, Customers initiated a BRRP. This is a restricted stock unit plan. Team members eligible to participate in the BRRP included the CEO and other senior management and highly compensated team members as determined by the Compensation Committee at its sole discretion. Under the BRRP, a participant elected to defer not less than 25%, nor more than 50%, of his or her bonus payable with respect to each year of participation. Shares of common stock having a value equal to the portion of the bonus deferred by a participant were allocated to an annual deferral account, and a matching amount equal to an identical number of shares of common stock was also allocated to the annual deferral account. A participant becomes 100% vested in the annual deferral account on the fifth anniversary date of the initial funding of the account, provided he or she remains continuously employed by Customers from the date of funding to the anniversary date. Customers discontinued the BRRP in 2019, upon receipt of shareholder approval of the 2019 Plan.

Vesting is accelerated in the event of involuntary termination other than for cause, retirement at or after age 65, death, termination on account of disability or a change in control of Customers. Participants were first eligible to make elections under the BRRP with respect to their bonuses for 2011, which were payable in first quarter 2012. The BRRP did not provide for a specific number of shares to be reserved; by its terms, the award of restricted stock units under this plan is limited by the amount of cash bonuses paid to the participants in the plan. At December 31, 2019, non-vested restricted stock units outstanding under this plan totaled 190,340.

At December 31, 2019, the aggregate number of shares of common stock available for grant under all share-based compensation plans was 2,052,597 shares.

Share-based-compensation expense relating to stock options and restricted stock units is recognized on a straight-line basis over the vesting periods of the awards and is a component of salaries and employee benefits expense. Total share-based- compensation expense for 2019, 2018 and 2017 was $8.9 million, $8.6 million and $6.1 million, respectively. At December 31, 2019, there was $16.4 million of unrecognized compensation cost related to all non-vested share-based compensation awards. This cost is expected to be recognized through December 2024.

In 2014, the shareholders of Customers Bancorp approved an ESPP. The ESPP is intended to encourage team member participation in the ownership and economic progress of Customers. This plan is intended to qualify as an ESPP within the meaning of the Internal Revenue Code and is administered by the Compensation Committee of the Board of Directors.

Under the ESPP, team members may elect to purchase shares of Customers' common stock through payroll deductions. Because the purchase price under the plan is 85% of the fair market value of a share of common stock on the first day of each quarterly subscription period (a 15% discount to the market price), Customers' ESPP is considered to be a compensatory plan under current accounting guidance. Therefore, the entire amount of the discount is recognizable compensation expense. ESPP expense for 2019, 2018 and 2017 was $170 thousand, $141 thousand, and $132 thousand, respectively.

Stock Options

Customers estimated the fair value of each option on the date of grant generally using the Black-Scholes option pricing model. The risk-free interest rate was based upon the zero-coupon Treasury rates in effect on the grant date of the options based on the expected life of the option. Expected volatility was based upon limited historical information because Customers' common stock has only been traded since February 2012. Expected life was management's estimate which took into consideration the vesting requirement, generally three or five years.

During 2019, options to purchase an aggregate of 577,230 shares of Customers Bancorp voting common stock were granted to certain officers and team members. The exercise price for the options granted was equal to the closing price of Customers Bancorp's voting common stock on the date of grant. The options issued are subject to a three-year waterfall vesting and expire after ten years.

The following table presents the weighted-average assumptions used and the resulting weighted-average fair value of each option granted for the periods presented.

	2019	2018	2017
Weighted-average risk-free interest rate	1.69 %	2.87 %	2.35 %
Expected dividend yield	— %	— %	— %
Weighted-average expected volatility	29.92 %	25.47 %	25.05 %
Weighted-average expected life (in years)	7.00	7.00	7.00
Weighted-average fair value of each option granted	$ 5.56	$ 10.05	$ 8.68

The following table summarizes stock option activity for the year ended December 31, 2019:

(dollars in thousands, except weighted-average exercise price)	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding, December 31, 2018	2,520,526	$ 22.13		
Granted	577,230	19.05		
Exercised	(82,500)	16.79		$ 341
Expired	(90,000)	25.19		
Forfeited	(95,008)	21.19		
Outstanding, December 31, 2019	2,830,248	$ 21.59	6.45	$ 9,212
Exercisable at December 31, 2019	766,739	$ 15.52	3.46	$ 6,390

Cash received from the exercise of the stock options during the year ended December 31, 2019 was $1.4 million. The tax liability resulting from option exercises totaled $0.2 million in 2019.

A summary of the status of Customers' non-vested options at December 31, 2019, and changes during the year ended December 31, 2019 was as follows:

	Options	Weighted-Average exercise price
Non-vested at December 31, 2018	1,671,223	$ 25.10
Granted	577,230	19.05
Vested	(89,936)	19.33
Forfeited	(95,008)	21.19
Non-vested at December 31, 2019	2,063,509	23.85

Restricted Stock Units

The fair value of restricted stock units granted under the 2019 and 2004 Plans is generally determined based on the closing market price of Customers' common stock on the date of grant. The fair value of restricted stock units granted under the BRRP was measured as of the date on which such portion of the bonus would have been paid had the deferral not been elected.

Beginning in 2018, the Compensation Committee recommended and the Board of Directors approved a new long-term incentive compensation plan which incorporates performance metrics into the restricted stock awards for certain of Customers' key officers. Specifically, 40% of the restricted stock units granted as long term incentive compensation will vest ratably over three years. The remaining 60% will vest upon Customers meeting certain performance metrics, including total shareholder return, return on average common equity, and average NPAs to total assets over a three-year period relative to the performance of its peer group. The performance conditions are considered probable.

There were 177,627 restricted stock units granted during the year ended December 31, 2019. Of the aggregate restricted stock units granted, 5,447 were granted under the BRRP and are subject to five-year cliff vesting. The remaining 172,180 units were granted under either the 2004 Plan or the 2019 Plan and are subject to either a three-year waterfall vesting (with one third of the amount vesting annually) or a three-year cliff vesting, with 48,142 of those units also subject to the performance metrics described above.

The table below presents the status of the restricted stock units at December 31, 2019, and changes during the year ended December 31, 2019:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding and unvested at December 31, 2018	884,659	$ 23.99
Granted	177,627	20.27
Vested	(281,905)	23.22
Forfeited	(62,700)	23.25
Outstanding and unvested at December 31, 2019	717,681	23.43

Customers has a policy that permits its directors to elect to receive shares of common stock in lieu of their cash retainers. During the year ended December 31, 2019, Customers issued 37,467 shares of common stock with a fair value of $0.8 million to the directors as compensation for their services. The fair values were generally determined based on the closing price of the common stock the day before the shares were issued.

NOTE 15 – INCOME TAXES

The components of income tax expense were as follows:

	For the Years Ended December 31,		
(amounts in thousands)	2019	2018	2017
Current			
Federal	$ 2,973	$ 4,509	$ 24,258
State	5,304	5,547	5,666
Total current expense	8,277	10,056	29,924
Deferred			
Federal	13,175	9,702	14,885
State	1,341	(399)	233
Total deferred expense	14,516	9,303	15,118
Income tax expense	$ 22,793	$ 19,359	$ 45,042

Effective tax rates differ from the federal statutory rate of 21% at December 31, 2019 and December 31, 2018, and 35% at December 31, 2017, which was applied to income before income tax expense, due to the following:

	For the Years Ended December 31,					
	2019		2018		2017	
(amounts in thousands)	Amount	% of pretax income	Amount	% of pretax income	Amount	% of pretax income
Federal income tax at statutory rate	$ 21,445	21.00 %	$ 19,121	21.00 %	$ 43,357	35.00 %
State income tax, net of federal benefit	5,249	5.14	4,067	4.47	3,835	3.10
Tax-exempt interest, net of disallowance	(385)	(0.38)	(360)	(0.40)	(381)	(0.31)
Bank-owned life insurance	(1,677)	(1.64)	(1,547)	(1.70)	(2,675)	(2.16)
Tax credits	(1,266)	(1.24)	(444)	(0.49)	—	—
Equity-based compensation	132	0.13	(547)	(0.60)	(10,741)	(8.67)
Non-deductible executive compensation	440	0.43	230	0.25	654	0.53
Unrecorded basis difference in foreign subsidiaries	(144)	(0.14)	343	0.38	4,527	3.65
Enactment of federal tax reform	—	—	(21)	(0.02)	5,505	4.44
Other	(1,001)	(0.98)	(1,483)	(1.63)	961	0.78
Effective income tax rate	$ 22,793	22.32 %	$ 19,359	21.26 %	$ 45,042	36.36 %

At December 31, 2019 and 2018, Customers had no ASC 740-10 unrecognized tax benefits. Customers does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. Customers recognizes interest and penalties on unrecognized tax benefits in other expense.

Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for tax reporting and financial statement purposes, principally because certain items are recognized in different periods for financial reporting and tax return purposes. The following represents Customers' deferred tax asset and liabilities as December 31, 2019 and 2018:

	December 31,	
(amounts in thousands)	2019	2018
Deferred tax assets		
Allowance for loan and lease losses	$ 14,616	$ 10,449
Net unrealized losses on securities	—	7,639
Net operating losses	1,494	1,212
Compensation and benefits	5,839	6,234
Cash flow hedge	5,557	324
Section 197 intangibles	1,196	923
Deferred income	1,182	640
Lease liability	5,523	—
Other	1,307	2,766
Total gross deferred tax assets	36,714	30,187
Less: valuation allowance	(486)	—
Net deferred tax assets	36,228	30,187
Deferred tax liabilities		
Fair value adjustments on acquisitions	(506)	(569)
Bank premises and equipment	(6,074)	(884)
Tax qualified lease adjustments	(30,496)	(17,786)
Right of use asset	(5,232)	—
Net unrealized gains on securities	(5,020)	—
Other	(640)	(746)
Total deferred tax liabilities	(47,968)	(19,985)
Net deferred tax asset/(liability)	$ (11,740)	$ 10,202

The net deferred tax liability at December 31, 2019 is recorded in other liabilities and the net deferred tax asset at December 31, 2018 is recorded in other assets.

Customers had approximately $4.8 million of federal and state net operating loss carryovers subject to the annual limitation under Internal Revenue code Section 382 at December 31, 2019, that begin to expire in 2027. Customers also has state net operating loss carryovers for some states that begin to expire in 2037. Customers believes it is more likely than not the benefit of these state net operating loss carryovers generated by BankMobile Technologies, Inc. will not be realized. As such, there is a valuation allowance on the deferred tax assets of the jurisdictions in which the net operating losses relate.

Customers is subject to U.S. federal income tax as well as income tax in various state and local taxing jurisdictions. Generally, Customers is no longer subject to examination by federal, state, and local taxing authorities for years prior to the year ended December 31, 2016

NOTE 16 – TRANSACTIONS WITH EXECUTIVE OFFICERS, DIRECTORS AND PRINCIPAL SHAREHOLDERS

Customers has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families and affiliated companies (commonly referred to as related parties). The activity relating to loans to such persons was as follows:

(amounts in thousands)	For the Years Ended December 31, 2019	2018	2017
Balance as of December 31,	$ 5	$ —	$ 238
Additions	47	27	99
Repayments	(52)	(22)	(337)
Balance as of December 31,	$ —	$ 5	$ —

As of December 31, 2019 and 2018, Customers Bank had an outstanding commitment to a related party to provide a letter of credit in the amount of $0.5 million.

Some current directors, nominees for director and executive officers of Customers and entities or organizations in which they were executive officers or the equivalent or owners of more than 10% of the equity, were customers of and had transactions with or involving Customers in the ordinary course of business during the fiscal year ended December 31, 2019. None of these transactions involved amounts in excess of 5% of Customers' gross revenues during 2019, nor was Customers indebted to any of the foregoing persons or entities in an aggregate amount in excess of 5% of Customers' total assets at December 31, 2019. Additional transactions with such persons and entities may be expected to take place in the ordinary course of business in the future.

At December 31, 2019 and 2018, Customers had approximately $9.8 million and $15.3 million, respectively, in deposits from related parties, including directors and certain executive officers.

NOTE 17 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

As of December 31, 2019 and 2018, the following off-balance sheet commitments, financial instruments and other arrangements were outstanding:

(amounts in thousands)	December 31, 2019	2018
Commitments to fund loans and leases	$ 261,902	$ 345,608
Unfunded commitments to fund mortgage warehouse loans	1,378,364	1,537,900
Unfunded commitments under lines of credit and credit cards	1,065,474	867,131
Letters of credit	48,856	55,659
Other unused commitments	2,736	4,822

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

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

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

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Letters of credit may obligate the Bank to fund draws under those letters of credit whether or not a customer continues to meet the conditions of the extension of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan and lease facilities to customers. The current amount of liabilities as of December 31, 2019 and 2018 for guarantees under standby letters of credit issued was not material.

NOTE 18 – REGULATORY CAPITAL

The Bank and the Bancorp are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can result in certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on Customers' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and Bancorp must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Bancorp to maintain minimum amounts and ratios (set forth in the following table) of common equity Tier 1, Tier 1, and total capital to risk-weighted assets, and Tier 1 capital to average assets (as defined in the regulations). At December 31, 2019 and 2018, the Bank and the Bancorp satisfied all capital requirements to which they were subject.

Generally, to comply with the regulatory definition of adequately capitalized, or well capitalized, respectively, or to comply with the Basel III capital requirements, an institution must at least maintain the common equity Tier 1, Tier 1 and total risk-based capital ratios and the Tier 1 leverage ratio in excess of the related minimum ratios set forth in the following table:

			Minimum Capital Levels to be Classified as:					
	Actual		Adequately Capitalized		Well Capitalized		Basel III Compliant	
(amounts in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019								
Common equity Tier 1 (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 821,810	7.984 %	$ 463,211	4.500 %	N/A	N/A	$ 720,551	7.000 %
Customers Bank	$ 1,164,652	11.323 %	$ 462,842	4.500 %	$ 668,549	6.500 %	$ 719,976	7.000 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,039,281	10.096 %	$ 617,615	6.000 %	N/A	N/A	$ 874,955	8.500 %
Customers Bank	$ 1,164,652	11.323 %	$ 617,122	6.000 %	$ 822,829	8.000 %	$ 874,256	8.500 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,256,309	12.205 %	$ 823,487	8.000 %	N/A	N/A	$ 1,080,827	10.500 %
Customers Bank	$ 1,330,155	12.933 %	$ 822,829	8.000 %	$ 1,028,537	10.000 %	$ 1,079,964	10.500 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 1,039,281	9.258 %	$ 449,026	4.000 %	N/A	N/A	$ 449,026	4.000 %
Customers Bank	$ 1,164,652	10.379 %	$ 448,851	4.000 %	$ 561,064	5.000 %	$ 448,851	4.000 %
December 31, 2018								
Common equity Tier 1 (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 745,795	8.964 %	$ 374,388	4.500 %	N/A	N/A	$ 530,384	6.375 %
Customers Bank	$ 1,066,121	12.822 %	$ 374,160	4.500 %	$ 540,453	6.500 %	$ 530,059	6.375 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 963,266	11.578 %	$ 499,185	6.000 %	N/A	N/A	$ 655,180	7.875 %
Customers Bank	$ 1,066,121	12.822 %	$ 498,879	6.000 %	$ 665,173	8.000 %	$ 654,779	7.875 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,081,962	13.005 %	$ 655,580	8.000 %	N/A	N/A	$ 821,575	9.875 %
Customers Bank	$ 1,215,522	14.619 %	$ 665,173	8.000 %	$ 831,466	10.000 %	$ 821,072	9.875 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 963,266	9.665 %	$ 398,668	4.000 %	N/A	N/A	$ 398,668	4.000 %
Customers Bank	$ 1,066,121	10.699 %	$ 398,570	4.000 %	$ 498,212	5.000 %	$ 398,570	4.000 %

The Basel III risk-based capital rules adopted effective January 1, 2015, require that banks and holding companies maintain a "capital conservation buffer" of 250 basis points in excess of the "minimum capital ratio" or certain elective distributions would be limited. The minimum capital ratio is equal to the prompt corrective action adequately capitalized threshold ratio. The capital conservation buffer was phased in over four years beginning on January 1, 2016, with a maximum buffer of 0.625% of risk-weighted assets for 2016, 1.250% for 2017, 1.875% for 2018, and 2.500% for 2019 and thereafter.

Effective January 1, 2019, the capital level required to avoid limitation on elective distributions applicable to the Bancorp and the Bank were as follows:

(i) a common equity Tier 1 risk-based capital ratio of 7.000%;

(ii) a Tier 1 risk-based capital ratio of 8.500% and

(iii) a Total risk-based capital ratio of 10.500%.

Failure to maintain the required capital conservation buffer will result in limitations on elective distributions, including capital distributions and discretionary bonuses to executive officers.

NOTE 19 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Customers uses fair value measurements to record fair value adjustments to certain assets and liabilities and to disclose the fair value of its financial instruments. ASC Topic 825, *Financial Instruments*, requires disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For Customers, as for most financial institutions, the majority of its assets and liabilities are considered to be financial instruments. Many of these instruments lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. For fair value disclosure purposes, Customers utilized certain fair value measurement criteria under ASC 820, *Fair Value Measurements and Disclosures*, as explained below.

In accordance with ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for Customers' various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, focusing on an exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The fair value guidance also establishes a fair value hierarchy and describes the following three levels used to classify fair value measurements:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair values of Customers' financial instruments as of December 31, 2019 and 2018:

Financial Instruments Recorded at Fair Value on a Recurring Basis

Investment securities:

The fair values of equity securities, available for sale debt securities and debt securities reported at fair value based on a fair value option election are determined by obtaining quoted market prices on nationally recognized and foreign securities exchanges (Level 1), quoted prices in markets that are not active (Level 2), and matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices, or internally and externally developed models that use unobservable inputs due to limited or no market activity of the instrument (Level 3). These assets are classified as Level 1, 2 or 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans held for sale - Residential mortgage loans (fair value option):

Customers generally estimates the fair values of residential mortgage loans held for sale based on commitments on hand from investors within the secondary market for loans with similar characteristics. These assets are classified as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans receivable - Commercial mortgage warehouse loans (fair value option):

The fair value of commercial mortgage warehouse loans is the amount of cash initially advanced to fund the mortgage, plus accrued interest and fees, as specified in the respective agreements. The loan is used by mortgage companies as short-term bridge financing between the funding of mortgage loans and the finalization of the sale of the loans to an investor. Changes in fair value are not generally expected to be recognized because at inception of the transaction the underlying mortgage loans have already been sold to an approved investor. Additionally, the interest rate is variable, and the transaction is short-term, with an average life of under 30 days from purchase to sale. These assets are classified as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Derivatives (assets and liabilities):

The fair values of interest rate swaps, interest rate caps and credit derivatives are determined using models that incorporate readily observable market data into a market standard methodology. This methodology nets the discounted future cash receipts and the discounted expected cash payments. The discounted variable cash receipts and payments are based on expectations of future interest rates derived from observable market interest rate curves. In addition, fair value is adjusted for the effect of nonperformance risk by incorporating credit valuation adjustments for Customers and its counterparties. These assets and liabilities are classified as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

The fair values of the residential mortgage loan commitments are derived from the estimated fair values that can be generated when the underlying mortgage loan is sold in the secondary market. Customers generally uses commitments on hand from third-party investors to estimate an exit price and adjusts for the probability of the commitment being exercised based on Customers' internal experience (i.e., pull-through rate). These assets and liabilities are classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Derivative assets and liabilities are presented in "Other assets" and "Accrued interest payable and other liabilities" on the consolidated balance sheet.

The following information should not be interpreted as an estimate of Customers' fair value in its entirety because fair value calculations are only provided for a limited portion of Customers' assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making these estimates, comparisons between Customers' disclosures and those of other companies may not be meaningful.

Financial Instruments Recorded at Fair Value on a Nonrecurring Basis

Impaired loans:

Impaired loans are those loans that are accounted for under ASC 310, *Receivables*, in which the Bank has measured impairment generally based on the fair value of the loan's collateral or discounted cash flow analysis. Fair value is generally determined based upon independent third-party appraisals of the properties that collateralize the loans or discounted cash flows based upon the expected proceeds. These assets are generally classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Other real estate owned:

The fair value of OREO is determined by using appraisals, which may be discounted based on management's review and changes in market conditions or sales agreements with third parties. All appraisals must be performed in accordance with the Uniform Standards of Professional Appraisal Practice. Appraisals are certified to the Bank and performed by appraisers on the Bank's approved list of appraisers. Evaluations are completed by a person independent of management. The content of the appraisal depends on the complexity of the property. Appraisals are completed on a "retail value" and an "as is value". These assets are classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

The estimated fair values of Customers' financial instruments at December 31, 2019 and 2018 were as follows:

			Fair Value Measurements at December 31, 2019		
(amounts in thousands)	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 212,505	$ 212,505	$ 212,505	$ —	$ —
Debt securities, available for sale	577,198	577,198	—	577,198	—
Interest-only GNMA securities	16,272	16,272	—	—	16,272
Equity securities	2,406	2,406	2,406	—	—
Loans held for sale	486,328	486,328	—	2,130	484,198
Total loans and leases receivable, net of allowance for loan and lease losses	9,508,367	9,853,037	—	2,245,758	7,607,279
FHLB, Federal Reserve Bank and other restricted stock	84,214	84,214	—	84,214	—
Derivatives	23,608	23,608	—	23,529	79
Liabilities:					
Deposits	$ 8,648,936	$ 8,652,340	$ 6,980,402	$ 1,671,938	$ —
Federal funds purchased	538,000	538,000	538,000	—	—
FHLB advances	850,000	852,162	—	852,162	—
Other borrowings	123,630	127,603	—	127,603	—
Subordinated debt	181,115	192,217	—	192,217	—
Derivatives	45,939	45,939	—	45,939	—

(amounts in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurements at December 31, 2018 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	$ 62,135	$ 62,135	$ 62,135	$ —	$ —
Debt securities, available for sale	663,294	663,294	—	663,294	—
Equity securities	1,718	1,718	1,718	—	—
Loans held for sale	1,507	1,507	—	1,507	—
Total loans and leases receivable, net of allowance for loan and lease losses	8,503,522	8,481,128	—	1,405,420	7,075,708
FHLB, Federal Reserve Bank, and other restricted stock	89,685	89,685	—	89,685	—
Derivatives	14,693	14,693	—	14,624	69
Liabilities:					
Deposits	$ 7,142,236	$ 7,136,009	$ 5,408,055	$ 1,727,954	$ —
Federal funds purchased	187,000	187,000	187,000	—	—
FHLB advances	1,248,070	1,248,046	998,070	249,976	—
Other borrowings	123,871	121,718	—	121,718	—
Subordinated debt	108,977	110,550	—	110,550	—
Derivatives	16,286	16,286	—	16,286	—

For financial assets and liabilities measured at fair value on a recurring and non-recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2019 and 2018 were as follows:

	December 31, 2019			
	Fair Value Measurements at the End of the Reporting Period Using			
(amounts in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Measured at Fair Value on a Recurring Basis:				
Assets				
Available for sale securities:				
Agency-guaranteed residential mortgage-backed securities	$ —	$ 278,321	$ —	$ 278,321
Corporate notes	—	298,877	—	298,877
Interest-only GNMA securities	—	—	16,272	16,272
Equity securities	2,406	—	—	2,406
Derivatives	—	23,529	79	23,608
Loans held for sale – fair value option	—	2,130	—	2,130
Loans receivable, mortgage warehouse – fair value option	—	2,245,758	—	2,245,758
Total assets – recurring fair value measurements	$ 2,406	$ 2,848,615	$ 16,351	$ 2,867,372
Liabilities				
Derivatives	$ —	$ 45,939	$ —	$ 45,939
Measured at Fair Value on a Nonrecurring Basis:				
Assets				
Impaired loans, net of specific reserves of $852	$ —	$ —	$ 14,272	$ 14,272
Other real estate owned	—	—	78	78
Total assets – nonrecurring fair value measurements	$ —	$ —	$ 14,350	$ 14,350

(amounts in thousands)	December 31, 2018			
	Fair Value Measurements at the End of the Reporting Period Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Measured at Fair Value on a Recurring Basis:				
Assets				
Available for sale securities:				
Agency-guaranteed residential mortgage-backed securities	$ —	$ 305,374	$ —	$ 305,374
Corporate notes	—	357,920	—	357,920
Equity securities	1,718	—	—	1,718
Derivatives	—	14,624	69	14,693
Loans held for sale – fair value option	—	1,507	—	1,507
Loans receivable, mortgage warehouse – fair value option	—	1,405,420	—	1,405,420
Total assets - recurring fair value measurements	$ 1,718	$ 2,084,845	$ 69	$ 2,086,632
Liabilities				
Derivatives	$ —	$ 16,286	$ —	$ 16,286
Measured at Fair Value on a Nonrecurring Basis:				
Assets				
Impaired loans, net of specific reserves of $845	$ —	$ —	$ 10,876	$ 10,876
Other real estate owned	—	—	621	621
Total assets – nonrecurring fair value measurements	$ —	$ —	$ 11,497	$ 11,497

The changes in residential mortgage loan commitments (Level 3 assets) measured at fair value on a recurring basis for the years ended December 31, 2019 and 2018 are summarized as follows in the tables below. Additional information about residential mortgage loan commitments can be found in NOTE 20 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES.

(amounts in thousands)	Residential Mortgage Loan Commitments	
	For the Years Ended December 31,	
	2019	2018
Balance at December 31,	$ 69	$ 60
Issuances	451	407
Settlements	(441)	(398)
Balance at December 31,	$ 79	$ 69

There were no transfers between levels during the years ended December 31, 2019 and 2018.

The following table summarizes financial assets and financial liabilities measured at fair value as of December 31, 2019 and 2018 on a recurring and nonrecurring basis for which Customers utilized Level 3 inputs to measure fair value. The unobservable Level 3 inputs noted below contain a level of uncertainty that may differ from what is realized in an immediate settlement of the assets. Therefore, Customers may realize a value higher or lower than the current estimated fair value of the assets. The interest-only GNMA securities are Level 3 assets measured at fair value on a recurring basis under a fair value option election. For the year ended December 31, 2019, Customers recorded an increase in fair value of $0.6 million on the interest-only GNMA securities in unrealized gains on investment securities in the consolidated statements of operations. For the year ended December 31, 2019, cash settlements of $1.5 million were applied to the carrying value of the interest-only GNMA securities, net of premium amortization expense. At December 31, 2019, Customers used an internally developed discounted cash flow model to value the interest-only GNMA securities. The significant unobservable input used in the discounted cash flow model included prepayment speed. Significant increases (decreases) in this input would result in a significantly lower (higher) fair value measurement.

	Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2019	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average) (4)
(dollars in thousands)				
		Collateral appraisal (1)	Liquidation expenses (2)	8% - 10% (8%)
Impaired loans – real estate	$ 12,767	Business asset valuation (3)	Business asset valuation adjustments (4)	34% - 45% (37%)
		Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Impaired loans – commercial & industrial	1,505	Business asset valuation (3)	Business asset valuation adjustments (4)	8% - 50% (22%)
Interest-only GNMA securities	16,272	Discounted cash flow	Constant prepayment rate	9% - 14% (12%)
Other real estate owned	78	Collateral appraisal (1)	Liquidation expenses (2)	8% - 9% (9%)
Residential mortgage loan commitments	79	Adjusted market bid	Pull-through rate	85% - 85% (85%)

(1) Obtained from approved independent appraisers. Appraisals are current and in compliance with credit policy. Customers does not generally discount appraisals.

(2) Appraisals are adjusted by management for liquidation expenses. The range and weighted average of liquidation expense adjustments are presented as a percentage of the appraisal.

(3) Business asset valuation obtained from independent party.

(4) Business asset valuations may be adjusted by management for qualitative factors including economic conditions and the condition of the business assets. The range and weighted average of the business asset adjustments are presented as a percent of the business asset valuation.

	Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2018	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average) (4)
(dollars in thousands)				
Impaired loans – real estate	$ 10,260	Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Impaired loans – commercial & industrial	616	Business asset valuation (3)	Business asset valuation adjustments (4)	8% - 50% (26%)
Other real estate owned	621	Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Residential mortgage loan commitments	69	Adjusted market bid	Pull-through rate	90% - 90% (90%)

(1) Obtained from approved independent appraisers. Appraisals are current and in compliance with credit policy. Customers does not generally discount appraisals.

(2) Appraisals are adjusted by management for liquidation expenses. The range and weighted average of liquidation expense adjustments are presented as a percentage of the appraisal.

(3) Business asset valuation obtained from independent party.

(4) Business asset valuations may be adjusted by management for qualitative factors including economic conditions and the condition of the business assets. The range and weighted average of the business asset adjustments are presented as a percent of the business asset valuation.

NOTE 20 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objectives of Using Derivatives

Customers is exposed to certain risks arising from both its business operations and economic conditions. Customers manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and durations of its assets and liabilities. Specifically, Customers enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the values of which are determined by interest rates. Customers' derivative financial instruments are used to manage differences in the amount, timing and duration of Customers' known or expected cash receipts and its known or expected cash payments principally related to certain borrowings and deposits. Customers also has interest-rate derivatives resulting from a service provided to certain qualifying customers, and therefore, they are not used to manage Customers' interest-rate risk in assets or liabilities. Customers manages a matched book with respect to its derivative instruments used in this customer service in order to minimize its net risk exposure resulting from such transactions.

Cash Flow Hedges of Interest-Rate Risk

Customers' objectives in using interest-rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, Customers primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for Customers making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The changes in the fair value of derivatives designated and qualifying as cash flow hedges are recorded in accumulated other comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged item affects earnings. To date, such derivatives were used to hedge the variable cash flows associated with the forecasted issuances of debt and a certain variable-rate deposit relationship.

Customers discontinues cash flow hedge accounting if it is probable the forecasted hedged transactions will not occur in the initially identified time period. At such time, the associated gains and losses deferred in accumulated other comprehensive income (loss) are reclassified immediately into earnings and any subsequent changes in the fair value of such derivatives are recognized directly in earnings.

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on Customers' variable-rate debt and a variable-rate deposit relationship. Customers expects to reclassify $6.2 million of losses from accumulated other comprehensive income (loss) to interest expense during the next 12 months.

Customers is hedging its exposure to the variability in future cash flows for forecasted transactions (3-month FHLB advances) and a variable rate deposit relationship over a maximum period of 54 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments).

At December 31, 2019, Customers had four outstanding interest rate derivatives with notional amounts totaling $725.0 million that were designated as cash flow hedges of interest-rate risk. At December 31, 2018, Customers had six outstanding interest rate derivatives with notional amounts totaling $750.0 million that were designated as cash flow hedges of interest-rate risk. The outstanding cash flow hedges expire between June 2021 and July 2024.

Derivatives Not Designated as Hedging Instruments

Customers executes interest rate swaps (typically the loan customers will swap a floating-rate loan for a fixed-rate loan) and interest rate caps with commercial banking customers to facilitate their respective risk management strategies. The customer interest rate swaps and interest rate caps are simultaneously offset by interest rate swaps and interest rate caps that Customers executes with a third party in order to minimize interest-rate risk exposure resulting from such transactions. As the interest rate swaps and interest rate caps associated with this program do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and caps and the offsetting third-party market swaps and caps are recognized directly in earnings. At December 31, 2019, Customers had 140 interest rate swaps with an aggregate notional amount of $1.4 billion and four interest rate caps with an aggregate notional amount of $78.6 million related to this program. At December 31, 2018, Customers had 98 interest rate swaps with an aggregate notional amount of $1.0 billion related to this program. At December 31, 2018, there were no interest rate caps related to this program.

Customers enters into residential mortgage loan commitments in connection with its consumer mortgage banking activities to fund mortgage loans at specified rates and times in the future. These commitments are short-term in nature and generally expire in 30 to 60 days. The residential mortgage loan commitments that relate to the origination of mortgage loans that will be held for sale are considered derivative instruments under applicable accounting guidance and are reported at fair value, with changes in fair value recorded directly in earnings. At December 31, 2019 and 2018, Customers had an outstanding notional balance of residential mortgage loan commitments of $4.5 million and $3.6 million, respectively.

Customers has also purchased and sold credit derivatives to either hedge or participate in the performance risk associated with some of its counterparties. These derivatives are not designated as hedging instruments and are reported at fair value, with changes in fair value reported directly in earnings. At December 31, 2019 and 2018, Customers had outstanding notional balances of credit derivatives of $167.1 million and $94.9 million, respectively.

Fair Value of Derivative Instruments on the Balance Sheet

The following table presents the fair value of Customers' derivative financial instruments as well as their presentation on the consolidated balance sheets at December 31, 2019 and 2018.

	December 31, 2019			
	Derivative Assets		Derivative Liabilities	
(amounts in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other assets	$ —	Other liabilities	$ 21,374
Total		$ —		$ 21,374
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	$ 23,301	Other liabilities	$ 24,797
Interest rate caps	Other assets	9	Other liabilities	9
Credit contracts	Other assets	219	Other liabilities	(241)
Residential mortgage loan commitments	Other assets	79	Other liabilities	—
Total		$ 23,608		$ 24,565

	December 31, 2018			
	Derivative Assets		Derivative Liabilities	
(amounts in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other assets	$ 256	Other liabilities	$ 1,502
Total		$ 256		$ 1,502
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other assets	$ 14,300	Other liabilities	$ 14,730
Credit contracts	Other assets	68	Other liabilities	54
Residential mortgage loan commitments	Other assets	69	Other liabilities	—
Total		$ 14,437		$ 14,784

Effect of Derivative Instruments on Net Income

The following table presents amounts included in the consolidated statements of income related to derivatives not designated as hedges for the years ended December 31, 2019, 2018 and 2017.

(amounts in thousands)	Income Statement Location	Amount of Income Recognized in Earnings For the Years Ended December 31, 2019	2018	2017
Derivatives not designated as hedging instruments:				
Interest rate swaps [1]	Other non-interest income	$ 2,549	$ 3,409	$ 604
Interest rate caps	Other non-interest income	24	—	—
Credit contracts	Other non-interest income	589	127	171
Residential mortgage loan commitments	Mortgage banking income	10	9	15
Total		$ 3,172	$ 3,545	$ 790

(1) Includes income recognized from discontinued cash flow hedges for the year ended December 31, 2018.

Effect of Derivative Instruments on Comprehensive Income

The following table presents the effect of Customers' derivative financial instruments on comprehensive income for the years ended December 31, 2019, 2018 and 2017.

	For the Year Ended December 31,						
	Amount of Gain (Loss) Recognized in OCI on Derivatives [1]			Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income		
(amounts in thousands)	2019	2018	2017		2019	2018	2017
Derivatives in cash flow hedging relationships:							
Interest rate swaps	$ (15,656)	$ 1,477	$ 406	Interest expense	$ (1,407)	$ 95	$ (2,634)
				Other non-interest income [2]	—	2,822	—
					$ (1,407)	$ 2,917	$ (2,634)

(1) Amounts presented are net of taxes. See Note 4 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) for the total effect on other comprehensive income (loss) from derivatives designated as cash flow hedges for the periods presented.
(2) Includes income recognized from discontinued cash flow hedges.

Credit-risk-related Contingent Features

By entering into derivative contracts, Customers is exposed to credit risk. The credit risk associated with derivatives executed with customers is the same as that involved in extending the related loans and is subject to the same standard credit policies. To mitigate the credit-risk exposure to major derivative dealer counterparties, Customers only enters into agreements with those counterparties that maintain credit ratings of high quality.

Agreements with major derivative dealer counterparties contain provisions whereby default on any of Customers' indebtedness would be considered a default on its derivative obligations. Customers also has entered into agreements that contain provisions under which the counterparty could require Customers to settle its obligations if Customers fails to maintain its status as a well/adequately capitalized institution. As of December 31, 2019, the fair value of derivatives in a net liability position (which includes accrued interest but excludes any adjustment for nonperformance-risk) related to these agreements was $46.4 million. In addition, Customers, which has collateral posting thresholds with certain of these counterparties and at December 31, 2019 had posted $45.7 million of cash as collateral. Customers records cash posted as collateral as a reduction in the outstanding balance of cash and cash equivalents and an increase in the balance of other assets.

Disclosures about Offsetting Assets and Liabilities

The following tables present derivative instruments that are subject to enforceable master netting arrangements. Customers' interest rate swaps and interest rate caps with institutional counterparties are subject to master netting arrangements and are included in the table below. Interest rate swaps and interest rate caps with commercial banking customers and residential mortgage loan commitments are not subject to master netting arrangements and are excluded from the table below. Customers has not made a policy election to offset its derivative positions.

		Gross Amounts Not Offset in the Consolidated Balance Sheet		
(amounts in thousands)	Gross Amounts Recognized on the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received/(Posted)	Net Amount
December 31, 2019				
Interest rate derivative assets with institutional counterparties	$ 432	$ —	$ —	$ 432
Interest rate derivative liabilities with institutional counterparties	$ 45,727	$ —	$ (45,727)	$ —

		Gross Amounts Not Offset in the Consolidated Balance Sheet		
(amounts in thousands)	Gross Amounts Recognized on the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received/(Posted)	Net Amount
December 31, 2018				
Interest rate derivative assets with institutional counterparties	$ 7,529	$ —	$ 1,860	$ 5,669
Interest rate derivative liabilities with institutional counterparties	$ 9,077	$ —	$ (702)	$ 8,375

NOTE 21 — LOSS CONTINGENCIES

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the consolidated financial statements that are not currently accrued for. However, in light of the uncertainties inherent in these matters, it is possible that the ultimate resolution may have a material adverse effect on Customers' results of operations for a particular period, and future changes in circumstances or additional information could result in accruals or resolution in excess of established accruals, which could adversely affect Customers' results of operations, potentially materially.

Halbreiner Matter

On December 16, 2016, Elizabeth Halbreiner and Robert Halbreiner ("Plaintiffs") filed a Second Amended Complaint captioned *Elizabeth Halbreiner and Robert Halbreiner, v. Customers Bank, Robert B.White, Richard A. Ehst, Thomas Jastrem, Timothy D. Romig, Andrew Bowman, Michael Fuoco, Saldutti Law Group f/k/a Saldutti, LLC a/k/a Saldutti Law, LLC, Robert L. Saldutti, LLC, Robert L. Saldutti, Esquire, Brian J. Schaffer, Esquire, Robert Lieber, Jr., Esquire, Jay Sidhu, James Zardecki, Zardecki Associates LLC, No. 01419 in the First Judicial District of Pennsylvania, Court of Common Pleas of Philadelphia, Trial Division*. In this Second Amended Complaint, the Plaintiffs generally alleged that Customers Bank, and the other named defendants, conspired to misuse the legal system for improper purposes and it also alleged defamation, false light, tortious interference with contractual relations, infliction of emotional distress, negligent infliction of emotional distress and loss of consortium**.** On January 6, 2017, Customers Bank filed Preliminary Objections to the Complaint seeking dismissal of the Plaintiffs' claims against Customers Bank and the employees of Customers Bank named as co-defendants. On April 6, 2017, the Court dismissed certain counts and determined to allow certain other counts to proceed. On December 12, 2019, Customers and the Plaintiffs entered into an agreement to settle the matter for $1.0 million and Customers paid the settlement amount, which had been accrued for in third quarter 2019. On December 17, 2019 the Plaintiffs filed an Order to Mark the Action Settled, Discontinued and Ended.

Lifestyle Healthcare Group, Inc. Matter

On January 9, 2017, Lifestyle Healthcare Group, Inc., et al ("Plaintiffs") filed a Complaint captioned *Lifestyle Healthcare Group, Inc.; Fred Rappaport; Victoria Rappaport; Lifestyle Management Group, LLC Trading as Lifestyle Real Estate I, LP; Lifestyle Real Estate I GP, LLC; Daniel Muck; Lifestyle Management Group, LLC; Lifestyle Management Group, LLC Trading as Lifestyle I, LP D/B/A Lifestyle Medspa, Plaintiffs v. Customers Bank, Robert White; Saldutti Law, LLC a/k/a Saldutti Law Group; Robert L. Saldutti, Esquire; and Michael Fuoco, Civil Action No. 01206, in the First Judicial District of Pennsylvania, Court of Common Pleas of Philadelphia*. In this Complaint, which is related to the Halbreiner Matter described above, the Plaintiffs generally allege wrongful use of civil proceedings and abuse of process in connection with a case filed and later dismissed in federal court, titled, *Customers Bank v. Fred Rappaport, et al., U.S.D.C.E.D. Pa., No. 15-6145.* On January 30, 2017, Customers Bank filed Preliminary Objections to the Complaint seeking dismissal of Plaintiffs' claims against Customers Bank and Robert White, named as co-defendants. In response to the Preliminary Objections, Lifestyle filed an Amended Complaint against Customers Bank and Robert White. Customers Bank has filed Preliminary Objections to the Second Amended Complaint seeking dismissal of Plaintiffs' claim against Customers Bank and Robert White, named as co-defendants. The Court has dismissed certain counts and determined to allow certain other counts to proceed. Customers Bank intends to vigorously defend itself against these allegations but is currently unable to reasonably determine the likelihood of loss nor estimate a range of possible loss.

United States Department of Education Matter

In third quarter 2018, Customers received a FPRD letter dated September 5, 2018 from the DOE regarding a focused program review of Higher One's/Customers Bank's administration, as a third party servicer, of the programs authorized pursuant to Title IV of the Higher Education Act of 1965. The DOE program review covered the award years beginning in 2013 through the FPRD issuance date, including the time period when Higher One was acting as the third party servicer prior to Customers' acquisition of the Disbursement business on June 15, 2016. The FPRD determined that, with respect to students enrolled at specified partner institutions, Higher One/Customers did not provide convenient fee-free access to ATMs or bank branch offices in such locations as required by the DOE's cash management regulations. Those regulations, which were in effect during the period covered by the program review and were revised during that period, seek, among other purposes, to ensure that students can make fee-free cash withdrawals. The FPRD determined that students incurred prohibited costs in accessing Title IV credit balance funds, and the FPRD classifies those costs as financial liabilities of Customers. The FPRD also requires Customers to take prospective action to increase ATM access for students at certain of its partner institutions. Customers disagrees with the FPRD and has elected to appeal the FPRD, including the asserted financial liabilities of $6.5 million, and a request for review has been submitted to trigger an administrative process before the DOE's Office of Hearing and Appeals. Customers intends to vigorously defend itself against the financial liabilities established in the FPRD through that administrative appeals process and it further intends to pursue resolution of the FPRD's prospective action requirements during the appeals resolution process. Based on preliminary discussions with the DOE and further analysis performed by Customers and certain partner institutions, Customers has estimated the range of possible loss to be

$1.0 million to $3.0 million as of December 31, 2019. Customers recorded a liability in the amount of $1.0 million during third quarter 2019, as no amount within the range is more likely than any other amount in the range.

Bureau of the Fiscal Service Notice of Direct Debit (U.S. Treasury Check Reclamation)

On June 21, 2019, Customers received a Notice of Direct Debit (U.S. Treasury Check Reclamation) from the Bureau of the Fiscal Service (“Reclamation Notice”). The Reclamation Notice represents a demand to Customers for the return of funds on a U.S. Treasury check for approximately $5.4 million. Customers filed a written protest pursuant to Code of Federal Regulations, Title 31, Chapter II, Part 240, which resulted in a suspension of the direct debit by the Bureau of the Fiscal Service. On January 31, 2020, Customers received an Abandonment Notice from the Bureau of Fiscal Service instructing Customers to disregard the Notice of Direct Debit as the Bureau of Fiscal Service would not be seeking reclamation of these funds.

NOTE 22 – CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

The following tables present the condensed financial statements for Customers Bancorp, Inc. (parent company only) as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017.

Balance Sheets

	December 31,	
(amounts in thousands)	2019	2018
Assets		
Cash in subsidiary bank	$ 62,643	$ 16,684
Investments in and receivables due from bank subsidiary	1,178,166	1,059,671
Investments in and receivables due from non-bank subsidiaries	2,406	1,718
Other assets	6,583	3,417
Total assets	$ 1,249,798	$ 1,081,490
Liabilities and Shareholders' equity		
Borrowings	$ 195,670	$ 123,871
Other liabilities	1,333	803
Total liabilities	197,003	124,674
Shareholders' equity	1,052,795	956,816
Total Liabilities and Shareholders' Equity	$ 1,249,798	$ 1,081,490

Income and Comprehensive Income Statements

	For the Years Ended December 31,		
(amounts in thousands)	2019	2018	2017
Operating income:			
Other, including dividends from bank subsidiary	$ 70,000	$ 45,422	$ 38,200
Total operating income	70,000	45,422	38,200
Operating expense:			
Interest	5,425	8,178	7,984
Other	744	1,722	1,742
Total operating expense	6,169	9,900	9,726
Income before taxes and undistributed income of subsidiaries	63,831	35,522	28,474
Income tax benefit	1,391	2,335	3,620
Income before undistributed income of subsidiaries	65,222	37,857	32,094
Equity in undistributed income of subsidiaries	14,105	33,838	46,743
Net income	79,327	71,695	78,837
Preferred stock dividends	14,459	14,459	14,459
Net income available to common shareholders	64,868	57,236	64,378
Comprehensive income	$ 100,740	$ 50,730	$ 83,370

One of the principal sources of the Bancorp's liquidity is the dividends it receives from the Bank, which may be impacted by the following: bank-level capital needs, laws and regulations, corporate policies, contractual restrictions and other factors. There are statutory and regulatory limitations on the ability of the Bank to pay dividends or make other capital distributions or to extend credit to the Bancorp or its non-bank subsidiaries.

Statements of Cash Flows

(amounts in thousands)	For the Years Ended December 31, 2019	2018	2017
Cash Flows from Operating Activities			
Net income	$ 79,327	$ 71,695	$ 78,837
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in undistributed earnings of subsidiaries, net of dividends received from Bank	(14,105)	(33,838)	(46,743)
(Increase) decrease in other assets	(3,166)	(256)	7,624
Increase (decrease) in other liabilities	1,775	(251)	(1,322)
Net Cash Provided By (Used in) Operating Activities	63,831	37,350	38,396
Cash Flows from Investing Activities			
Payments for investments in and advances to subsidiaries	(74,767)	(29)	(98,725)
Net Cash Used in Investing Activities	(74,767)	(29)	(98,725)
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	2,150	3,585	2,716
Proceeds from issuance of subordinated long-term debt	72,030	—	—
Proceed from issuance of other long-term borrowings	24,477	—	98,564
Repayments of other borrowings	(25,000)	(63,250)	—
Exercise and redemption of warrants	—	112	1,059
Purchase of treasury stock	(571)	(12,976)	—
Payments of employee taxes withheld from share-based awards	(1,732)	(880)	(14,761)
Preferred stock dividends paid	(14,459)	(14,459)	(14,459)
Net Cash Provided by (Used in) Financing Activities	56,895	(87,868)	73,119
Net Increase (Decrease) in Cash and Cash Equivalents	45,959	(50,547)	12,790
Cash and Cash Equivalents - Beginning	16,684	67,231	54,441
Cash and Cash Equivalents - Ending	$ 62,643	$ 16,684	$ 67,231

NOTE 23 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly data for the years ended December 31, 2019 and 2018.

	2019			
Quarter Ended	December 31	September 30	June 30	March 31
(amounts in thousands, except per share data)				
Interest income	$ 123,995	$ 126,718	$ 111,950	$ 101,075
Interest expense	46,402	50,983	47,271	41,771
Net interest income	77,593	75,735	64,679	59,304
Provision for loan and lease losses	9,689	4,426	5,346	4,767
Non-interest income (1)	25,813	23,369	12,036	19,718
Non-interest expenses	58,740	59,592	59,582	53,984
Income before income taxes	34,977	35,086	11,787	20,271
Provision for income taxes	7,451	8,020	2,491	4,831
Net income	27,526	27,066	9,296	15,440
Preferred stock dividends	3,615	3,615	3,615	3,615
Net income available to common shareholders	$ 23,911	$ 23,451	$ 5,681	$ 11,825
Earnings per common share:				
Basic earnings per common share	$ 0.76	$ 0.75	$ 0.18	$ 0.38
Diluted earnings per common share	$ 0.75	$ 0.74	$ 0.18	$ 0.38

(1) The quarter ended June 30, 2019 included a $7.5 million loss due to a shortfall in the fair value of interest-only GNMA securities acquired from a commercial mortgage warehouse customer.

Quarter Ended	2018			
	December 31	September 30	June 30	March 31
(amounts in thousands, except per share data)				
Interest income	$ 103,303	$ 110,045	$ 107,639	$ 96,964
Interest expense	41,779	46,044	40,317	31,933
Net interest income	61,524	64,001	67,322	65,031
Provision for loan and lease losses	1,385	2,924	(784)	2,117
Non-interest income (2)	19,877	2,084	16,127	20,910
Non-interest expenses	57,045	57,104	53,750	52,280
Income before income taxes	22,971	6,057	30,483	31,544
Provision for income taxes	5,109	28	6,820	7,402
Net income	17,862	6,029	23,663	24,142
Preferred stock dividends	3,615	3,615	3,615	3,615
Net income available to common shareholders	$ 14,247	$ 2,414	$ 20,048	$ 20,527
Earnings per common share:				
Basic earnings per common share	$ 0.45	$ 0.08	$ 0.64	$ 0.65
Diluted earnings per common share	$ 0.44	$ 0.07	$ 0.62	$ 0.64

(2) The quarter ended September 30, 2018 included an $18.7 million loss on sale of investment securities.

NOTE 24 – BUSINESS SEGMENTS

Customers' segment financial reporting reflects the manner in which its chief operating decision makers allocate resources and assess performance. Management has determined that Customers' operations consist of two reportable segments - Customers Bank Business Banking and BankMobile. Each segment generates revenues, manages risk, and offers distinct products and services to targeted customers through different delivery channels. The strategy, marketing and analysis of these segments vary considerably.

The Customers Bank Business Banking segment is delivered predominately to commercial customers in Southeastern Pennsylvania, New York, New Jersey, Massachusetts, Rhode Island, New Hampshire, Washington, D.C., and Illinois through a single-point-of-contact business model and provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies. Lending and deposit gathering activities are focused primarily on privately held businesses, high-net-worth families, selected commercial real estate lending, commercial mortgage companies and equipment finance. Revenues are generated primarily through net interest income (the difference between interest earned on loans and leases, investments, and other interest earning assets and interest paid on deposits and other borrowed funds) and other non-interest income, such as mortgage warehouse transactional fees and BOLI.

The BankMobile segment provides state-of-the-art high-tech digital banking and disbursement services to consumers, students, and the "under banked" nationwide, along with "Banking as a Service" offerings with white label partners. BankMobile is a full-service fintech banking platform that is accessible to customers anywhere and anytime through the customer's smartphone or other web-enabled device. Revenues are currently being generated primarily through interest income on other consumer loans, interchange and card revenue, deposit and wire transfer fees and university fees. The majority of expenses for BankMobile are related to the segment's operation of the ongoing business acquired through the Disbursement business acquisition and costs associated with the development of white label products for its partner.

The following tables present the operating results for Customers' reportable business segments for the years ended December 31, 2019, 2018 and 2017. The segment financial results include directly attributable revenues and expenses. Consistent with the presentation of segment results to Customers' chief operating decision makers, overhead costs and preferred stock dividends are assigned to the Customers Bank Business Banking segment. The tax benefit assigned to BankMobile was based on an estimated effective tax rate of 22.55%, 24.56% and 37.67% for the years ended December 31, 2019, 2018 and 2017, respectively.

	For the Year Ended December 31, 2019		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Interest income (1)	$ 422,094	$ 41,645	$ 463,739
Interest expense	185,513	916	186,429
Net interest income	236,581	40,729	277,310
Provision for loan and lease losses	10,091	14,136	24,227
Non-interest income	35,268	45,670	80,938
Non-interest expense	153,333	78,568	231,901
Income (loss) before income tax expense (benefit)	108,425	(6,305)	102,120
Income tax expense (benefit)	24,215	(1,422)	22,793
Net income (loss)	84,210	(4,883)	79,327
Preferred stock dividends	14,459	—	14,459
Net income (loss) available to common shareholders	$ 69,751	$ (4,883)	$ 64,868
As of December 31, 2019			
Goodwill and other intangibles	$ 3,629	$ 11,566	$ 15,195
Total assets (2)	$ 10,990,550	$ 530,167	$ 11,520,717
Total deposits	$ 8,247,836	$ 401,100	$ 8,648,936
Total non-deposit liabilities (2)	$ 1,789,329	$ 29,657	$ 1,818,986

	For the Year Ended December 31, 2018		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Interest income (1)	$ 400,948	$ 17,003	$ 417,951
Interest expense	159,674	400	160,074
Net interest income	241,274	16,603	257,877
Provision for loan and lease losses	2,928	2,714	5,642
Non-interest income	17,499	41,499	58,998
Non-interest expense	146,946	73,233	220,179
Income (loss) before income tax expense (benefit)	108,899	(17,845)	91,054
Income tax expense (benefit)	23,742	(4,383)	19,359
Net income (loss)	85,157	(13,462)	71,695
Preferred stock dividends	14,459	—	14,459
Net income (loss) available to common shareholders	$ 70,698	$ (13,462)	$ 57,236
As of December 31, 2018			
Goodwill and other intangibles	$ 3,629	$ 12,870	$ 16,499
Total assets (2)	$ 9,688,146	$ 145,279	$ 9,833,425
Total deposits	$ 6,766,378	$ 375,858	$ 7,142,236
Total non-deposit liabilities (2)	$ 1,719,225	$ 15,148	$ 1,734,373

(1) Amounts reported include funds transfer pricing of $8.8 million and $15.7 million for the years ended December 31, 2019 and 2018, respectively, credited to BankMobile for the value provided to the Customers Bank Business Banking segment for the use of excess low/no-cost deposits.

(2) Amounts reported exclude inter-segment receivables/payables.

(amounts in thousands)	For the Year Ended December 31, 2017 Customers Bank Business Banking	BankMobile	Consolidated
Interest income (1)	$ 359,931	$ 12,919	$ 372,850
Interest expense	105,438	69	105,507
Net interest income	254,493	12,850	267,343
Provision for loan and lease losses	5,638	1,130	6,768
Non-interest income	24,788	54,122	78,910
Non-interest expense	128,604	87,002	215,606
Income (loss) before income tax expense (benefit)	145,039	(21,160)	123,879
Income tax expense (benefit)	53,013	(7,971)	45,042
Net income (loss)	92,026	(13,189)	78,837
Preferred stock dividends	14,459	—	14,459
Net income (loss) available to common shareholders	$ 77,567	$ (13,189)	$ 64,378
As of December 31, 2017			
Goodwill and other intangibles	$ 3,630	$ 12,665	$ 16,295
Total assets (2)	$ 9,769,996	$ 69,559	$ 9,839,555
Total deposits	$ 6,400,310	$ 399,832	$ 6,800,142
Total non-deposit liabilities (2)	$ 2,106,919	$ 11,530	$ 2,118,449

(1) Amounts reported include funds transfer pricing of $12.9 million for the year ended December 31, 2017, credited to BankMobile for the value provided to the Customers Bank Business Banking segment for the use of excess low/no-cost deposits.

(2) Amounts reported exclude inter-segment receivables/payables.

NOTE 25 - NON-INTEREST REVENUES

Customers' revenue from contracts with customers within the scope of ASC 606 is recognized within non-interest income.

The following tables present Customers' non-interest revenues affected by ASC 606 by business segment for the years ended December 31, 2019, 2018, and 2017:

(amounts in thousands)	For the Year Ended December 31, 2019 Customers Bank Business Banking	BankMobile	Consolidated
Revenue from contracts with customers:			
Revenue recognized at point in time:			
Interchange and card revenue	$ 781	$ 28,160	$ 28,941
Deposit fees	1,742	11,073	12,815
University fees - card and disbursement fees	—	1,008	1,008
Total revenue recognized at point in time	2,523	40,241	42,764
Revenue recognized over time:			
University fees - subscription revenue	—	3,956	3,956
Total revenue recognized over time	—	3,956	3,956
Total revenue from contracts with customers	$ 2,523	$ 44,197	$ 46,720

(amounts in thousands)	For the Year Ended December 31, 2018		
	Customers Bank Business Banking	BankMobile	Consolidated
Revenue from contracts with customers:			
Revenue recognized at point in time:			
Interchange and card revenue	$ 794	$ 29,901	$ 30,695
Deposit fees	1,277	6,547	7,824
University fees - card and disbursement fees	—	1,039	1,039
Total revenue recognized at point in time	2,071	37,487	39,558
Revenue recognized over time:			
University fees - subscription revenue	—	3,681	3,681
Total revenue recognized over time	—	3,681	3,681
Total revenue from contracts with customers	$ 2,071	$ 41,168	$ 43,239

(amounts in thousands)	For the Year Ended December 31, 2017		
	Customers Bank Business Banking	BankMobile	Consolidated
Revenue from contracts with customers:			
Revenue recognized at point in time:			
Interchange and card revenue	$ 782	$ 40,727	$ 41,509
Deposit fees	1,190	8,849	10,039
University fees - card and disbursement fees	—	1,141	1,141
Total revenue recognized at point in time	1,972	50,717	52,689
Revenue recognized over time:			
University fees - subscription revenue	—	3,272	3,272
Total revenue recognized over time	—	3,272	3,272
Total revenue from contracts with customers	$ 1,972	$ 53,989	$ 55,961

The following is a discussion of revenues within the scope of ASC 606:

Card revenue

Card revenue primarily relates to debit and prepaid card fees earned from interchange and ATM fees. Interchange fees are earned whenever Customers' issued debit and prepaid cards are processed through card payment networks. Interchange fees are recognized concurrent with the processing of the debit or prepaid card transaction.

Deposit fees

Deposit fees relate to service charges on deposit accounts for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as stop-payment charges, wire transfer fees, cashier and money order fees are recognized at the time the transaction is executed. Account maintenance fees, which relate primarily to monthly maintenance and account analysis fees, are earned on a monthly basis representing the period over which Customers satisfies its performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposit accounts are withdrawn from the depositor's account balance.

The revenues recognized at a point in time primarily consist of contracts with no specified terms, but which may be terminated at any time by the customer without penalty. Due to the transactional nature and indefinite term of these agreements, there were no related contract balances that were recorded for these revenue streams on Customers' consolidated balance sheets as of December 31, 2019 and 2018.

University fees

University fees represent revenues from higher education institutions and are generated from fees charged for the services provided. For higher education institution clients, Customers, through BankMobile, facilitates the distribution of financial aid and other refunds to students, while simultaneously enhancing the ability of the higher education institutions to comply with the federal regulations applicable to financial aid transactions. For these services, higher education institution clients are charged an annual subscription fee and/or per-transaction fee (e.g., new card, card replacement fees) for certain transactions. The annual subscription fee is recognized ratably over the period of service and the transaction fees are recognized when the transaction is completed. BankMobile also enters into long-term (generally three or five-year initial term) contracts with higher education institutions to provide these refund management disbursement services. Deferred revenue consists of amounts billed to or received from clients prior to the performance of services. The deferred revenues are earned over the service period on a straight-line basis.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Customers Bancorp is responsible for the integrity and objectivity of all information presented in this report. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles. Management believes that the consolidated financial statements of Customers Bancorp fairly reflect the form and substance of transactions and that the financial statements fairly represent Customers Bancorp's financial position and results of operations. Management has included in Customers Bancorp's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

Beginning with the 2019 consolidated financial statements, the independent registered public accounting firm of Deloitte & Touche LLP audits Customers Bancorp's consolidated financial statements in accordance with the standards of the PCAOB.

The Board of Directors of Customers Bancorp has an Audit Committee composed of three independent directors. The Audit Committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, internal control, auditing, corporate governance and financial reporting matters. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors and internal auditors have access to the Audit Committee.

Management of Customers Bancorp is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2019. The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Management's Evaluation of Disclosure Controls and Procedures. Customers Bancorp maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its periodic filings under the Exchange Act, including this Annual Report on Form 10-K, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to its management on a timely basis to allow decisions regarding required disclosure. Customers Bancorp carried out an evaluation, under the supervision and with the participation of Customers Bancorp's management, including Customers Bancorp's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Customers Bancorp's disclosure controls and procedures as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e) as of December 31, 2019. Based upon that evaluation, Customers Bancorp's management concluded that its disclosure controls and procedures are effective as of December 31, 2019.

Management's Annual Report on Internal Control over Financial Reporting. Under the supervision and with the participation of management, including Customers Bancorp's Chief Executive Officer and Chief Financial Officer, Customers Bancorp's management assessed the effectiveness of Customers Bancorp's internal control over financial reporting as of December 31, 2019. In making that assessment, management used the criteria set forth in the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, Customers Bancorp's management concluded that its internal control over financial reporting was effective as of December 31, 2019.

Management’s Responsibility for Financial Statements and its Report on Internal Control over Financial Reporting is included in Part II, Item 8, "Financial Statements and Supplementary Data," and is incorporated by reference herein. The Reports of Deloitte & Touche LLP, an independent registered public accounting firm, on the Consolidated Financial Statements, and Internal Control over Financial Reporting are included in Part II, Item 8, “Financial Statements and Supplementary Data,” and is incorporated by reference herein.

(b) Changes in Internal Control Over Financial Reporting. During the quarter ended December 31, 2019, there have been no changes in Customers Bancorp's internal control over financial reporting that have materially affected, or are reasonably likely to material affect, Customers Bancorp's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be included in the Proxy Statement for the 2020 Annual Meeting of Shareholders in the sections titled “Our Board of Directors and Management,” and “Board Governance,” and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be included in the Proxy Statement for the 2020 Annual Meeting of Shareholders in the sections titled “Director Compensation,” “Executive Officer Compensation,” and “Board Governance,” and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in the Proxy Statement for the 2020 Annual Meeting of Shareholders in the sections titled “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in the Proxy Statement for the 2020 Annual Meeting of Shareholders in the sections titled “Certain Relationships and Related Transactions” and “Board Governance” and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be included in the Proxy Statement for the 2020 Annual Meeting of Shareholders in the section titled “Proposal 2 — Ratification of Appointment of Independent Registered Public Accounting Firm,” and is incorporated herein by reference.

PART IV

Item 15 Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements - Consolidated financial statements are included under Item 8 of Part II of this Form 10-K.
2. Financial Statements Schedules - All financial statement schedules have been included in the consolidated financial statements or the related footnotes, or are either not applicable or not required.

(c) Exhibits

Exhibit No.	Description
2.1	Asset Purchase Agreement dated as of December 15, 2015 by and among Customers Bancorp, Customers Bank, Higher One, Inc. and Higher One Holdings, Inc., incorporated by reference to Exhibit 2.3 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
2.2	Purchase and Assumption Agreement dated as of March 7, 2017 among Flagship Community Bank, Customers Bank and Customers Bancorp, Inc., incorporated by reference to Exhibit 2.1 to the Customers Bancorp 8-K filed with the SEC on March 8, 2017
2.3	Amended and Restated Purchase and Assumption Agreement and Plan of Merger dated as of November 17, 2017 among Flagship Community Bank, BankMobile Technologies, Inc. Customers Bank and Customers Bancorp, Inc., incorporated by reference to Exhibit 2.1 to the Customers Bancorp 8-K filed with the SEC on November 20, 2017
2.4	Letter Agreement, dated as of August 7, 2018, by and between Flagship Bank, BankMobile Technologies, Inc., Customers Bank, and Customers Bancorp, Inc., incorporated by reference to Exhibit 3.8 to Customers Bancorp Inc.'s Form 10-Q filed with the SEC on August 9, 2018
3.1	Amended and Restated Articles of Incorporation of Customers Bancorp, incorporated by reference to Exhibit 3.1 to the Customers Bancorp's Form 8-K filed with the SEC on April 30, 2012
3.2	Amended and Restated Bylaws of Customers Bancorp, incorporated by reference to Exhibit 3.2 to the Customers Bancorp's Form 8-K filed with the SEC on April 30, 2012
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on July 2, 2012
3.4	Amendment to Amended and Restated Articles of Incorporation of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.1 to the Customers Bancorp's Form 8-K filed with the SEC on June 3, 2019
3.5	Amendment to Amended and Restated Bylaws of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.1 to the Customers Bancorp's Form 8-K filed with the SEC on June 19, 2019
3.6	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on May 18, 2015
3.7	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on January 29, 2016
3.8	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on April 28, 2016
3.9	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on September 16, 2016
4.1	Specimen stock certificate of Customers Bancorp, Inc. Voting Common Stock and Class B Non-Voting Common Stock, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
4.2	Indenture, dated as of July 30, 2013, by and between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form 8-K filed with the SEC on July 31, 2013
4.3	Second Supplemental Indenture, dated as of June 30, 2017, by and between Customers Bancorp, Inc. as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form 8-K filed with the SEC on June 30, 2017

Exhibit No.	Description
4.4	Form of 4.50% Senior Note due 2024, incorporated by reference to Exhibit 4.2 to the Customers Bancorp Form 8-K filed with the SEC on September 25, 2019
4.5	First Supplemental Indenture, dated as of December 9, 2019, between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.2 to the Customers Bancorp Form 8-K filed with the SEC on December 9, 2019
4.6	Form of 5.375% Subordinated Note due 2034, incorporated by reference to Exhibit 4.3 to the Customers Bancorp Form 8-K filed with the SEC on December 9, 2019
4.7	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934, filed herewith
10.1+	Customers Bancorp, Inc. 2010 Stock Option Plan, incorporated by reference to Exhibit 10.2 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.2+	Amended and Restated Customers Bancorp, Inc. 2004 Incentive Equity and Deferred Compensation Plan, incorporated by reference to Exhibit 10.7 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.3+	Customers Bancorp, Inc. 2014 Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.4 to the Customers Bancorp Form S-8 filed with the SEC on August 8, 2014
10.4+	Customers Bancorp, Inc. 2019 Stock Incentive Plan, incorporated by reference to Exhibit 4.6 to the Customers Bancorp Form S-8 filed with the SEC on July 25, 2019
10.5+	Form of Restricted Stock Unit Award Agreement for Employees relating to the 2012 Special Stock Reward Program, incorporated by reference to Exhibit 10.25 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
10.6+	Bonus Recognition and Retention Plan, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.7+	Form of Restricted Stock Unit Award Agreement for Directors relating to the 2012 Special Stock Reward Program, incorporated by reference to Exhibit 10.26 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
10.8+	Form of Stock Option Agreement, incorporated by reference to Exhibit 10.18 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.9+	Form of Restricted Stock Unit Award Agreement, incorporated by reference to Exhibit 10.17 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.10+	Form of Restricted Stock Unit Award Agreement relating to the 2019 Stock Incentive Plan
10.11+	Amended and Restated Employment Agreement, dated as of March 26, 2012, by and between Customers Bancorp, Inc. and Richard Ehst, incorporated by reference to Exhibit 10.4 to the Customers Bancorp Form S-1 filed with the SEC on March 28, 2012
10.12+	Employment Agreement, dated as of March 1, 2014, by and between Customers Bancorp, Inc. and Steven Issa, incorporated by reference to Exhibit 10.16 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.13+	Amendment to Employment Agreement, dated as of February 26, 2016, by and between Customers Bancorp, Inc. and Steven Issa, incorporated by reference to Exhibit 10.17 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.14+	Amended and Restated Employment Agreement, dated as of December 30, 2016, by and between Customers Bancorp, Inc. and Jay S. Sidhu, incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on December 30, 2016
10.15+	Amended and Restated Employment Agreement, dated as of December 30, 2016, by and between Customers Bancorp, Inc. and Richard Ehst, incorporated by reference to Exhibit 10.2 to the Customers Bancorp Form 8-K filed with the SEC on December 30, 2016
10.16+	Separation of Employment dated as of December 7, 2018 by and between Customers Bancorp, Inc. and Robert Wahlman, incorporated by reference to Exhibit 10.1 to the Customers Bancorp, Inc. Form 8-K filed with the SEC on December 11, 2018
10.17+	Employment Agreement, dated as of October 23, 2019, by and between Customers Bancorp, Inc. and Carla Leibold, incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on October 25, 2019

Exhibit No.	Description
10.18+	Employment Agreement, dated as of January 22, 2020, by and between Customers Bancorp, Inc. and Samvir Sidhu
10.19+	Change of Control Agreement, dated as of January 30, 2013, by and between Customers Bancorp, Inc. and Glenn Hedde, incorporated by reference to Exhibit 10.29 to Customers Bancorp's Form 10-K filed with the SEC on March 18, 2013
10.20+	Change of Control Agreement, dated as of January 30, 2013, by and between Customers Bancorp, Inc. and Warren Taylor, incorporated by reference to Exhibit 10.30 to Customers Bancorp's Form 10-K filed with the SEC on March 18, 2013
10.21+	Change of Control Agreement, dated as of December 22, 2012, by and between Customers Bancorp, Inc. and Ken Keiser, incorporated by reference to Exhibit 10.14 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.22+	Change of Control Agreement, dated as of August 14, 2017 by and between Customers Bancorp, Inc. and Carla A. Leibold, incorporated by reference to Exhibit 10.34 to the Customers Bancorp Form 10-K filed with the SEC on March 1, 2019
10.23+	Supplemental Executive Retirement Plan of Jay S. Sidhu, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form S-1/A filed with the SEC on April 18, 2011
10.24+	Letter Agreement, dated as of December 30, 2016, by and between Customers Bancorp, Inc. and Jay S. Sidhu. incorporated by reference to Exhibit 10.3 to the Customers Bancorp Form 8-K filed with the SEC on December 30, 2016
10.25+	Customers Bank Death Benefit Plan, dated as of October 23, 2019, incorporated by reference to Exhibit 10.3 to the Customers Bancorp Form 10-Q filed with the SEC on November 7, 2019
10.26	Transition Services Agreement dated as of June 15, 2016 by and among Customers Bancorp, Customers Bank, Higher One, Inc. and Higher One Holdings, Inc., incorporated by reference to Exhibit 10.1 to the Customers Bancorp's Form 8-K filed with the SEC on June 16, 2016
10.27	Order to Cease and Desist and Order of Assessment of Civil Money Penalty Issued Upon Consent Dated December 2, 2016, incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on December 7, 2016
10.28*	Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of February 24, 2017, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.29*	First Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 30, 2017, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.30*	Second Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of October 24, 2017, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.31*	Third Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 21, 2017, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.32*	Fourth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 1, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.33*	Fifth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of August 16, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.34*	Sixth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 28, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.35*	Seventh Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 28, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.36*	Eighth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 9, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019

Exhibit No.	Description
10.37*	Ninth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 28, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
10.38*	Tenth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 27, 2018, incorporated by reference to Exhibit 10.22 to the Customers Bancorp Form 10-K/A filed with the SEC on April 24, 2019
21.1	List of Subsidiaries of Customers Bancorp, Inc.
23.1	Consent of Deloitte & Touche LLP, filed herewith
23.2	Consent of BDO USA, LLP, filed herewith
24.1	Power of Attorney, filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Customers' Annual Report on Form 10-K as of and for the year ended December 31, 2019, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document
+	Management Contract or compensatory plan or arrangement
*	Certain identified information has been excluded from this Exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Item 16 Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Customers Bancorp, Inc.

March 2, 2020	By:	/s/ Jay S. Sidhu
	Name:	Jay S. Sidhu
	Title:	Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature:	Title(s):	Date:
/s/ Jay S. Sidhu Jay S. Sidhu	Chairman, Chief Executive Officer and Director (principal executive officer)	March 2, 2020
/s/ Carla A. Leibold Carla A. Leibold	Executive Vice President - Chief Financial Officer and Treasurer (principal financial officer)	March 2, 2020
/s/ Jeffrey C. Skumin Jeffrey C. Skumin	Senior Vice President - Chief Accounting Officer and Controller (principal accounting officer)	March 2, 2020
* Andrea R. Allon	Director	March 2, 2020
/s/ Rick B. Burkey Rick B. Burkey	Director	March 2, 2020
* Bhanu Choudhrie	Director	March 2, 2020
/s/ Daniel K. Rothermel Daniel K. Rothermel	Director	March 2, 2020
/s/ T. Lawrence Way T. Lawrence Way	Director	March 2, 2020
* Steven J. Zuckerman	Director	March 2, 2020

*By: /s/ Carla A. Leibold
Attorney-in-Fact

Exhibit 4.7

DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, Customers Bancorp, Inc. had six classes of securities registered under Section 12(b) of the Securities Exchange Act of 1934:

Voting Common Stock, par value of $1.00 per share

Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, 7.00% Series C, par value $1.00 per share

Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, 6.50% Series D, par value $1.00 per share

Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, 6.45% Series E, par value $1.00 per share

Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, 6.00% Series F, par value $1.00 per share

5.375% Subordinated Notes due 2034

Description of Common Stock

The following description of our common stock is a summary. This summary is not complete and is subject to the complete text of our amended and restated articles of incorporation, as amended, and amended and restated bylaws, as amended, copies of which are currently exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

General

We are authorized to issue up to an aggregate amount of 300,000,000 shares of stock, which is divided into three equal classes:

• 100,000,000 shares of voting common Stock, par value $1.00 per share;

• 100,000,000 shares of Class B non-voting common stock, par value $1.00 per share; and

• 100,000,000 shares of preferred stock.

Our board of directors has the authority to establish and divide the authorized and unissued shares of voting common stock and of Class B non-voting common stock into series or classes and to fix and determine, to the extent not already determined in our articles of incorporation, the designations, preferences, and other special rights, including conversion rights, and the qualifications, limitations, or restrictions on those rights attributable to the shares in a series or class. As of December 31, 2019, there were 31,336,791 shares of voting common stock issued and outstanding, exclusive of 1,280,619 shares held in treasury. There were no shares of Class B non-voting common stock issued or outstanding as of December 31, 2019.

Voting Rights

The holders of shares of our voting common stock have the right to elect our board of directors and to act on such other matters as are required to be presented to them. Each holder of voting common stock is entitled to one vote per share. The holders of voting common stock do not have the right to vote their shares cumulatively in the election of directors. This means that, for each director position to be elected, a shareholder may only cast a number of votes equal to the number of shares held by the shareholder.

Any action that would significantly and adversely affect the rights of the Class B non-voting common stock with respect to the modification of the terms of those securities or dissolution requires the approval of the holders of Class B non-voting common stock voting separately as a class. Otherwise, the holders of the Class B non-voting common stock have no voting power, and do not have the right to participate in or have notice of any meeting of shareholders.

Because our articles of incorporation permit the board of directors to set the voting rights of preferred stock, it is possible that holders of one or more series of preferred stock issued in the future could have voting rights of any sort, which could limit the effect of the voting rights of holders of voting common stock.

Dividend Rights

The holders of our common stock are entitled to receive an equal amount of dividends per share if, as and when declared from time to time by our board of directors. In no event shall any stock dividends or stock splits or combinations of stock be declared or made on our common stock unless the shares of our voting common stock and Class B non-voting common stock at the time outstanding are treated equally and identically, provided that, in the event of a dividend of common stock, shares of our Class B non-voting common stock shall only be entitled to receive shares of Class B non-voting common stock and shares of our voting common stock shall only be entitled to receive shares of voting common stock.

Because our articles of incorporation permit our board of directors to set the dividend rights of preferred shares, it is possible that holders of one or more series of preferred shares issued in the future could have dividend rights that differ from those of the holders of our common stock, or could have no right to the payment of dividends. If the holders of a class or series of preferred stock is given dividend rights, the right of holders of preferred shares to receive dividends could have priority over the right of holders of our common stock to receive dividends.

Redemption, Preemptive Rights and Repurchase Provisions

Our common stock has no preemptive rights or redemption or repurchase provisions. The shares are non-assessable and require no sinking fund. Repurchases of our voting common stock are subject to Federal Reserve Board regulations and policy, which generally require that no more than ten percent of the outstanding shares of a bank holding company's voting common stock may be repurchased in any 12-month period unless the bank holding company is deemed "well-managed" and "well-capitalized" under applicable regulations. Repurchases of our stock will also be constrained by federal and state bank regulatory capital requirements. Repurchases of stock by bank holding companies may also be subject to prior notice to and approval by the Federal Reserve in some cases.

Liquidation Rights

In the event of the liquidation, dissolution or winding up of Customers Bancorp, the holders of our common stock will be entitled to share ratably in all of our assets remaining after payment of all liabilities, subject, however, to any preferential liquidation rights of holders of any preferred stock outstanding at that time. If our only asset is our ownership of Customers Bank, our wholly-owned subsidiary, it is likely that, if Customers Bank is then in liquidation or receivership, Customers Bancorp shareholders will not receive anything on account of their shares.

Potential Anti-Takeover Effect of Governing Documents and Applicable Law
Provisions of Governing Documents. Our amended and restated articles of incorporation, as amended, and amended and restated bylaws, as amended, contain certain provisions which may have the effect of deterring or discouraging, among other things, a non-negotiated tender or exchange offer for our common stock, a proxy contest for control of the company, the assumption of control of the company by a holder of a large block of common stock or the removal of our board of directors. These provisions:

• Empower our board of directors, without shareholder approval, to issue preferred stock, the terms of which, including voting power, are set by our board of directors;

• Divide our board of directors into three classes serving staggered three-year terms;
• Restrict the ability of shareholders to remove directors;

• Require that shares with at least 80% of total voting power approve mergers and other similar transactions with a person or entity holding stock with more than 5% of our voting power, if a reorganization is not approved, in advance, by two-thirds of the members of our board of directors;
• Prohibit action by the shareholders without a shareholder meeting;
• Require that shares representing at least 80% of total voting power approve the repeal or amendment of certain provisions of our articles of incorporation;
• Require any person who acquires our stock with voting power of 25% or more to offer to purchase for cash all remaining shares of our voting stock at the highest price paid by such person for shares of our voting stock during the preceding year;
• Eliminate cumulative voting in elections of directors;
• Require that shares representing at least two-thirds of the total voting power approve any amendment to or repeal of our bylaws;
• Require that our board of directors give due consideration to the effect of a proposed transaction on the depositors, employees, suppliers, customers and other of our and our subsidiaries' constituents and on the communities in which we and they operate or are located, and to the business reputation of the other party and our value in a freely negotiated sale and of our future prospects as an independent entity;
• Require advance notice of nominations for the election of directors and the presentation of shareholder proposals at meetings of shareholders; and
• Provide that officers, directors, employees, agents and persons who own 5% or more of the voting securities of any other corporation or other entity that owns 66 2/3% or more of our outstanding voting stock cannot constitute a majority of the members of our board of directors.

Provisions of Applicable Law. The Pennsylvania Business Corporation Law also contains certain provisions applicable to us that may have the effect of impeding a change in control. These provisions, among other things, prohibit for five years, subject to certain exceptions, a "business combination," which includes a merger or consolidation of the corporation or a sale, lease or exchange of assets with a shareholder or group of shareholders beneficially owning 20% or more of the corporation's voting power in an election of directors. In addition, certain provisions of the Pennsylvania Business Corporation Law:
• Expand the factors and groups (including shareholders) a board of directors can consider in determining whether a certain action is in the best interests of the corporation;
• Provide that a board of directors need not consider the interests of any particular group as dominant or controlling;
• Provide that directors, in order to satisfy the presumption that they have acted in the best interests of the corporation, need not satisfy any greater obligation or higher burden of proof for actions relating to an acquisition or potential acquisition of control;

• Provide that actions relating to acquisitions of control that are approved by a majority of "disinterested directors" are presumed to satisfy the directors' standard of care, unless it is proven by clear and convincing evidence that the directors did not assent to such action in good faith after reasonable investigation; and

• Provide that the fiduciary duties of directors are solely to the corporation and may be enforced by the corporation or by a shareholder in a derivative action, but not by a shareholder directly.

The Pennsylvania Business Corporation Law also provides that the fiduciary duties of directors do not require directors to:

• Redeem any rights under, or to modify or render inapplicable, any shareholder rights plan;

• Render inapplicable, or make determinations under, provisions of the Pennsylvania Business Corporation Law, relating to control transactions, business combinations, control-share acquisitions or disgorgement by certain controlling shareholders following attempts to acquire control; or

• Take action as the board of directors, a committee of the board or an individual director solely because of the effect such action might have on an acquisition or potential or proposed acquisition of control of us or the consideration that might be offered or paid to shareholders in such an acquisition.

Pursuant to provisions of our articles of incorporation, and in accordance with Pennsylvania law, we have opted out of coverage by the "disgorgement," "control transactions," "control-share acquisitions," "severance compensation," and "labor contracts" provisions of the Pennsylvania Business Corporation Law. As a result of our opting-out from coverage by these statutes, none of the "disgorgement," "control transactions," "control-share acquisitions," "severance compensation," nor "labor contracts" statutes would apply to a non-negotiated attempt to acquire control of us, although such an attempt would still be subject to the special provisions of our governing documents.

The overall effect of these provisions may be to deter a future offer or other merger or acquisition proposal that a majority of the shareholders might view to be in their best interests as the offer might include a substantial premium over the market price of our common stock at that time. In addition, these provisions may have the effect of assisting our management and board of directors in retaining their positions and placing them in a better position to resist changes that the shareholders may want to make if dissatisfied with the conduct of our business.

Transfer Agent and Registrar

Computershare, Inc. serves as the transfer agent and registrar for our common stock.

Description of the Preferred Stock

The following description of our preferred stock is a summary. This summary is not complete and is subject to the complete text of our amended and restated articles of incorporation, as amended (including the Statements With Respect to Shares), and amended and restated bylaws, as amended, copies of which are available as exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

Our articles of incorporation provide that our board of directors may issue, without action by shareholders, a maximum of 100,000,000 shares of preferred stock, in one or more series and with such terms and conditions, at such times and for such consideration, as the board of directors may determine.

Our board of directors also has the authority to establish and divide the authorized and unissued shares of preferred stock into series or classes or both and to determine whether or not shares in any series or class of preferred stock have par value and, if so, the par value, whether or not the shares in a series or class have voting rights and if so whether those voting rights are full, limited, multiple or fractional, and for each series or class of preferred stock, the designations, preferences, and other special rights, if any, including dividend rights, conversion rights, redemption rights and liquidation preferences, if any, and the qualifications, limitations, or restriction on those rights, and the number of shares of each series or class.

As of December 31, 2019, there were 2,300,000 shares of our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C outstanding, 1,000,000 shares of our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D outstanding, 2,300,000 shares of our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E outstanding and 3,400,000 shares of our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F outstanding.

Dividends

The holders of the preferred stock of each series will be entitled to receive cash dividends out of funds legally available, when, as and if, declared by our board of directors or a duly authorized committee of the board, at the rates and on the dates stated in the Statement With Respect to Shares applicable to each outstanding series of our preferred stock. These rates may be fixed, or variable, or both. If the dividend rate is variable, the applicable Statement With Respect to Shares will describe the formula used to determine the dividend rate for each dividend period. We will pay dividends to the holders of record as they appear on our stock books on the record dates determined by our board of directors or an authorized committee of our board.

Our board of directors will not declare and pay a dividend on any of our stock ranking as to dividends, equal with or junior to the preferred stock unless full dividends on the preferred stock have been declared and paid (or declared and sufficient money has been set aside for payment).

Voting Rights

The holders of shares of preferred stock will have no voting rights, except:

- as otherwise stated in the applicable Statement With Respect to Shares;
- as otherwise stated in the statement with respect to shares establishing such series; or
- as required by applicable law.

Under Federal Reserve Board regulations, if the holders of any series of preferred stock become entitled to vote for the election of directors, that series may then be considered a class of voting securities. A holder of 25% or more of a series may then be subject to regulation as a savings and loan holding company under the Home Owners Loan Act or a bank holding company under the Bank Holding Company Act, depending on the nature of the holder. In addition, at the time that the series are deemed a class of voting securities, any bank holding company or savings and loan holding company may be required to obtain the prior approval of the Federal Reserve Board in order to acquire more than 5% of that series, and any person other than a savings and loan or a bank holding company may be required to obtain the prior approval of the Federal Reserve Board to acquire 10% or more of that series.

Redemption

A series of the preferred stock may be redeemable, in whole or in part, at our option, and may be subject to mandatory redemption under a sinking fund or otherwise as described in the applicable Statement With Respect to Shares. The preferred stock that we redeem will be restored to the status of authorized but unissued shares of preferred stock which we may issue in the future.

If a series of preferred stock is subject to mandatory redemption, the applicable Statement With Respect to Shares will specify the number of shares that we will redeem in each year and the redemption price per share together with an amount equal to all accrued and unpaid dividends on those shares to the redemption date. The applicable Statement With Respect to Shares will state whether the redemption price can be paid in cash or other property. If the redemption price is to be paid only from the net proceeds of issuing our capital stock, the terms of the series of preferred stock may provide that, if the capital stock has not been issued or if the net proceeds are not sufficient to pay the full redemption price then due, the shares relating to series of the preferred stock shall automatically and mandatorily be converted into shares of our capital stock under the conversion provisions of the applicable Statement With Respect to Shares.

If fewer than all of the outstanding shares of any series of the preferred stock are to be redeemed, the redemption will be made in a manner that our board of directors decides is equitable.

Unless we default in the payment of the redemption price, dividends will cease to accrue after the redemption date on shares of preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price.

Conversion and Exchange

If any series of preferred stock we proposed to offer and issue is convertible into or exchangeable for any other class or series of our capital stock, the applicable Statement With Respect to Shares relating to that series will describe the terms and conditions governing the conversions and exchanges.

Rights at Liquidation

If we voluntarily or involuntarily liquidate, dissolve or wind up our business, the holders of shares of each series of preferred stock and any other securities that have rights equal to that series of preferred stock under these circumstances, will be entitled to receive out of our assets that are available for distribution to stockholders:

- liquidation distributions in the amount stated in the applicable Statement With Respect to Shares and related statement with respect to shares; and
- all accrued and unpaid dividends (whether or not earned or declared), before any distribution to holders of common stock or of any securities ranking junior to the series of preferred stock.

Neither the sale of all or any part of our property and business, nor our merger into or consolidation with any other corporation, nor the merger or consolidation of any other corporation with or into us, will be deemed to be a dissolution, liquidation or winding up.

If our assets are insufficient to pay all amounts to which holders of preferred stock are entitled, we will make no distribution on the preferred stock or on any other securities ranking equal to the preferred stock unless we make a pro rata distribution to those holders. After we pay the full amount of the liquidation distribution to which the holders are entitled, the holders will have no right or claim to any of our remaining assets.

Summary of Terms of Preferred Stock Outstanding by Series

Series C Preferred Stock (Trading Symbol CUBI/PC)

The following description of our Series C Preferred Stock is a summary. This summary is not complete and is subject to the complete text of our amended and restated articles of incorporation, as amended (including the Statement With Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C), and amended and restated bylaws, as amended, copies of which are available as exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

Exhibit 4.7

General

We have filed a Statement with Respect to Shares which established the terms of the Series C Preferred Stock. The Statement with Respect to Shares initially authorized 2,300,000 shares of Series C Preferred Stock. We may, without notice to or the consent of holders of the Series C Preferred Stock, issue additional shares of Series C Preferred Stock from time to time.

We will generally be able to pay dividends and distributions upon our liquidation, dissolution or winding up only out of lawfully available funds for such payment (i.e., after taking account of all indebtedness, other non-equity and other senior claims).

Holders of Series C Preferred Stock do not have preemptive or subscription rights to acquire more stock of Customers Bancorp. The Series C Preferred Stock is not be convertible into or exchangeable for our common stock or any other class or series of our capital stock. The Series C Preferred Stock does not have a stated maturity date, is not be subject to any sinking fund or any other obligation of us for their repurchase, redemption or retirement and will be perpetual unless redeemed at our option.

Ranking

Shares of the Series C Preferred Stock will rank, with respect to the payment of dividends and distributions upon our liquidation, dissolution or winding-up, respectively:

- senior to our common stock and to any class or series of our capital stock we may issue that is not expressly stated to be on parity with or senior to the Series C Preferred Stock;
- on parity with, or equally to, with any class or series of our capital stock expressly stated to be on parity with the Series C Preferred Stock; and
- junior to any class or series of our capital stock expressly stated to be senior to the Series C Preferred Stock (issued with the requisite consent of the holders of at least two-thirds of the outstanding Series C Preferred Stock).

Dividends

Dividends on shares of the Series C Preferred Stock are discretionary and not cumulative. Holders of the Series C Preferred Stock are entitled to receive, if, when and as declared by our board of directors, or a duly authorized committee of the board, out of legally available assets, non-cumulative cash dividends from the original issue date (in the case of the initial dividend period only, as described below) or the immediately preceding dividend payment date, quarterly in arrears on the 15th day of March, June, September and December of each year (each such date being referred to herein as a “dividend payment date”). Dividends on each share of Series C Preferred Stock will accrue on the liquidation preference amount of $25.00 per share at a rate per annum equal to 7.00% with respect to each dividend period from and including the original issue date to, but excluding, June 15, 2020 (the “fixed rate period”), and thereafter at a rate per annum equal to the three-month LIBOR (as defined below) on the related dividend determination date plus a spread of 5.30% per annum (the “floating rate period”). In the event that we issue additional shares of Series C Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue date or any other date we specify at the time such additional shares are issued. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series C Preferred Stock.

Dividends will be payable to holders of record of Series C Preferred Stock as they appear on our books on the applicable record date (each such date being referred to herein as a “dividend record date”), which shall be the 15th calendar day before the dividend payment date or such other record date fixed by our board of directors, or any duly authorized committee of the board, that is not less than 15 calendar days or more than 30 calendar days before the applicable dividend payment date.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date or any earlier redemption date. Any dividend payable on shares of the Series C Preferred Stock for any dividend period during the fixed rate period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends for the initial dividend period will be calculated from the original issue date. Any dividend payable on shares of the Series C Preferred Stock for any dividend period during the floating rate period will be computed on the basis of a 360-day year and the actual number of days elapsed in such dividend period. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. If any dividend payment date applicable to the fixed rate period is not a business day, then the related payment of dividends will be made on the next succeeding business day, and no additional dividends will accrue on such payment. If any dividend payment date applicable to the floating rate period is not a business day, then the dividend payment date will be postponed to the next succeeding business day and dividends will accrue to, but exclude, the next succeeding business day.

For any dividend period during the floating rate period, three-month LIBOR (the London interbank offered rate) shall be determined by the calculation agent on the second London business day immediately preceding the first day of such dividend period (which we refer to as the "dividend determination date") in the following manner:

(i) Three-month LIBOR will be the rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000, as that rate appears on Reuters screen page "LIBOR01", or any successor page, as of 11:00 a.m., London time, on that dividend determination date.

(ii) If no offered rate appears on Reuters screen page "LIBOR01" on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable dividend period in an amount of at least $1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, three-month LIBOR for the next dividend period will be equal to three-month LIBOR in effect for the then-current dividend period.

The calculation agent then will add three-month LIBOR as determined on the dividend determination date and any applicable spread.

The calculation agent's determination of any dividend rate, and its calculation of the amount of dividends for any dividend period, will be on file at our principal offices, will be made available to any holder of Series C Preferred Stock upon request and will be final and binding in the absence of manifest error.

The term "business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York. The term "London business day" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

Dividends on shares of the Series C Preferred Stock are not cumulative. Accordingly, if our board of directors, or a duly authorized committee of the board, does not declare a full dividend on the Series C Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series C Preferred Stock are declared for any future dividend period.

We are subject to statutory and regulatory prohibitions and other limitations on our ability to declare and pay dividends on the Series C Preferred Stock. Dividends on the Series C Preferred Stock will not be declared, paid or set aside for payment if we fail to comply, or if and to the extent such act would cause us to fail to comply, with applicable laws and regulations. In particular, dividends on the Series C Preferred Stock may not be declared or set aside for payment if and to the extent such dividends would cause us to fail to comply with the capital adequacy guidelines of the Federal Reserve (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency) applicable to us. In addition, our ability to make capital distributions, including our ability to pay dividends, is subject to the Federal Reserve's review of and non-objection to our annual capital plan. In certain circumstances, we will not be able to make a capital distribution unless the Federal Reserve has approved it. The Federal Reserve and the FDIC also have the authority to prohibit or to limit the payment of dividends by a banking organization under its jurisdiction if, in the regulator's opinion, the organization is engaged in or is about to engage in an unsafe or unsound practice. Federal Reserve policy also states that dividends on capital stock should be paid from current earnings.

As a Pennsylvania corporation, our payment of cash dividends is also subject to the restrictions under Pennsylvania law on the declaration of cash dividends. Under such provisions, cash dividends may not be paid if a corporation will not be able to pay its debts as they become due in the usual course of business after paying such a cash dividend or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy certain liquidation preferential rights.

Priority of Dividends

The Series C Preferred Stock will rank junior as to payment of dividends to any class or series of our preferred stock that we may issue in the future that is expressly stated to be senior to the Series C Preferred Stock. If at any time we do not pay, on the applicable dividend payment date, accrued dividends on any shares that rank in priority to the Series C Preferred Stock with respect to dividends, we may not pay any dividends on the Series C Preferred Stock or repurchase, redeem or otherwise acquire for consideration any shares of Series C Preferred Stock until we have paid, or set aside for payment, the full amount of the unpaid dividends on the shares that rank in priority with respect to dividends that must, under the terms of such shares, be paid before we may pay dividends on, repurchase, redeem or otherwise acquire for consideration, the Series C Preferred Stock we have shares of Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock outstanding.

So long as any share of Series C Preferred Stock remains outstanding, unless the full dividends for the most recently completed dividend period have been declared and paid, or set aside for payment, on all outstanding shares of Series C Preferred Stock:

- no dividend or distribution shall be declared, paid or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock or (ii) a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock or other property under any such plan, or the redemption or repurchase of any rights under any such plan); and

- no junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of shares of junior stock for or into other shares of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities; and

• no parity stock, including the Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock, shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series C Preferred Stock and any parity stock, (ii) as a result of a reclassification of any parity stock for or into other parity stock, (iii) the exchange or conversion of any parity stock for or into other parity stock or junior stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock, (v) purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities.

Notwithstanding the foregoing, if dividends are not paid in full, or set aside for payment in full, on any dividend payment date upon the shares of the Series C Preferred Stock and any shares of Series D Preferred Stock, Series E

Preferred Stock and Series F Preferred Stock all dividends declared upon the Series C Preferred Stock and Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock payable on such dividend payment date shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series C Preferred Stock and all Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock payable on such dividend payment date bear to each other.

As used herein, “junior stock” means our common stock and any other class or series of our capital stock over which the Series C Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. Junior stock includes our common stock.

As used herein, “parity stock” means any other class or series of our capital stock that ranks equally with the Series C Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. As of the date hereof, our parity stock outstanding is comprised of our Series D, Series E and Series F Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be declared and paid on our junior stock, which includes our common stock, from time to time out of any assets legally available for such payment, and the holders of Series C Preferred Stock or parity stock shall not be entitled to participate in any such dividend.

Redemption

The Series C Preferred Stock is perpetual and has no maturity date, and is not subject to any mandatory redemption, sinking fund or other similar provisions. The holders of the Series C Preferred Stock will not have any right to require the redemption or repurchase of their shares of Series C Preferred Stock.

We may, at our option, redeem the Series C Preferred Stock (1) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2020, or (2) in whole but not in part at any time within 90 days following a “regulatory capital treatment event,” in each case at a price equal to $25.00 per share, plus the per share amount of any declared and unpaid dividends, without regard to any undeclared dividends, on the Series C Preferred Stock prior to the date fixed for redemption, which we refer to as the redemption date. Investors should not expect us to redeem the Series C Preferred Stock on or after the date it becomes redeemable at our option.

A “regulatory capital treatment event” means the good faith determination by us that, as a result of any:

- amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of the Series C Preferred Stock;

- proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series C Preferred Stock; or

- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series C Preferred Stock;

there is more than an insubstantial risk that we will not be entitled to treat the full liquidation preference amount of $25.00 per share of the Series C Preferred Stock then outstanding as additional Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the Federal Reserve or other appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series C Preferred Stock is outstanding.

Under regulations applicable to us, we may not exercise our option to redeem any shares of preferred stock without obtaining the prior approval of the Federal Reserve. Under such regulations, unless the Federal Reserve authorizes us to do otherwise in writing, we may not redeem the Series C Preferred Stock unless it is replaced with other Tier 1 capital instruments or unless we can demonstrate to the satisfaction of the Federal Reserve that following redemption, we will continue to hold capital commensurate with its risk.

If shares of the Series C Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of the Series C Preferred Stock to be redeemed, either by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on our stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series C Preferred Stock are held in book-entry form through The Depository Trust Company, or DTC, we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;

- the number of shares of the Series C Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder;

- the redemption price; and

- that dividends on the shares to be redeemed will cease to accrue on the redemption date

If notice of redemption of any shares of Series C Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Series C Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series C Preferred Stock, such shares of Series C Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In case of any redemption of only part of the shares of the Series C Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata*, by lot or in such other manner as we may determine to be equitable and permitted by the rules of any national securities exchange on which the Series C Preferred Stock is listed.

Exhibit 4.7

Liquidation Rights

In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of the Series C Preferred Stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities or obligations to creditors, if any, and subject to the rights of holders of any shares of capital stock then outstanding ranking senior to or on parity with the Series C Preferred Stock with respect to distributions upon the voluntary or involuntary liquidation, dissolution or winding-up of our business and affairs, and before we make any distribution of assets to the holders of our common stock or any other class or series of our capital stock ranking junior to the Series C Preferred Stock with respect to distributions upon our liquidation, dissolution or winding-up, an amount per share equal to the fixed liquidation preference of $25.00 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution (but without any amount in respect of dividends that have not been declared prior to the date of payment of the liquidating distribution). After payment of the full amount of the liquidating distribution described above, the holders of the Series C Preferred Stock shall not be entitled to any further participation in any distribution of our assets.

In any such distribution, if our assets are not sufficient to pay the liquidation preference in full to all holders of Series C Preferred Stock and all holders of any shares of our capital stock ranking as to any such liquidation distribution on parity with the Series C Preferred Stock, the amounts paid to the holders of Series C Preferred Stock and to such other shares will be paid *pro rata* in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the “liquidation preference” of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series C Preferred Stock and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference per share of Series C Preferred Stock has been paid in full to all holders of Series C Preferred Stock and the liquidation preference per share of any other capital stock ranking on parity with the Series C Preferred Stock as to liquidation rights has been paid in full, the holders of our common stock or any other capital stock ranking, as to liquidation rights, junior to the Series C Preferred Stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

The Series C Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the “orderly liquidation authority” provisions of the Dodd-Frank Act.

For purposes of the liquidation rights, neither the sale, conveyance, exchange or transfer of all or substantially all of our assets or business, nor the consolidation or merger by us with or into any other entity or by another entity with or into us, whether for cash, securities or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution or winding-up of our affairs.

Voting Rights

Except as provided below and as determined by our board of directors, or a duly authorized committee thereof, the holders of the Series C Preferred Stock will have no voting rights.

Whenever dividends on any shares of the Series C Preferred Stock, or any parity stock upon which similar voting rights have been conferred (“special voting preferred stock”), shall have not been declared and paid for an aggregate amount equal to the amount of dividends payable on the Series C Preferred Stock as contemplated herein for six or more quarterly dividend payments, whether or not for consecutive dividend periods (which we refer to as a “nonpayment”), the holders of the Series C Preferred Stock, voting together as a class with holders of any special voting preferred stock then outstanding, will be entitled to vote (based on respective liquidation preferences) for the election of a total of two additional members of our board of directors (which we refer to as the “preferred directors”) provided that our board of directors shall at no time include more than two preferred directors. In that event, the number of directors on our board of directors shall automatically increase by two and, at the request of any holder of Series C Preferred Stock, a special meeting of the holders of Series C Preferred Stock and such special voting preferred stock for which dividends have not been paid shall be called for the election of the two directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election shall be held at such next annual or special meeting of shareholders), followed by such election at each subsequent annual meeting. These voting rights will continue until full dividends have been paid on the Series C Preferred Stock and such special voting preferred stock for at least four consecutive quarterly dividend periods following the nonpayment.

If and when full dividends have been paid for at least four consecutive quarterly dividend periods following a nonpayment on the Series C Preferred Stock and such special voting preferred stock, the holders of the Series C Preferred Stock and such special voting preferred stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and the term of office of each preferred director so elected shall terminate and the number of directors on our board of directors shall automatically decrease by two.

Any preferred director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Series C Preferred Stock and such special voting preferred stock, voting together as a class, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a preferred director (other than prior to the initial election of the preferred directors) may be filled by the written consent of the preferred director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding shares of Series C Preferred Stock and such special voting preferred stock, voting together as a class, to serve until the next annual meeting of shareholders. The preferred directors shall each be entitled to one vote per director on any matter.

Under regulations adopted by the Federal Reserve, if the holders of one or more series of preferred stock are or become entitled to vote for the election of directors, such series entitled to vote for the same director(s) will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a “controlling influence” over us, will be subject to regulation as a bank holding company under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). In addition, if the series is/are deemed to be a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series. While we do not believe the Series C Preferred Stock are considered “voting securities” currently, holders of such stock should consult their own counsel with regard to regulatory implications. A holder or group of holders may also be deemed to control us if they own more than one-third of our total equity, both voting and non-voting, aggregating all shares held by the holders across all classes of stock.

So long as any shares of Series C Preferred Stock remain outstanding, in addition to any other vote or consent of shareholders required by law or our articles of incorporation, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of Series C Preferred Stock entitled to vote thereon, voting separately as a single class, shall be required to:

- authorize, create, issue or increase the authorized amount of any class or series of our capital stock ranking senior to the Series C Preferred Stock with respect to payment of dividends or as to distributions upon our liquidation, dissolution or winding-up, or issue any obligation or security convertible into or exchangeable for evidencing the right to purchase any such class or series of our capital stock;

- amend, alter or repeal the provisions of our articles of incorporation, including the Statement with Respect to Shares creating the Series C Preferred Stock, whether by merger, consolidation or otherwise, so as to materially and adversely affect the special powers, preferences, privileges or rights of the Series C Preferred Stock, taken as a whole; or

• consummate a binding share-exchange or reclassification involving the Series C Preferred Stock, or sale, conveyance, exchange or transfer of all or substantially all of our assets or business or a merger or consolidation of us with or into another entity, unless in each case, the shares of the Series C Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have powers, preferences, privileges and rights that are not materially less favorable to the holders thereof than the powers, preferences, privileges and rights of the Series C Preferred Stock, taken as a whole.

When determining the application of the voting rights described in this section, the authorization, creation and issuance, or an increase in the authorized or issued amount of, junior stock or any class or series of capital stock that by its terms expressly provides that it ranks on parity with the Series C Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon our liquidation, dissolution or winding-up, or any securities convertible into or exchangeable or exercisable for junior stock or any such class or series of capital stock, shall not be deemed to materially and adversely affect the special powers, preferences, privileges or rights, and shall not require the affirmative vote or consent of, the holders of any outstanding shares of Series C Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series C Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of the Series C Preferred Stock to effect such redemption.

Transfer Agent and Registrar

Computershare, Inc. is the transfer agent, registrar, dividend disbursement agent and redemption agent for the Series C Preferred Stock.

Series D Preferred Stock (Trading Symbol CUBI/PD)

The following description of our Series D Preferred Stock is a summary. This summary is not complete and is subject to the complete text of our amended and restated articles of incorporation, as amended (including the Statement With Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D),
and amended and restated bylaws, as amended, copies of which are available as exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

General

We have filed a Statement with Respect to Shares which established the terms of the Series D Preferred Stock. The Statement with Respect to Shares initially authorized 1,000,000 shares of Series D Preferred Stock. We may, without notice to or the consent of holders of the Series D Preferred Stock, issue additional shares of Series D Preferred Stock from time to time.

We will generally be able to pay dividends and distributions upon our liquidation, dissolution or winding up only out of lawfully available funds for such payment (i.e., after taking account of all indebtedness, other non-equity and other senior claims).

Holders of Series D Preferred Stock do not have preemptive or subscription rights to acquire more stock of Customers Bancorp. The Series D Preferred Stock is not be convertible into or exchangeable for our common stock or any other class or series of our capital stock. The Series D Preferred Stock does not have a stated maturity date, is not be subject to any sinking fund or any other obligation of us for their repurchase, redemption or retirement and will be perpetual unless redeemed at our option.

Exhibit 4.7

Ranking

Shares of the Series D Preferred Stock will rank, with respect to the payment of dividends and distributions upon our liquidation, dissolution or winding-up, respectively:

- senior to our common stock and to any class or series of our capital stock we may issue that is not expressly stated to be on parity with or senior to the Series D Preferred Stock;
- on parity with, or equally to, with any class or series of our capital stock expressly stated to be on parity with the Series D Preferred Stock, including our Series C Preferred Stock; and
- junior to any class or series of our capital stock expressly stated to be senior to the Series D Preferred Stock (issued with the requisite consent of the holders of at least two-thirds of the outstanding Series D Preferred Stock).

Dividends

Dividends on shares of the Series D Preferred Stock are discretionary and not cumulative. Holders of the Series D Preferred Stock will be entitled to receive, if, when and as declared by our board of directors, or a duly authorized committee of the board, out of legally available assets, non-cumulative cash dividends from the original issue date (in the case of the initial dividend period only, as described below) or the immediately preceding dividend payment date, quarterly in arrears on the 15th day of March, June, September and December of each year (each such date being referred to herein as a "dividend payment date"). Dividends on each share of Series D Preferred Stock will accrue on the liquidation preference amount of $25.00 per share at a rate per annum equal to 6.50% with respect to each dividend period from and including the original issue date to, but excluding, March 15, 2021 (the "fixed rate period"), and thereafter at a rate per annum equal to the three-month LIBOR (as defined below) on the related dividend determination date plus a spread of 5.09% per annum (the "floating rate period"). In the event that we issue additional shares of Series D Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue date or any other date we specify at the time such additional shares are issued. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series D Preferred Stock.

Dividends will be payable to holders of record of Series D Preferred Stock as they appear on our books on the applicable record date (each such date being referred to herein as a "dividend record date"), which shall be the 15th calendar day before the dividend payment date or such other record date fixed by our board of directors, or any duly authorized committee of the board, that is not less than 15 calendar days or more than 30 calendar days before the applicable dividend payment date.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date or any earlier redemption date. Any dividend payable on shares of the Series D Preferred Stock for any dividend period during the fixed rate period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends for the initial dividend period will be calculated from the original issue date. Any dividend payable on shares of the Series D Preferred Stock for any dividend period during the floating rate period will be computed on the basis of a 360-day year and the actual number of days elapsed in such dividend period. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. If any dividend payment date applicable to the fixed rate period is not a business day, then the related payment of dividends will be made on the next succeeding business day, and no additional dividends will accrue on such payment. If any dividend payment date applicable to the floating rate period is not a business day, then the dividend payment date will be postponed to the next succeeding business day and dividends will accrue to, but exclude the next succeeding business day.

For any dividend period during the floating rate period, three-month LIBOR (the London interbank offered rate) shall be determined by the calculation agent on the second London business day immediately preceding the first day of such dividend period (which we refer to as the "dividend determination date") in the following manner:

(i) Three-month LIBOR will be the rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000, as that rate appears on Reuters screen page "LIBOR01", or any successor page, as of 11:00 a.m., London time, on that dividend determination date.

(ii) If no offered rate appears on Reuters screen page "LIBOR01" on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable dividend period in an amount of at least $1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, three-month LIBOR for the next dividend period will be equal to three-month LIBOR in effect for the then-current dividend period.

The calculation agent then will add three-month LIBOR as determined on the dividend determination date and any applicable spread.

The calculation agent's determination of any dividend rate, and its calculation of the amount of dividends for any dividend period, will be on file at our principal offices, will be made available to any holder of Series D Preferred Stock upon request and will be final and binding in the absence of manifest error.

The term "business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York. The term "London business day" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

Dividends on shares of the Series D Preferred Stock will not be cumulative. Accordingly, if our board of directors, or a duly authorized committee of the board, does not declare a full dividend on the Series D Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series D Preferred Stock are declared for any future dividend period.

We are subject to statutory and regulatory prohibitions and other limitations on our ability to declare and pay dividends on the Series D Preferred Stock. Dividends on the Series D Preferred Stock will not be declared, paid or set aside for payment if we fail to comply, or if and to the extent such act would cause us to fail to comply, with applicable laws and regulations. In particular, dividends on the Series D Preferred Stock may not be declared or set aside for payment if and to the extent such dividends would cause us to fail to comply with the capital adequacy guidelines of the Federal Reserve (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency) applicable to us. The Federal Reserve and the FDIC also have the authority to prohibit or to limit the payment of dividends by a banking organization under its jurisdiction if, in the regulator's opinion, the organization is engaged in or is about to engage in an unsafe or unsound practice. Federal Reserve policy also states that dividends on capital stock should be paid from current earnings.

As a Pennsylvania corporation, our payment of cash dividends is also subject to the restrictions under Pennsylvania law on the declaration of cash dividends. Under such provisions, cash dividends may not be paid if a corporation will not be able to pay its debts as they become due in the usual course of business after paying such a cash dividend or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy certain liquidation preferential rights.

Priority of Dividends

The Series D Preferred Stock will rank junior as to payment of dividends to any class or series of our preferred stock that we may issue in the future that is expressly stated to be senior to the Series D Preferred Stock. If at any time we do not pay, on the applicable dividend payment date, accrued dividends on any shares that rank in priority to the Series D Preferred Stock with respect to dividends, including the Series C Preferred Stock, Series E Preferred Stock and Series F Preferred Stock, we may not pay any dividends on the Series D Preferred Stock or repurchase, redeem or otherwise acquire for consideration any shares of Series D Preferred Stock until we have paid, or set aside for payment, the full amount of the unpaid dividends on the shares that rank in priority with respect to dividends that must, under the terms of such shares, be paid before we may pay dividends on, repurchase, redeem or otherwise acquire for consideration, the Series D Preferred Stock.

So long as any share of Series D Preferred Stock remains outstanding, unless the full dividends for the most recently completed dividend period have been declared and paid, or set aside for payment, on all outstanding shares of Series D Preferred Stock:

• no dividend or distribution shall be declared, paid or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock or (ii) a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock or other property under any such plan, or the redemption or repurchase of any rights under any such plan); and

• no junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of shares of junior stock for or into other shares of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities; and

• no parity stock, including the Series C Preferred Stock, Series E Preferred Stock and Series F Preferred Stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series D Preferred Stock and any parity stock, (ii) as a result of a reclassification of any parity stock for or into other parity stock, (iii) the exchange or conversion of any parity stock for or into other parity stock or junior stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock, (v) purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities.

Notwithstanding the foregoing, if dividends are not paid in full, or set aside for payment in full, on any dividend payment date upon the shares of the Series D Preferred Stock and any shares of parity stock, including the Series C Preferred Stock, all dividends declared upon the Series D Preferred Stock and all such parity stock payable on such dividend payment date shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series D Preferred Stock and all parity stock payable on such dividend payment date bear to each other.

As used herein, "junior stock" means our common stock and any other class or series of our capital stock over which the Series D Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. Junior stock includes our common stock.

As used herein, "parity stock" means any other class or series of our capital stock that ranks equally with the Series D Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. As of the date hereof, our parity stock outstanding is comprised of our Series C, Series E and Series F Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be declared and paid on our junior stock, which includes our common stock, from time to time out of any assets legally available for such payment, and the holders of Series D Preferred Stock or parity stock shall not be entitled to participate in any such dividend.

Redemption

The Series D Preferred Stock is perpetual and has no maturity date, and is not subject to any mandatory redemption, sinking fund or other similar provisions. The holders of the Series D Preferred Stock will not have any right to require the redemption or repurchase of their shares of Series D Preferred Stock.

We may, at our option, redeem the Series D Preferred Stock (1) in whole or in part, from time to time, on any dividend payment date on or after March 15, 2021, or (2) in whole but not in part at any time within 90 days following a "regulatory capital treatment event," in each case at a price equal to $25.00 per share, plus the per share amount of any declared and unpaid dividends, without regard to any undeclared dividends, on the Series D Preferred Stock prior to the date fixed for redemption, which we refer to as the redemption date. Investors should not expect us to redeem the Series D Preferred Stock on or after the date it becomes redeemable at our option.

A "regulatory capital treatment event" means the good faith determination by us that, as a result of any:

- amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of the Series D Preferred Stock;
- proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series D Preferred Stock; or
- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series D Preferred Stock;

there is more than an insubstantial risk that we will not be entitled to treat the full liquidation preference amount of $25.00 per share of the Series D Preferred Stock then outstanding as additional Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the Federal Reserve or other appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series D Preferred Stock is outstanding.

Under regulations applicable to us, we may not exercise our option to redeem any shares of preferred stock without obtaining the prior approval of the Federal Reserve. Under such regulations, unless the Federal Reserve authorizes us to do otherwise in writing, we may not redeem the Series D Preferred Stock unless it is replaced with other Tier 1 capital instruments or unless we can demonstrate to the satisfaction of the Federal Reserve that following redemption, we will continue to hold capital commensurate with its risk.

If shares of the Series D Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of the Series D Preferred Stock to be redeemed, either by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on our stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series D Preferred Stock are held in book-entry form through The Depository Trust Company, or DTC, we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of the Series D Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder;
- the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Series D Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Series D Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series D Preferred Stock, such shares of Series D Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In case of any redemption of only part of the shares of the Series D Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata*, by lot or in such other manner as we may determine to be equitable and permitted by the rules of any national securities exchange on which the Series D Preferred Stock is listed.

Liquidation Rights

In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of the Series D Preferred Stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities or obligations to creditors, if any, and subject to the rights of holders of any shares of capital stock then outstanding ranking senior to or on parity with the Series D Preferred Stock with respect to distributions upon the voluntary or involuntary liquidation, dissolution or winding-up of our business and affairs, and before we make any distribution of assets to the holders of our common stock or any other class or series of our capital stock ranking junior to the Series D Preferred Stock with respect to distributions upon our liquidation, dissolution or winding-up, an amount per share equal to the fixed liquidation preference of $25.00 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution (but without any amount in respect of dividends that have not been declared prior to the date of payment of the liquidating distribution). After payment of the full amount of the liquidating distribution described above, the holders of the Series D Preferred Stock shall not be entitled to any further participation in any distribution of our assets.

In any such distribution, if our assets are not sufficient to pay the liquidation preference in full to all holders of Series D Preferred Stock and all holders of any shares of our capital stock ranking as to any such liquidation distribution on parity with the Series D Preferred Stock, including the Series C Preferred Stock, Series E Preferred Stock and Series F Preferred Stock, the amounts paid to the holders of Series D Preferred Stock and to such other shares will be paid *pro rata* in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series D Preferred Stock and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference per share of Series D Preferred Stock has been paid in full to all holders of Series D Preferred Stock and the liquidation preference per share of any other capital stock ranking on parity with the Series D Preferred Stock as to liquidation rights has been paid in full, the holders of our common stock or any other capital stock ranking, as to liquidation rights, junior to the Series D Preferred Stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

The Series D Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the "orderly liquidation authority" provisions of the Dodd-Frank Act.

For purposes of the liquidation rights, neither the sale, conveyance, exchange or transfer of all or substantially all of our assets or business, nor the consolidation or merger by us with or into any other entity or by another entity with or into us, whether for cash, securities or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution or winding-up of our affairs.

Voting Rights

Except as provided below and as determined by our board of directors, or a duly authorized committee thereof, the holders of the Series D Preferred Stock will have no voting rights.

Whenever dividends on any shares of the Series D Preferred Stock, or any parity stock upon which similar voting rights have been conferred ("special voting preferred stock"), shall have not been declared and paid for an aggregate amount equal to the amount of dividends payable on the Series D Preferred Stock as contemplated herein for six or more quarterly dividend payments, whether or not for consecutive dividend periods (which we refer to as a "nonpayment"), the holders of the Series D Preferred Stock, voting together as a class with holders of any special voting preferred stock then outstanding, will be entitled to vote (based on respective liquidation preferences) for the election of a total of two additional members of our board of directors (which we refer to as the "preferred directors") provided that our board of directors shall at no time include more than two preferred directors. In that event, the number of directors on our board of directors shall automatically increase by two and, at the request of any holder of Series D Preferred Stock, a special meeting of the holders of Series D Preferred Stock and such special voting preferred stock for which dividends have not been paid shall be called for the election of the two directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election shall be held at such next annual or special meeting of shareholders), followed by such election at each subsequent annual meeting. These voting rights will continue until full dividends have been paid on the Series D Preferred Stock and such special voting preferred stock for at least four consecutive quarterly dividend periods following the nonpayment.

If and when full dividends have been paid for at least four consecutive quarterly dividend periods following a nonpayment on the Series D Preferred Stock and such special voting preferred stock, the holders of the Series D Preferred Stock and such special voting preferred stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and the term of office of each preferred director so elected shall terminate and the number of directors on our board of directors shall automatically decrease by two.

Any preferred director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Series D Preferred Stock and such special voting preferred stock, voting together as a class, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a preferred director (other than prior to the initial election of the preferred directors) may be filled by the written consent of the preferred director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding shares of Series D Preferred Stock and such special voting preferred stock, voting together as a class, to serve until the next annual meeting of shareholders. The preferred directors shall each be entitled to one vote per director on any matter.

Under regulations adopted by the Federal Reserve, if the holders of one or more series of preferred stock are or become entitled to vote for the election of directors, such series entitled to vote for the same director(s) will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over us, will be subject to regulation as a bank holding company under the BHC Act. In addition, if the series is/are deemed to be a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series. While we do not believe the Series D Preferred Stock are considered "voting securities" currently, holders of such stock should consult their own counsel with regard to regulatory implications. A holder or group of holders may also be deemed to control us if they own more than one-third of our total equity, both voting and non-voting, aggregating all shares held by the holders across all classes of stock.

So long as any shares of Series D Preferred Stock remain outstanding, in addition to any other vote or consent of shareholders required by law or our articles of incorporation, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of Series D Preferred Stock entitled to vote thereon, voting separately as a single class, shall be required to:

- authorize, create, issue or increase the authorized amount of any class or series of our capital stock ranking senior to the Series D Preferred Stock with respect to payment of dividends or as to distributions upon our liquidation, dissolution or winding-up, or issue any obligation or security convertible into or exchangeable for evidencing the right to purchase any such class or series of our capital stock;

- amend, alter or repeal the provisions of our articles of incorporation, including the Statement with Respect to Shares creating the Series D Preferred Stock, whether by merger, consolidation or otherwise, so as to materially and adversely affect the special powers, preferences, privileges or rights of the Series D Preferred Stock, taken as a whole; or

- consummate a binding share-exchange or reclassification involving the Series D Preferred Stock, or sale, conveyance, exchange or transfer of all or substantially all of our assets or business or a merger or consolidation of us with or into another entity, unless in each case, the shares of the Series D Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have powers, preferences, privileges and rights that are not materially less favorable to the holders thereof than the powers, preferences, privileges and rights of the Series D Preferred Stock, taken as a whole.

When determining the application of the voting rights described in this section, the authorization, creation and issuance, or an increase in the authorized or issued amount of, junior stock or any class or series of capital stock that by its terms expressly provides that it ranks on parity with the Series D Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon our liquidation, dissolution or winding-up, or any securities convertible into or exchangeable or exercisable for junior stock or any class or series of capital stock, shall not be deemed to materially and adversely affect the special powers, preferences, privileges or rights, and shall not require the affirmative vote or consent of, the holders of any outstanding shares of Series D Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series D Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of the Series D Preferred Stock to effect such redemption.

Transfer Agent and Registrar

Computershare, Inc. is the transfer agent, registrar, dividend disbursement agent and redemption agent for the Series D Preferred Stock.

Series E Preferred Stock (Trading Symbol CUBI/PE)

The following description of our Series E Preferred Stock is a summary. This summary is not complete and is subject to the complete text of our amended and restated articles of incorporation, as amended (including the Statement With Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E), and amended and restated bylaws, as amended, copies of which are available as exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

General

We have filed a Statement with Respect to Shares which established the terms of the Series E Preferred Stock. The Statement with Respect to Shares initially authorized 2,300,000 shares of Series E Preferred Stock. We may, without notice to or the consent of holders of the Series E Preferred Stock, issue additional shares of Series E Preferred Stock from time to time.

We will generally be able to pay dividends and distributions upon our liquidation, dissolution or winding up only out of lawfully available funds for such payment (i.e., after taking account of all indebtedness, other non-equity and other senior claims).

Holders of Series E Preferred Stock do not have preemptive or subscription rights to acquire more stock of Customers Bancorp. The Series E Preferred Stock is not be convertible into or exchangeable for our common stock or any other class or series of our capital stock. The Series E Preferred Stock does not have a stated maturity date, is not be subject to any sinking fund or any other obligation of us for their repurchase, redemption or retirement and will be perpetual unless redeemed at our option.

Ranking

Shares of the Series E Preferred Stock will rank, with respect to the payment of dividends and distributions upon our liquidation, dissolution or winding-up, respectively:

- senior to our common stock and to any class or series of our capital stock we may issue that is not expressly stated to be on parity with or senior to the Series E Preferred Stock;
- on parity with, or equally to, with any class or series of our capital stock expressly stated to be on parity with the Series E Preferred Stock, including our Series C Preferred Stock and Series D Preferred Stock; and
- junior to any class or series of our capital stock expressly stated to be senior to the Series E Preferred Stock (issued with the requisite consent of the holders of at least two-thirds of the outstanding Series E Preferred Stock).

Dividends

Dividends on shares of the Series E Preferred Stock are discretionary and will not be cumulative. Holders of the Series E Preferred Stock will be entitled to receive, if, when and as declared by our board of directors, or a duly authorized committee of the board, out of legally available assets, non-cumulative cash dividends from the original issue date (in the case of the initial dividend period only, as described below) or the immediately preceding dividend payment date, quarterly in arrears on the 15th day of March, June, September and December of each year (each such date being referred to herein as a "dividend payment date"). Dividends on each share of Series E Preferred Stock will accrue on the liquidation preference amount of $25.00 per share at a rate per annum equal to 6.45% with respect to each dividend period from and including the original issue date to, but excluding, June 15, 2021 (the "fixed rate period"), and thereafter at a rate per annum equal to the three-month LIBOR (as defined below) on the related dividend determination date plus a spread of 5.14% per annum (the "floating rate period"). In the event that we issue additional shares of Series E Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue date or any other date we specify at the time such additional shares are issued. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series E Preferred Stock.

Dividends will be payable to holders of record of Series E Preferred Stock as they appear on our books on the applicable record date (each such date being referred to herein as a "dividend record date"), which shall be the 15th calendar day before the dividend payment date or such other record date fixed by our board of directors, or any duly authorized committee of the board, that is not less than 15 calendar days or more than 30 calendar days before the applicable dividend payment date.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date or any earlier redemption date. Any dividend payable on shares of the Series E Preferred Stock for any dividend period during the fixed rate period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends for the initial dividend period will be calculated from the original issue date. Any dividend payable on shares of the Series E Preferred Stock for any dividend period during the floating rate period will be computed on the basis of a 360-day year and the actual number of days elapsed in such dividend period. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. If any dividend payment date applicable to the fixed rate period is not a business day, then the related payment of dividends will be made on the next succeeding business day, and no additional dividends will accrue on such payment. If any dividend payment date applicable to the floating rate period is not a business day, then the dividend payment date will be postponed to the next succeeding business day and dividends will accrue to, but exclude the next succeeding business day.

For any dividend period during the floating rate period, three-month LIBOR (the London interbank offered rate) shall be determined by the calculation agent on the second London business day immediately preceding the first day of such dividend period (which we refer to as the "dividend determination date") in the following manner:

(i) Three-month LIBOR will be the rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000, as that rate appears on Reuters screen page "LIBOR01", or any successor page, as of 11:00 a.m., London time, on that dividend determination date.

(ii) If no offered rate appears on Reuters screen page "LIBOR01" on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable dividend period in an amount of at least $1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, three-month

LIBOR for the next dividend period will be equal to three-month LIBOR in effect for the then-current dividend period.

The calculation agent then will add three-month LIBOR as determined on the dividend determination date and any applicable spread.

The calculation agent's determination of any dividend rate, and its calculation of the amount of dividends for any dividend period, will be on file at our principal offices, will be made available to any holder of Series E Preferred Stock upon request and will be final and binding in the absence of manifest error.

The term "business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York. The term "London business day" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

Dividends on shares of the Series E Preferred Stock will not be cumulative. Accordingly, if our board of directors, or a duly authorized committee of the board, does not declare a full dividend on the Series E Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series E Preferred Stock are declared for any future dividend period.

We are subject to statutory and regulatory prohibitions and other limitations on our ability to declare and pay dividends on the Series E Preferred Stock. Dividends on the Series E Preferred Stock will not be declared, paid or set aside for payment if we fail to comply, or if and to the extent such act would cause us to fail to comply, with applicable laws and regulations. In particular, dividends on the Series E Preferred Stock may not be declared or set aside for payment if and to the extent such dividends would cause us to fail to comply with the capital adequacy guidelines of the Federal Reserve (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency) applicable to us. The Federal Reserve and the FDIC also have the authority to prohibit or to limit the payment of dividends by a banking organization under its jurisdiction if, in the regulator's opinion, the organization is engaged in or is about to engage in an unsafe or unsound practice. Federal Reserve policy also states that dividends on capital stock should be paid from current earnings.

As a Pennsylvania corporation, our payment of cash dividends is also subject to the restrictions under Pennsylvania law on the declaration of cash dividends. Under such provisions, cash dividends may not be paid if a corporation will not be able to pay its debts as they become due in the usual course of business after paying such a cash dividend or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy certain liquidation preferential rights.

Priority of Dividends

The Series E Preferred Stock will rank junior as to payment of dividends to any class or series of our preferred stock that we may issue in the future that is expressly stated to be senior to the Series E Preferred Stock. If at any time we do not pay, on the applicable dividend payment date, accrued dividends on any shares that rank in priority to the Series E Preferred Stock with respect to dividends, including the Series C Preferred Stock, Series D Preferred Stock and Series F Preferred Stock, we may not pay any dividends on the Series E Preferred Stock or repurchase, redeem or otherwise acquire for consideration any shares of Series E Preferred Stock until we have paid, or set aside for payment, the full amount of the unpaid dividends on the shares that rank in priority with respect to dividends that must, under the terms of such shares, be paid before we may pay dividends on, repurchase, redeem or otherwise acquire for consideration, the Series E Preferred Stock.

So long as any share of Series E Preferred Stock remains outstanding, unless the full dividends for the most recently completed dividend period have been declared and paid, or set aside for payment, on all outstanding shares of Series E Preferred Stock:

- no dividend or distribution shall be declared, paid or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock or (ii) a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock or other property under any such plan, or the redemption or repurchase of any rights under any such plan);

- no junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of shares of junior stock for or into other shares of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities; and

- no parity stock, including the Series C Preferred Stock, Series D Preferred Stock and Series F Preferred Stock, shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series E Preferred Stock and any parity stock, (ii) as a result of a reclassification of any parity stock for or into other parity stock, (iii) the exchange or conversion of any parity stock for or into other parity stock or junior stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock, (v) purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities.

Notwithstanding the foregoing, if dividends are not paid in full, or set aside for payment in full, on any dividend payment date upon the shares of the Series E Preferred Stock and any shares of parity stock, including the Series C Preferred Stock, Series D Preferred Stock and Series F Preferred Stock, all dividends declared upon the Series E Preferred Stock and all such parity stock payable on such dividend payment date shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series E Preferred Stock and all parity stock payable on such dividend payment date bear to each other.

As used herein, "junior stock" means our common stock and any other class or series of our capital stock over which the Series E Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. Junior stock includes our common stock.

As used herein, "parity stock" means any other class or series of our capital stock that ranks equally with the Series E Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. Parity stock includes our Series C Preferred Stock, Series D Preferred Stock and Series F Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be declared and paid on our junior stock, which includes our common stock, from time to time out of any assets legally available for such payment, and the holders of Series E Preferred Stock or parity stock shall not be entitled to participate in any such dividend.

Exhibit 4.7

Redemption

The Series E Preferred Stock is perpetual and has no maturity date, and is not subject to any mandatory redemption, sinking fund or other similar provisions. The holders of the Series E Preferred Stock will not have any right to require the redemption or repurchase of their shares of Series E Preferred Stock.

We may, at our option, redeem the Series E Preferred Stock (1) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2021, or (2) in whole but not in part at any time within 90 days following a "regulatory capital treatment event," in each case at a price equal to $25.00 per share, plus the per share amount of any declared and unpaid dividends, without regard to any undeclared dividends, on the Series E Preferred Stock prior to the date fixed for redemption, which we refer to as the redemption date. Investors should not expect us to redeem the Series E Preferred Stock on or after the date it becomes redeemable at our option.

A "regulatory capital treatment event" means the good faith determination by us that, as a result of any:

- amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of the Series E Preferred Stock;
- proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series E Preferred Stock; or
- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series E Preferred Stock;

there is more than an insubstantial risk that we will not be entitled to treat the full liquidation preference amount of $25.00 per share of the Series E Preferred Stock then outstanding as additional Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the Federal Reserve or other appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series E Preferred Stock is outstanding.

Under regulations applicable to us, we may not exercise our option to redeem any shares of preferred stock without obtaining the prior approval of the Federal Reserve. Under such regulations, unless the Federal Reserve authorizes us to do otherwise in writing, we may not redeem the Series E Preferred Stock unless it is replaced with other Tier 1 capital instruments or unless we can demonstrate to the satisfaction of the Federal Reserve that following redemption, we will continue to hold capital commensurate with its risk.

If shares of the Series E Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of the Series E Preferred Stock to be redeemed, either by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on our stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series E Preferred Stock are held in book-entry form through The Depository Trust Company, or DTC, we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of the Series E Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder;
- the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Series E Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Series E Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series E Preferred Stock, such shares of Series E Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In case of any redemption of only part of the shares of the Series E Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata*, by lot or in such other manner as we may determine to be equitable and permitted by the rules of any national securities exchange on which the Series E Preferred Stock is listed.

Liquidation Rights

In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of the Series E Preferred Stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities or obligations to creditors, if any, and subject to the rights of holders of any shares of capital stock then outstanding ranking senior to or on parity with the Series E Preferred Stock with respect to distributions upon the voluntary or involuntary liquidation, dissolution or winding-up of our business and affairs, and before we make any distribution of assets to the holders of our common stock or any other class or series of our capital stock ranking junior to the Series E Preferred Stock with respect to distributions upon our liquidation, dissolution or winding-up, an amount per share equal to the fixed liquidation preference of $25.00 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution (but without any amount in respect of dividends that have not been declared prior to the date of payment of the liquidating distribution). After payment of the full amount of the liquidating distribution described above, the holders of the Series E Preferred Stock shall not be entitled to any further participation in any distribution of our assets.

In any such distribution, if our assets are not sufficient to pay the liquidation preference in full to all holders of Series E Preferred Stock and all holders of any shares of our capital stock ranking as to any such liquidation distribution on parity with the Series E Preferred Stock, including the Series C Preferred Stock, Series D Preferred Stock and Series F Preferred Stock, the amounts paid to the holders of Series E Preferred Stock and to such other shares will be paid *pro rata* in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series E Preferred Stock and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference per share of Series E Preferred Stock has been paid in full to all holders of Series E Preferred Stock and the liquidation preference per share of any other capital stock ranking on parity with the Series E Preferred Stock as to liquidation rights has been paid in full, the holders of our common stock or any other capital stock ranking, as to liquidation rights, junior to the Series E Preferred Stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

The Series E Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the "orderly liquidation authority" provisions of the Dodd-Frank Act.

For purposes of the liquidation rights, neither the sale, conveyance, exchange or transfer of all or substantially all of our assets or business, nor the consolidation or merger by us with or into any other entity or by another entity with or into us, whether for cash, securities or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution or winding-up of our affairs.

Voting Rights

Except as provided below and as determined by our board of directors, or a duly authorized committee thereof, the holders of the Series E Preferred Stock will have no voting rights.

Whenever dividends on any shares of the Series E Preferred Stock, or any parity stock upon which similar voting rights have been conferred ("special voting preferred stock"), shall have not been declared and paid for an aggregate amount equal to the amount of dividends payable on the Series E Preferred Stock as contemplated herein for six or more quarterly dividend payments, whether or not for consecutive dividend periods (which we refer to as a "nonpayment"), the holders of the Series E Preferred Stock, voting together as a class with holders of any special voting preferred stock then outstanding, will be entitled to vote (based on respective liquidation preferences) for the election of a total of two additional members of our board of directors (which we refer to as the "preferred directors") provided that our board of directors shall at no time include more than two preferred directors. In that event, the number of directors on our board of directors shall automatically increase by two and, at the request of any holder of Series E Preferred Stock, a special meeting of the holders of Series E Preferred Stock and such special voting preferred stock for which dividends have not been paid shall be called for the election of the two directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election shall be held at such next annual or special meeting of shareholders), followed by such election at each subsequent annual meeting. These voting rights will continue until full dividends have been paid on the Series E Preferred Stock and such special voting preferred stock for at least four consecutive quarterly dividend periods following the nonpayment.

If and when full dividends have been paid for at least four consecutive quarterly dividend periods following a nonpayment on the Series E Preferred Stock and such special voting preferred stock, the holders of the Series E Preferred Stock and such special voting preferred stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and the term of office of each preferred director so elected shall terminate and the number of directors on our board of directors shall automatically decrease by two.

Any preferred director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Series E Preferred Stock and such special voting preferred stock, voting together as a class, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a preferred director (other than prior to the initial election of the preferred directors) may be filled by the written consent of the preferred director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding shares of Series E Preferred Stock and such special voting preferred stock, voting together as a class, to serve until the next annual meeting of shareholders. The preferred directors shall each be entitled to one vote per director on any matter.

Under regulations adopted by the Federal Reserve, if the holders of one or more series of preferred stock are or become entitled to vote for the election of directors, such series entitled to vote for the same director(s) will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over us, will be subject to regulation as a bank holding company under the BHC Act. In addition, if the series is/are deemed to be a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series. While we do not believe the Series E Preferred Stock are considered "voting securities" currently, holders of such stock should consult their own counsel with regard to regulatory implications. A holder or group of holders may also be deemed to control us if they own more than one-third of our total equity, both voting and non-voting, aggregating all shares held by the holders across all classes of stock.

So long as any shares of Series E Preferred Stock remain outstanding, in addition to any other vote or consent of shareholders required by law or our articles of incorporation, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of Series E Preferred Stock entitled to vote thereon, voting separately as a single class, shall be required to:

- authorize, create, issue or increase the authorized amount of any class or series of our capital stock ranking senior to the Series E Preferred Stock with respect to payment of dividends or as to distributions upon our liquidation, dissolution or winding-up, or issue any obligation or security convertible into or exchangeable for evidencing the right to purchase any such class or series of our capital stock;
- amend, alter or repeal the provisions of our articles of incorporation, including the Statement with Respect to Shares creating the Series E Preferred Stock, whether by merger, consolidation or otherwise, so as to materially and adversely affect the special powers, preferences, privileges or rights of the Series E Preferred Stock, taken as a whole; or
- consummate a binding share-exchange or reclassification involving the Series E Preferred Stock, or sale, conveyance, exchange or transfer of all or substantially all of our assets or business or a merger or consolidation of us with or into another entity, unless in each case, the shares of the Series E Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have powers, preferences, privileges and rights that are not materially less favorable to the holders thereof than the powers, preferences, privileges and rights of the Series E Preferred Stock, taken as a whole.

When determining the application of the voting rights described in this section, the authorization, creation and issuance, or an increase in the authorized or issued amount of, junior stock or any class or series of capital stock that by its terms expressly provides that it ranks on parity with the Series E Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon our liquidation, dissolution or winding-up, or any securities convertible into or exchangeable or exercisable for junior stock or any class or series of capital stock, shall not be deemed to materially and adversely affect the special powers, preferences, privileges or rights, and shall not require the affirmative vote or consent of, the holders of any outstanding shares of Series E Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series E Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of the Series E Preferred Stock to effect such redemption.

Transfer Agent and Registrar

Computershare, Inc. is the transfer agent, registrar, dividend disbursement agent and redemption agent for the Series E Preferred Stock.

Series F Preferred Stock (Trading Symbol CUBI/PF)

The following description of our Series F Preferred Stock is a summary. This summary is not complete and is subject to the complete text of our amended and restated articles of incorporation, as amended (including the Statement With Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F), and amended and restated bylaws, as amended, copies of which are available as exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

General

We have filed a Statement with Respect to Shares which established the terms of the Series F Preferred Stock. The Statement with Respect to Shares initially authorized 3,450,000 shares of Series F Preferred Stock. We may, without notice to or the consent of holders of the Series F Preferred Stock, issue additional shares of Series F Preferred Stock from time to time.

We will generally be able to pay dividends and distributions upon our liquidation, dissolution or winding up only out of lawfully available funds for such payment (i.e., after taking account of all indebtedness, other non-equity and other senior claims).

Holders of Series F Preferred Stock will not have preemptive or subscription rights to acquire more stock of Customers Bancorp. The Series F Preferred Stock will not be convertible into or exchangeable for our common stock or any other class or series of our capital stock. The Series F Preferred Stock does not have a stated maturity date, will not be subject to any sinking fund or any other obligation of us for their repurchase, redemption or retirement and will be perpetual unless redeemed at our option.

Ranking

Shares of the Series F Preferred Stock will rank, with respect to the payment of dividends and distributions upon our liquidation, dissolution or winding-up, respectively:

- senior to our common stock and to any class or series of our capital stock we may issue that is not expressly stated to be on parity with or senior to the Series F Preferred Stock;
- on parity with, or equally to, with any class or series of our capital stock expressly stated to be on parity with the Series F Preferred Stock, including our Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock; and
- junior to any class or series of our capital stock expressly stated to be senior to the Series F Preferred Stock (issued with the requisite consent of the holders of at least two-thirds of the outstanding Series F Preferred Stock).

Dividends

Dividends on shares of the Series F Preferred Stock are discretionary and will not be cumulative. Holders of the Series F Preferred Stock will be entitled to receive, if, when and as declared by our board of directors, or a duly authorized committee of the board, out of legally available assets, non-cumulative cash dividends from the original issue date (in the case of the initial dividend period only, as described below) or the immediately preceding dividend payment date, quarterly in arrears on the 15th day of March, June, September and December of each year (each such date being referred to herein as a "dividend payment date"). Dividends on each share of Series F Preferred Stock will accrue on the liquidation preference amount of $25.00 per share at a rate per annum equal to 6.00% with respect to each dividend period from and including the original issue date to, but excluding, December 15, 2021 (the "fixed rate period"), and thereafter at a rate per annum equal to the three-month LIBOR (as defined below) on the related dividend determination date plus a spread of 4.762% per annum (the "floating rate period"). In the event that we issue additional shares of Series F Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue date or any other date we specify at the time such additional shares are issued. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series F Preferred Stock.

Dividends will be payable to holders of record of Series F Preferred Stock as they appear on our books on the applicable record date (each such date being referred to herein as a "dividend record date"), which shall be the 15th calendar day before the dividend payment date or such other record date fixed by our board of directors, or any duly authorized committee of the board, that is not less than 15 calendar days or more than 30 calendar days before the applicable dividend payment date.

A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date or any earlier redemption date. Any dividend payable on shares of the Series F Preferred Stock for any dividend period during the fixed rate period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends for the initial dividend period will be calculated from the original issue date. Any dividend payable on shares of the Series F Preferred Stock for any dividend period during the floating rate period will be computed on the basis of a 360-day year and the actual number of days elapsed in such dividend period. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. If any dividend payment date applicable to the fixed rate period is not a business day, then the related payment of dividends will be made on the next succeeding business day, and no additional dividends will accrue on such payment. If any dividend payment date applicable to the floating rate period is not a business day, then the dividend payment date will be postponed to the next succeeding business day and dividends will accrue to, but exclude the next succeeding business day.

For any dividend period during the floating rate period, three-month LIBOR (the London interbank offered rate) shall be determined by the calculation agent on the second London business day immediately preceding the first day of such dividend period (which we refer to as the "dividend determination date") in the following manner:

(i) Three-month LIBOR will be the rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least $1,000,000, as that rate appears on Reuters screen page "LIBOR01", or any successor page, as of 11:00 a.m., London time, on that dividend determination date.

(ii) If no offered rate appears on Reuters screen page "LIBOR01", or any successor page, on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable dividend period in an amount of at least $1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, three-month LIBOR for the next dividend period will be equal to three-month LIBOR in effect for the then-current dividend period, or, in the case of the first floating rate period, the most recent rate that could have been determined had the floating rate period been applicable prior to the first floating rate period.

The calculation agent then will add three-month LIBOR as determined on the dividend determination date and any applicable spread.

The calculation agent will be appointed prior to the first dividend payment date on December 15, 2016. The calculation agent's determination of any dividend rate, and its calculation of the amount of dividends for any dividend period, will be on file at our principal offices, will be made available to any holder of Series F Preferred Stock upon request and will be final and binding in the absence of manifest error.

The term "business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York. The term "London business day" means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday and is a day on which dealings in U.S. dollars are transacted in the London interbank market.

Dividends on shares of the Series F Preferred Stock will not be cumulative. Accordingly, if our board of directors, or a duly authorized committee of the board, does not declare a full dividend on the Series F Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series F Preferred Stock are declared for any future dividend period.

We are subject to statutory and regulatory prohibitions and other limitations on our ability to declare and pay dividends on the Series F Preferred Stock. Dividends on the Series F Preferred Stock will not be declared, paid or set aside for payment if we fail to comply, or if and to the extent such act would cause us to fail to comply, with applicable laws and regulations. In particular, dividends on the Series F Preferred Stock may not be declared or set aside for payment if and to the extent such dividends would cause us to fail to comply with the capital adequacy rules of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency) applicable to us. The Federal Reserve and the FDIC also have the authority to prohibit or to limit the payment of dividends by a banking organization under its jurisdiction if, in the regulator's opinion, the organization is engaged in or is about to engage in an unsafe or unsound practice. Federal Reserve policy also states that dividends on capital stock should be paid from current earnings.

As a Pennsylvania corporation, our payment of cash dividends is also subject to the restrictions under Pennsylvania law on the declaration of cash dividends. Under such provisions, cash dividends may not be paid if a corporation will not be able to pay its debts as they become due in the usual course of business after paying such a cash dividend or if the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy certain liquidation preferential rights.

Priority of Dividends

The Series F Preferred Stock will rank junior as to payment of dividends to any class or series of our preferred stock that we may issue in the future that is expressly stated to be senior to the Series F Preferred Stock. If at any time we do not pay, on the applicable dividend payment date, accrued dividends on any shares that rank in priority to the Series F Preferred Stock with respect to dividends, including the Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, we may not pay any dividends on the Series F Preferred Stock or repurchase, redeem or otherwise acquire for consideration any shares of Series F Preferred Stock until we have paid, or set aside for payment, the full amount of the unpaid dividends on the shares that rank in priority with respect to dividends that must, under the terms of such shares, be paid before we may pay dividends on, repurchase, redeem or otherwise acquire for consideration, the Series F Preferred Stock.

So long as any share of Series F Preferred Stock remains outstanding, unless the full dividends for the most recently completed dividend period have been declared and paid, or set aside for payment, on all outstanding shares of Series F Preferred Stock:

• no dividend or distribution shall be declared, paid or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock or (ii) a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock or other property under any such plan, or the redemption or repurchase of any rights under any such plan); and

• no junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of shares of junior stock for or into other shares of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged) nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities; and

• no parity stock, including the Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series F Preferred Stock and any parity stock, (ii) as a result of a reclassification of any parity stock for or into other parity stock, (iii) the exchange or conversion of any parity stock for or into other parity stock or junior stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock, (v) purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, or (vi) the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged) nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities.

Notwithstanding the foregoing, if dividends are not paid in full, or set aside for payment in full, on any dividend payment date upon the shares of the Series F Preferred Stock and any shares of parity stock, including the Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, all dividends declared upon the Series F Preferred Stock and all such parity stock payable on such dividend payment date shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per share on the Series F Preferred Stock and all parity stock payable on such dividend payment date bear to each other.

As used herein, "junior stock" means our common stock and any other class or series of our capital stock over which the Series F Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. Junior stock includes our common stock.

As used herein, "parity stock" means any other class or series of our capital stock that ranks equally with the Series F Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of Customers Bancorp. Parity stock includes our Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) may be declared and paid on our junior stock, which includes our common stock, from time to time out of any assets legally available for such payment, and the holders of Series F Preferred Stock or parity stock shall not be entitled to participate in any such dividend.

Redemption

The Series F Preferred Stock is perpetual and has no maturity date, and is not subject to any mandatory redemption, sinking fund or other similar provisions. The holders of the Series F Preferred Stock will not have any right to require the redemption or repurchase of their shares of Series F Preferred Stock.

We may, at our option, redeem the Series F Preferred Stock (1) in whole or in part, from time to time, on any dividend payment date on or after December 15, 2021, or (2) in whole but not in part at any time within 90 days following a "regulatory capital treatment event," in each case at a price equal to $25.00 per share, plus the per share amount of any declared and unpaid dividends, without regard to any undeclared dividends, on the Series F Preferred Stock prior to the date fixed for redemption, which we refer to as the redemption date. Investors should not expect us to redeem the Series F Preferred Stock on or after the date it becomes redeemable at our option.

A "regulatory capital treatment event" means the good faith determination by us that, as a result of any:

- amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of the Series F Preferred Stock;
- proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series F Preferred Stock; or
- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of any share of the Series F Preferred Stock;

there is more than an insubstantial risk that we will not be entitled to treat the full liquidation preference amount of $25.00 per share of the Series F Preferred Stock then outstanding as additional Tier 1 capital (or its equivalent) for purposes of the capital adequacy rules or regulations of the Federal Reserve or other appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series F Preferred Stock is outstanding.

Under regulations applicable to us, we may not exercise our option to redeem any shares of preferred stock without obtaining the prior approval of the Federal Reserve. Under such regulations, unless the Federal Reserve authorizes us to do otherwise in writing, we may not redeem the Series F Preferred Stock unless it is replaced with other Tier 1 capital instruments or unless we can demonstrate to the satisfaction of the Federal Reserve that following redemption, we will continue to hold capital commensurate with its risk.

If shares of the Series F Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of the Series F Preferred Stock to be redeemed, either by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on our stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series F Preferred Stock are held in book-entry form through The Depository Trust Company, or DTC, we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of the Series F Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder;
- the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Series F Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Series F Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series F Preferred Stock, such shares of Series F Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In case of any redemption of only part of the shares of the Series F Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata*, by lot or in such other manner as we may determine to be equitable and permitted by the rules of any national securities exchange on which the Series F Preferred Stock is listed.

Liquidation Rights

In the event that we voluntarily or involuntarily liquidate, dissolve or wind up our affairs, holders of the Series F Preferred Stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities or obligations to creditors, if any, and subject to the rights of holders of any shares of capital stock then outstanding ranking senior to or on parity with the Series F Preferred Stock with respect to distributions upon the voluntary or involuntary liquidation, dissolution or winding-up of our business and affairs, and before we make any distribution of assets to the holders of our common stock or any other class or series of our capital stock ranking junior to the Series F Preferred Stock with respect to distributions upon our liquidation, dissolution or winding-up, an amount per share equal to the fixed liquidation preference of $25.00 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution (but without any amount in respect of dividends that have not been declared prior to the date of payment of the liquidating distribution). After payment of the full amount of the liquidating distribution described above, the holders of the Series F Preferred Stock shall not be entitled to any further participation in any distribution of our assets.

In any such distribution, if our assets are not sufficient to pay the liquidation preference in full to all holders of Series F Preferred Stock and all holders of any shares of our capital stock ranking as to any such liquidation distribution on parity with the Series F Preferred Stock, including the Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, the amounts paid to the holders of Series F Preferred Stock and to such other shares will be paid *pro rata* in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series F Preferred Stock and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference per share of Series F Preferred Stock has been paid in full to all holders of Series F Preferred Stock and the liquidation preference per share of any other capital stock ranking on parity with the Series F Preferred Stock as to liquidation rights has been paid in full, the holders of our common stock or any other capital stock ranking, as to liquidation rights, junior to the Series F Preferred Stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

The Series F Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the "orderly liquidation authority" provisions of the Dodd-Frank Act.

For purposes of the liquidation rights, neither the sale, conveyance, exchange or transfer of all or substantially all of our assets or business, nor the consolidation or merger by us with or into any other entity or by another entity with or into us, whether for cash, securities or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution or winding-up of our affairs.

Voting Rights

Except as provided below and as determined by our board of directors, or a duly authorized committee thereof, the holders of the Series F Preferred Stock will have no voting rights.

Whenever dividends on any shares of the Series F Preferred Stock, or any parity stock upon which similar voting rights have been conferred ("special voting preferred stock"), shall have not been declared and paid for an aggregate amount equal to the amount of dividends payable on the Series F Preferred Stock as contemplated herein for six or more quarterly dividend payments, whether or not for consecutive dividend periods (which we refer to as a "nonpayment"), the holders of the Series F Preferred Stock, voting together as a class with holders of any special voting preferred stock then outstanding, will be entitled to vote (based on respective liquidation preferences) for the election of a total of two additional members of our board of directors (which we refer to as the "preferred directors") provided that our board of directors shall at no time include more than two preferred directors. In that event, the number of directors on our board of directors shall automatically increase by two and, at the request of any holder of Series F Preferred Stock, a special meeting of the holders of Series F Preferred Stock and such special voting preferred stock for which dividends have not been paid shall be called for the election of the two directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders, in which event such election shall be held at such next annual or special meeting of shareholders), followed by such election at each subsequent annual meeting. These voting rights will continue until full dividends have been paid on the Series F Preferred Stock and such special voting preferred stock for at least four consecutive quarterly dividend periods following the nonpayment.

If and when full dividends have been paid for at least four consecutive quarterly dividend periods following a nonpayment on the Series F Preferred Stock and such special voting preferred stock, the holders of the Series F Preferred Stock and such special voting preferred stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent nonpayment) and the term of office of each preferred director so elected shall terminate and the number of directors on our board of directors shall automatically decrease by two.

Any preferred director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Series F Preferred Stock and such special voting preferred stock, voting together as a class, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a preferred director (other than prior to the initial election of the preferred directors) may be filled by the written consent of the preferred director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding shares of Series F Preferred Stock and such special voting preferred stock, voting together as a class, to serve until the next annual meeting of shareholders. The preferred directors shall each be entitled to one vote per director on any matter.

Under regulations adopted by the Federal Reserve, if the holders of one or more series of preferred stock are or become entitled to vote for the election of directors, such series entitled to vote for the same director(s) will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over us, will be subject to regulation as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). In addition, if the series is/are deemed to be a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series. While we do not believe the Series F Preferred Stock are considered "voting securities" currently, holders of such stock should consult their own counsel with regard to regulatory implications. A holder or group of holders may also be deemed to control us if they own more than one-third of our total equity, both voting and non-voting, aggregating all shares held by the holders across all classes of stock.

So long as any shares of Series F Preferred Stock remain outstanding, in addition to any other vote or consent of shareholders required by law or our articles of incorporation, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of Series F Preferred Stock entitled to vote thereon, voting separately as a single class, shall be required to:

- authorize, create, issue or increase the authorized amount of any class or series of our capital stock ranking senior to the Series F Preferred Stock with respect to payment of dividends or as to distributions upon our liquidation, dissolution or winding-up, or issue any obligation or security convertible into or exchangeable for evidencing the right to purchase any such class or series of our capital stock;

- amend, alter or repeal the provisions of our articles of incorporation, including the Statement with Respect to Shares creating the Series F Preferred Stock, whether by merger, consolidation or otherwise, so as to materially and adversely affect the special powers, preferences, privileges or rights of the Series F Preferred Stock, taken as a whole; or

- consummate a binding share-exchange or reclassification involving the Series F Preferred Stock, or sale, conveyance, exchange or transfer of all or substantially all of our assets or business or a merger or consolidation of us with or into another entity, unless in each case, the shares of the Series F Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have powers, preferences, privileges and rights that are not materially less favorable to the holders thereof than the powers, preferences, privileges and rights of the Series F Preferred Stock, taken as a whole.

When determining the application of the voting rights described in this section, the authorization, creation and issuance, or an increase in the authorized or issued amount of, junior stock or any class or series of capital stock that by its terms expressly provides that it ranks on parity with the Series F Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon our liquidation, dissolution or winding-up, or any securities convertible into or exchangeable or exercisable for junior stock or any class or series of capital stock, shall not be deemed to materially and adversely affect the special powers, preferences, privileges or rights, and shall not require the affirmative vote or consent of, the holders of any outstanding shares of Series F Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series F Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of the Series F Preferred Stock to effect such redemption.

Transfer Agent and Registrar

Computershare, Inc. is the transfer agent, registrar, dividend disbursement agent and redemption agent for the Series F Preferred Stock.

Description of 5.375% Subordinated Notes due 2034 (Trading Symbol CUBB)

The following description of our Series F Preferred Stock is a summary. This summary is not complete and is subject to the complete text of the Indenture, dated as of December 9, 2019, between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, the First Supplemental Indenture, dated as of December 9, 2019, between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee and the form of 5.375% Subordinated Note copies of which are available as exhibits to our Form 10-K Annual Report. We encourage you to read those documents carefully.

General

The notes will be our unsecured and subordinated obligations and are intended to qualify as Tier 2 Capital under the guidelines established by the Federal Reserve for bank holding companies. The notes will be issued in an initial aggregate principal amount of $65,000,000 and will mature on December 30, 2034, unless earlier redeemed by us. The notes will rank equally among themselves, junior to our existing and future Senior Indebtedness, effectively junior to our secured subordinated indebtedness to the extent of the value securing the same and effectively subordinated to all existing and future indebtedness, deposits and other liabilities and preferred equity of Customers Bank and Customer Bancorp's other subsidiaries. See "—Ranking" below. The notes will not be subject to, or entitled to the benefits of, a sinking fund or repurchase by us at the option of the holders. The notes will be issued only in fully registered book-entry form without coupons and in minimum denominations of $25 and integral multiples of $25 in excess thereof. Currently, there is no public market for the notes. We will apply to list the notes on the New York Stock Exchange.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders have rights under the Indenture. Payment of the principal of, and interest on, the notes represented by a global note registered in the name of or held by DTC or its nominee will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered owner and holder of such global note.

Holders of the notes and the Trustee have no right to accelerate the maturity of the notes in the event we fail to pay interest or principal on the notes, fail to perform any other obligation under the notes or in the Indenture or default on any other securities issued by us. See "—Events of Default; Limitation on Suits" below.

The Indenture contains no covenants or restrictions restricting the incurrence of Senior Indebtedness, parity indebtedness or secured subordinated indebtedness by us or the incurrence or issuance by our subsidiaries of any indebtedness, deposits or other liabilities or any preferred stock. The Indenture contains no financial covenants and does not restrict us from paying dividends or issuing or repurchasing other securities, and does not contain any provision that would provide protection to the holders of the notes against a sudden and dramatic decline in credit quality resulting from a merger, takeover, recapitalization or similar restructuring or any other event involving us or our subsidiaries that may adversely affect our credit quality, except to the extent described under the headings "— Merger, Consolidation, Sale, Lease or Conveyance" and "— Certain Covenants" below.

The notes will not be savings accounts, deposits or other obligations of any of our subsidiaries and will not be insured or guaranteed by the FDIC or any other governmental agency or instrumentality.

We may, without notice to or the consent of the holders of notes, but in compliance with the terms of the Indenture, issue additional notes having the same ranking, interest rate, maturity date and other terms as the notes other than issue date and offering price. Any such additional notes, together with the notes being issued hereby, will constitute a single series under the Indenture; provided, however, that no additional notes may be issued unless they will be fungible with the notes offered hereby for U.S. federal income tax and securities law purposes; and provided, further, that the additional notes have the same CUSIP number as the notes offered hereby. No additional notes may be issued if any event of default (as defined below) has occurred and is continuing with respect to the notes.

Interest

Interest on the notes will accrue at the rate of 5.375% per annum. Interest on the notes will be payable quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, commencing on March 30, 2020. We will make each interest payment on the applicable interest payment date to the registered holders of notes at the close of business on the fifteenth day (whether or not a business day) immediately preceding the applicable interest payment date. Interest on the notes at the maturity date or earlier redemption will be payable to the persons to whom principal is payable. Interest on the notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest payments on the notes will be the amount of interest accrued from and including December 9, 2019 or the most recent interest payment date on which interest has been paid to but excluding the interest payment date or the maturity date or earlier redemption, as the case may be.

Methods of Payment

If any interest payment date or the stated maturity or earlier redemption of the notes is not a business day, then the related payment of interest or principal payable, as applicable, on such date will be paid on the next succeeding business day with the same force and effect as if made on such interest payment date or stated maturity and no further interest will accrue as a result of such delay. A "business day" means any day other than a Saturday, Sunday or a day in the City of New York, New York, the City of Wilmington, Delaware or a place of payment on which banking institutions or trust companies are authorized or required by law, regulation or executive order to remain closed. For notes held in definitive form, payments of interest may be made, at our option, by (i) mailing a check for such interest payable to or upon the written order of the person entitled thereto, to the address of such person as it appears on the security register or (ii) transfer to an account maintained by the payee located inside the United States. For notes held in global form, payments shall be made through DTC, or its nominee, as the registered owner of the notes.

Ranking

Our obligation to make any payment on account of the principal of, or interest on, the notes will be subordinate and junior in right of payment to the prior payment in full of all of our Senior Indebtedness.

Exhibit 4.7

“Senior Indebtedness” is defined to include principal of (and premium, if any) and interest, if any, on, and any other payment due pursuant to, any of the following:

- our obligations for money borrowed;
- indebtedness evidenced by bonds, debentures, notes or similar instruments;
- similar obligations arising from off-balance sheet guarantees and direct credit substitutes;
- reimbursement obligations with respect to letters of credit, bankers’ acceptances or similar facilities;
- obligations issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business);
- capital lease obligations;
- obligations associated with derivative products, including but not limited to securities contracts, foreign currency exchange contracts, swap agreements (including interest rate and foreign exchange rate swap agreements), cap agreements, floor agreements, collar agreements, interest rate agreements, foreign exchange rate agreements, options, commodity futures contracts, commodity option contracts and similar financial instruments;
- debt of others described in the preceding clauses that we have guaranteed or for which we are otherwise liable;
- any deferrals, renewals or extensions of debt, guarantees or other liabilities described in the preceding clauses; and
- General Obligations (as defined below);

- unless, in any case, in the instrument creating or evidencing any such indebtedness or obligation, or pursuant to which the same is outstanding, it is expressly provided that such indebtedness or obligation is not superior in right of payment to the notes or to other debt that is *pari passu* with or subordinate to the notes.

Senior Indebtedness will not include:

- indebtedness owed by us to Customers Bank or other subsidiaries; or

- any indebtedness the terms of which expressly provide that such indebtedness ranks equally with, or junior to, the notes or to other debt that is equal with or junior to the notes, including guarantees of such indebtedness.

“General Obligations” are defined as all of our obligations to pay claims of general creditors, other than obligations on the notes and our indebtedness for money borrowed ranking equally or subordinate to the notes. Notwithstanding the foregoing, if the Federal Reserve (or other competent regulatory agency or authority) promulgates any rule or issues any interpretation that defines general creditor(s), the main purpose of which is to establish a criteria for determining whether the subordinated debt of a bank holding company is to be included in its capital, then the term “General Obligations” will mean obligations to general creditors as described in that rule or interpretation.

If certain events in bankruptcy, insolvency or reorganization occur, we will first pay all Senior Indebtedness, including any interest accrued after the events occur, in full before we make any payment or distribution, whether in cash, securities or other property, on account of the principal of or interest on the notes. In such an event, we will pay or deliver directly to the holders of Senior Indebtedness any payment or distribution otherwise payable or deliverable to holders of the notes. We will make the payments to the holders of Senior Indebtedness according to priorities existing among those holders until we have paid all Senior Indebtedness, including accrued interest, in full. If, notwithstanding the preceding sentence, the Trustee or the holder of any note receives any payment or distribution before all Senior Indebtedness is paid in full, and if such fact shall, at or prior to the time of such payment or distribution, have been made known to the Trustee or such holder, then such payment or distribution shall be paid over or delivered for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

If such events of bankruptcy, insolvency or reorganization occur, after we have paid in full all amounts owed on Senior Indebtedness, the holders of notes together with the holders of any of our other obligations that rank equally with the notes will be entitled to receive from our remaining assets any principal, premium or interest due at that time on the notes and such other obligations before we make any payment or other distribution on account of any of our capital stock or obligations ranking junior to the notes.

In addition, if any principal, premium or interest in respect of Senior Indebtedness is not paid within any applicable grace period (including at maturity) or any other default on Senior Indebtedness occurs and the maturity of such Senior Indebtedness is accelerated in accordance with its terms, we may not pay the principal of, or interest on, the notes or repurchase, redeem or otherwise retire any notes, unless, in each case, the default has been cured or waived and any such acceleration has been rescinded or such Senior Indebtedness has been paid in full in cash, subject to certain exceptions as provided in the Indenture. If the notes are accelerated before their stated maturity, the holders of Senior Indebtedness outstanding at the time the notes so become due and payable shall be entitled to receive payment in full of all amounts due or to become due on or in respect of such Senior Indebtedness before the holders of the notes are entitled to receive any payment on the notes. If, notwithstanding the foregoing, we make any payment to the Trustee or the holder of any note prohibited by the preceding sentences, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee or such holder, such payment must be paid over and delivered to us.

Because of the subordination provisions of the Indenture, if we become insolvent, holders of Senior Indebtedness may receive more, ratably, and holders of the notes may receive less, ratably, than our other creditors.

As discussed above, neither the notes nor the indenture contains any limitation on the amount of Senior Indebtedness, parity indebtedness or secured subordinated indebtedness that we may incur or any indebtedness, deposits or other liabilities or any preferred stock that Customers Bank or any of our other subsidiaries may incur or issue. Indebtedness, deposits and other liabilities and any preferred equity of Customers Bank or our other subsidiaries do not fall within the definition of Senior Indebtedness, but the notes are structurally subordinated to all of them.

Optional Redemption

We may, at our option, beginning with the interest payment date of December 30, 2029 and on any interest payment date thereafter, redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption, subject to prior approval of the Federal Reserve, to the extent that such approval is required. In case of any such election, notice of redemption must be provided to the holders of the notes not less than 30 days nor more than 60 days prior to the redemption date. The selection of notes to be redeemed in any partial redemption will be made in accordance with DTC's applicable procedures. If any note is to be redeemed in part only, the notice of redemption relating to such note shall state it is a partial redemption and the portion of the principal amount thereof to be redeemed. If we redeem only a portion of the notes on any date of redemption, we may subsequently redeem additional notes.

In addition, we may, at our option and subject to prior approval of the Federal Reserve, to the extent that such approval is required, redeem the notes, in whole but not in part, at any time prior to the stated maturity date, at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the date of redemption, in the event of the occurrence of a Tax Event, a Tier 2 Capital Event or an Investment Company Event.

A “Tax Event” is defined as the receipt by us of an opinion of independent tax counsel to the effect that as a result of:

- an amendment to or change (including any announced prospective amendment or change) in any law or treaty, or any regulation thereunder, of the United States or any of its political subdivisions or taxing authorities;
- a judicial decision, administrative action, official administrative pronouncement, ruling, regulatory procedure, regulation, notice or announcement, including any notice or announcement of intent to adopt or promulgate any ruling, regulatory procedure or regulation;
- an amendment to or change in any official position with respect to, or any interpretation of, a judicial decision, administrative action, official administrative pronouncement, ruling, regulatory procedure, regulation, notice or announcement or a law or regulation of the United States that differs from the previously generally accepted position or interpretation, or
- a threatened challenge asserted in writing in connection with an audit of our federal income tax returns or positions or a similar audit of any of our subsidiaries or a publicly known threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the notes,

in each case, which change or amendment or challenge becomes effective or which pronouncement, decision or challenge is announced on or after the original issue date of the notes, there is more than an insubstantial risk that interest payable by us on the notes is not, or, within 90 days of the date of such opinion, will not be, deductible by us, in whole or in part, for United States federal income tax purposes.

A “Tier 2 Capital Event” is defined to mean our reasonable determination that, as a result of (a) any amendment to, or change in, the laws, rules, regulations, policies or guidelines of the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Federal Reserve and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the notes; (b) any proposed change in those laws, rules, regulations, policies or guidelines that is announced or becomes effective after the initial issuance of the notes; or (c) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules, regulations, policies or guidelines or policies with respect thereto that is announced after the original issue date of the notes, there is more than an insubstantial risk that we will not be entitled to treat the notes then outstanding as “Tier 2 capital” (or its equivalent) for purposes of the capital adequacy rules or regulations of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency) as then in effect and applicable, for so long as any notes are outstanding.

An “Investment Company Event” is defined to mean our becoming required to register as an investment company pursuant to the Investment Company Act of 1940, as amended.

Our election to redeem any notes upon the occurrence of any of the enumerated events above will be provided to the Trustee in the form of an officers’ certificate at least 60 days prior to the redemption date, or such shorter notice as may be acceptable to the Trustee. In case of any such election, notice of redemption must be provided to the holders of the notes not less than 30 days nor more than 60 days prior to the redemption date. Any such redemption may be subject to the satisfaction of conditions precedent as may be set forth in the applicable notice of redemption. If any such conditions precedent have not been satisfied, we shall provide written notice to the Trustee and each holder of the notes prior to the close of business of the business day prior to the redemption date in the same manner in which the notice of redemption was given. Upon receipt of such notice, the notice of redemption shall be rescinded or delayed as provided in such notice. In no event shall the Trustee be responsible to satisfy any such condition precedent, including making a deposit of money required to effectuate the redemption.

The notes are not subject to repurchase at the option of the holders of the notes.

Exhibit 4.7

Events of Default; Limitation on Suits

Under the Indenture, an event of default will occur with respect to the notes only upon the occurrence of any one of the following events:

• the entry of a decree or order for relief in respect of Customers Bancorp by a court having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, or reorganization law, now or hereafter in effect of the United States or any political subdivision thereof, and such decree or order shall have continued unstayed and in effect for a period of 60 consecutive days;

• the commencement by Customers Bancorp of a voluntary case under any applicable bankruptcy, insolvency, or reorganization law, now or hereafter in effect of the United States or any political subdivision thereof, or the consent by Customers Bancorp to the entry of a decree or order for relief in an involuntary case under any such law; or

• in the event a receiver, conservator or similar official is appointed for Customers Bancorp's major subsidiary depository institution (currently, Customers Bank).

If an event of default occurs, the outstanding principal amount and all accrued but unpaid interest on the notes will become due and payable immediately. The foregoing provision would, in the event of the bankruptcy or insolvency involving Customers Bancorp, be subject as to enforcement to the broad equity powers of a federal bankruptcy court and to the determination by that court of the nature and status of the payment claims of the holders of the notes. Subject to certain conditions, but before a judgment or decree for payment of the money due has been obtained, an acceleration may be annulled by the holders of a majority in principal amount of the outstanding notes.

There is no automatic acceleration or right of acceleration in the case of a default in the payment of principal of or interest on the notes or in our non-performance of any other obligation under the notes or the Indenture. If we default in our obligation to pay any interest on the notes when due and payable and such default continues for a period of 30 days, or if we default in our obligation to pay the principal amount due upon maturity, or if we breach any covenant or agreement contained in the Indenture, then the Trustee may, subject to certain limitations and conditions, seek to enforce its rights and the rights of the holders of the notes of the performance of any covenant or agreement in the Indenture.

The Indenture provides that, subject to the duty of the Trustee upon the occurrence of an event of default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of notes unless such holders shall have offered to the Trustee indemnity or security satisfactory to it against the costs, expenses and liabilities which may be incurred by it in complying with such request or direction. Subject to certain provisions, the holders of a majority in principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the notes.

No holder of a note will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the Trustee of a continuing event of default with respect to the notes;

- the holders of not less than 25% in principal amount of the notes shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;

- such holder or holders have offered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in complying with such request;

• the Trustee for 60 days after its receipt of such notice, request, and offer of indemnity has failed to institute any such proceeding; and

• no direction inconsistent with such written request has been given to the Trustee during such 60 day-period by the holders of a majority in principal amount of the outstanding notes.

Merger, Consolidation, Sale, Lease or Conveyance

The Indenture provides that we may not merge or consolidate with or into any person, or sell, lease or convey, in a single transaction or in a series of transactions, all or substantially all of our assets to any person, unless:

• we are the continuing corporation, or the successor corporation or the person that acquires all or substantially all of our assets is a corporation organized and existing under the laws of the United States or a state thereof or the District of Columbia and expressly assumes all our obligations under the notes and the Indenture;

• immediately after giving effect to such merger, consolidation, sale, lease or conveyance there is no default (as defined above) or event of default under the Indenture; and

• we shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating, among other things, that such transaction complies with the terms of the Indenture and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Upon any such consolidation or merger, sale, lease or conveyance, the successor corporation formed, or into which we are merged or to which such sale, conveyance or transfer is made, shall succeed to, and be substituted for, us under the Indenture with the same effect as if it had been an original party to the Indenture. As a result, we will be released from all our liabilities and obligations under the Indenture and under the notes.

Although there is a limited body of case law interpreting the phrase "substantially all" and similar phrases, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "substantially all" of the property or assets of a person.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all notes, when:

(1) either:

(i) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to us or discharged from such trust, have been delivered to the Trustee for cancellation; or

(ii) all such notes not previously delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise, or will become due and payable within one year and we have irrevocably deposited with the Trustee (or the paying agent if other than the Trustee), in trust, for the benefit of the holders of the notes, cash in United States dollars, non-callable government securities or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay and discharge the entire indebtedness on the notes not delivered to the Trustee for cancellation for principal and accrued interest, to the date of maturity or redemption;

(2) we have paid or caused to be paid all sums payable by us under the Indenture with respect to the notes;

(3) we have delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the notes at maturity or on the redemption date, as the case may be; and

(4) we have delivered to the Trustee an officers' certificate and an opinion of counsel stating that the conditions precedent to the satisfaction and discharge of the notes have been satisfied.

Defeasance

We will be deemed to have paid and will be discharged from any and all obligations in respect of the notes and the Indenture on the 91st day after we have made the deposit referred to below, and the provisions of the Indenture will cease to be applicable with respect to the notes (except for, among other matters, certain obligations to register the transfer of or exchange of the notes, to replace stolen, lost or mutilated notes, to maintain paying agencies and to hold funds for payment in trust) if:

(1) we have irrevocably deposited with the Trustee, in trust, for the benefit of the holders of the notes, cash in United States dollars, non-callable government securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of and accrued interest on the notes at the time such payments are due in accordance with the terms of the Indenture;

(2) we have delivered to the Trustee:

(i) an opinion of counsel to the effect that holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such defeasance had not occurred, which opinion of counsel must be based upon a ruling of the U.S. Internal Revenue Service, referred to as the IRS, to the same effect or a change in applicable U.S. federal income tax law or related treasury regulations after the date of the Indenture;

(ii) an opinion of counsel confirming that, among other things, the defeasance trust does not constitute an "investment company" within the meaning of the Investment Company Act of 1940, as amended; and

(iii) an opinion of counsel to the effect that (subject to customary qualifications and assumptions) after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(3) no default (as defined above) or event of default with respect to the notes will have occurred and be continuing on the date of such deposit, or insofar as events of default due to certain events of bankruptcy, insolvency or reorganization in respect of us are concerned, during the period ending on the 91st day after the date of such deposit, and such deposit shall not (i) cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act in respect of the notes or (ii) result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which we are a party or by which we are bound;

(4) we have delivered to the Trustee an officers' certificate stating that the deposit was not made by us with the intent of preferring the holders of notes over any other creditors of ours or with the intent of defeating, hindering, delaying or defrauding any other creditors of ours;

(5) we have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that, subject to customary assumptions and exclusions, all conditions precedent provided for or relating to the defeasance have been complied with; and

(6) the Trustee shall have received such other documents, assurances and opinions of counsel as the Trustee shall have reasonably required.

Supplemental Indentures/Amendments

Except as set forth below, we and the Trustee may enter into an indenture supplemental to the Indenture, with the consent of the holders of a majority in principal amount of the notes then outstanding affected by such amendment, voting as a single class. However, without the consent of each affected holder of the notes, an amendment may not:

- reduce the principal amount of the outstanding notes the consent of whose holders is required for any amendment, supplement or waiver;
- reduce the rate of or extend the time for payment of interest on any note;
- reduce the principal of or change the maturity date of any note;
- reduce the amount of the principal which would be due and payable upon an acceleration of the stated maturity thereof;
- waive a default or event of default in the payment of the principal or interest on any note;
- make any note payable in money other than those stated in the notes;
- waive a redemption payment with respect to the notes;
- impair the right of any holder to institute suit for the enforcement of any payment with respect to the notes;
- change the definition of Senior Indebtedness except to reduce the scope thereof; or
- make any changes to the sections of the Indenture regarding waiver of past defaults, the unconditional rights of holders to receive payment or the prohibition on amendments reducing the principal amount of or interest on, or extending the time for payment on, any note without the consent of each affected holder.

We and the Trustee may enter into one or more indentures supplemental to the Indenture, without the consent of any holder of the notes, for any of the following purposes:

- to cure any ambiguity, defect or inconsistency;
- to provide for the assumption of the Company’s obligations to holders of the notes by a successor to the Company pursuant to the Indenture;
- to make any change that would provide any additional rights or benefits to the holders of the notes or that does not adversely affect the legal rights under the Indenture of any such holder;
- to provide for the issuance of and establish the form and terms and conditions of notes as permitted by the Indenture;
- to comply with requirements of the SEC in order to effect or maintain the qualification of an indenture under the TIA;
- to conform the text of the Indenture or the notes to any provision of the description thereof set forth in the prospectus supplement, the accompanying prospectus or term sheet used in connection with the offering of the notes;
- to add any guarantor or to provide any collateral to secure any notes;
- to add additional obligors under the Indenture and the notes; or
- to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the debt securities of one or more series and to add to or change any of the provisions of this Indenture as

shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee.

Subject to the requirements for the holders to waive a default and to pursue a remedy with respect to the Indenture or the notes and the rights of any holder of a note to receive payment of principal of and interest on such note, holders of a majority in aggregate principal amount of the notes voting as a single class may waive compliance in a particular instance by us with any provision of the Indenture or the note, except as otherwise stated above.

Outstanding Notes; Determinations of Holders' Actions

Notes outstanding at any time are the notes authenticated by the Trustee except for those cancelled by it, those mutilated, destroyed, lost or stolen that have been replaced by the Trustee, those delivered to the Trustee for cancellation and those described below as not outstanding. A note does not cease to be outstanding because we or an affiliate of us holds the note; provided, however, that in determining whether the holders of the requisite principal amount of notes have given or concurred in any request, demand, authorization, direction, notice, consent, amendment or waiver, notes owned by us or an affiliate of us will be disregarded and deemed not to be outstanding. If the paying agent holds on a redemption date money or securities sufficient to pay notes payable on that date, then immediately after such redemption date such notes will cease to be outstanding.

The Trustee may make reasonable rules for action by or at a meeting of holders of the notes. The registrar or paying agent may make reasonable rules and set reasonable requirements for its functions.

Limitation on Individual Liability

No director, officer, employee, incorporator or stockholder of us, as such, will have any liability for any obligations of us under the notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of a note, by accepting a note waives and releases such liability. The waiver and release are part of the consideration for the issuance of the notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

Trustee

Wilmington Trust will act as Trustee for the notes under the Indenture, as permitted by the terms thereof. At all times, the Trustee must be a corporation organized and doing business under the laws of the United States or any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision and examination by federal or state authorities and that, together with its direct parent, if any, has a combined capital and surplus of at least $250,000,000. The Indenture shall always have a trustee that satisfies the applicable requirements of the Trust Indenture Act. The Trustee may resign at any time by giving us written notice; and may be removed as Trustee with respect to the notes:

- by the holders of a majority in aggregate principal amount of the then outstanding notes by notification in writing to us and the Trustee; or
- by us if (i) the Trustee fails to comply with the eligibility requirements described above; (ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any bankruptcy law; (iii) a custodian or public officer takes charge of the Trustee or its property; or (iv) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, we will promptly appoint a successor Trustee. A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to us. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to holders of the notes.

The occurrence of any default under the Indenture could create a conflicting interest for the Trustee under the Trust Indenture Act. If that default has not been cured or waived within 90 days after the Trustee has or acquired a conflicting interest, the Trustee would generally be required by the Trust Indenture Act to eliminate that conflicting interest or resign as Trustee with respect to the notes issued under the Indenture. If the Trustee resigns, we are required to promptly appoint a successor trustee with respect to the notes.

The Trust Indenture Act also imposes certain limitations on the right of the Trustee, as a creditor of ours, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any cash claim or otherwise. The Trustee will be permitted to engage in other transactions with us, provided that, if it acquires a conflicting interest within the meaning of Section 310 of the Trust Indenture Act, it must generally either eliminate that conflict or resign.

Wilmington Trust and/or certain of its affiliates have in the past and may in the future provide banking, investment and other services to us. A trustee under the Indenture may act as trustee under any of our other indentures.

Notices

Any notices required to be given to the holders of the notes will be given to DTC, and DTC will communicate these notices to DTC participants in accordance with its standard procedures.

Governing Law

The Indenture and the notes are governed by, and will be construed in accordance with, the laws of the State of New York.

Book-Entry, Delivery and Form of Notes

General

The notes will be issued in registered, global form in minimum denominations of $25 and integral multiples of $25 thereof. The notes will be issued on the issue date therefor only against payment in immediately available funds.

The notes initially will be represented by one or more permanent global certificates (which may be subdivided) in definitive fully registered form without interest coupons, referred to as the global notes. The global notes will be deposited with, or on behalf of, DTC and will be registered in the name of DTC or its nominee. Investors may hold their beneficial interests in a global note directly through DTC or indirectly through organizations which are participants in the DTC system.

Except as otherwise described herein, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below under "— Exchange of Book-Entry Notes for Certificated Notes." Transfer of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct and indirect participants, which may change from time to time.

Depositary Procedures

The following description of the operations and procedures of DTC are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them.

We do not take any responsibility for these operations and procedures and urge investors to contact the systems or their participants to directly discuss these matters. DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform

Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations, referred to as participants, and to facilitate the clearance and settlement of transactions in those securities between participants through electronic, computerized book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to banks, securities brokers, dealers, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly, referred to as indirect participants. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of participants and indirect participants.

DTC has advised us that, pursuant to procedures established by it:

• upon deposit of the global notes, DTC will credit the accounts of participants designated by the underwriters with portions of the principal amount of the global notes; and

• ownership of interests in the global notes will be shown on, and the transfer of ownership of the global notes will be effected only through, records maintained by DTC (with respect to participants) or by participants and indirect participants (with respect to other owners of beneficial interests in the global notes).

Upon issuance, a holder may hold its interests in the global notes directly through DTC if it is a participant, or indirectly through organizations that are participants or indirect participants. The depositaries, in turn, will hold interests in the notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in a global note will be subject to the procedures and requirements of DTC. The laws of some jurisdictions require that certain persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to those persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having beneficial interests in a global note to pledge its interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of its interests, may be affected by the lack of a physical certificate evidencing its interests. For certain other restrictions on the transferability of the notes, see "—Exchange of Book-Entry Notes for Certificated Notes."

Except as described below, owners of interests in the global notes will not have notes registered in their name, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments on the global notes registered in the name of DTC, or its nominee, will be payable in immediately available funds by the Trustee (or the paying agent if other than the Trustee) to DTC or its nominee in its capacity as the registered holder under the Indenture. We and the Trustee, as applicable, will treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Neither the Trustee nor any agent thereof has or will have any responsibility or liability for:

- any aspect of DTC's records or any participant's or indirect participant's records relating to, or payments made on account of, beneficial ownership interests in the global notes, or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or

- any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date, in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by participants and indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of participants or indirect participants and will not be the responsibility of DTC, the Trustee, as applicable, or us.

Neither we nor the Trustee will be liable for any delay by DTC or any of its participants or indirect participants in identifying the beneficial owners of the notes, and we and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

If less than all of the notes are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each participant in such global notes to be redeemed.

Initial settlement for the notes will be made in immediately available funds. Any secondary market trading activity in interests in the global notes will settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will settle in same-day funds.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants who have an interest in DTC's global notes in respect of the portion of the principal amount of the notes as to which the participant or participants has or have given direction. However, if an event of default exists under the Indenture, DTC reserves the right to exchange the global notes for notes in certificated form and to distribute the certificated notes to its participants.

We believe that the information in this section concerning DTC and its book-entry system has been obtained from reliable sources, but we do not take responsibility for the accuracy or completeness of this information. Although DTC will agree to the procedures described in this section to facilitate transfers of interests in the global notes among participants in DTC, DTC is not obligated to perform or to continue to perform these procedures, and these procedures may be discontinued at any time by giving reasonable notice. Neither we nor the Trustee will have any responsibility or liability for any aspect of the performance by DTC or its participants or indirect participants of any of their respective obligations under the rules and procedures governing their operations or for maintaining, supervising or reviewing any records relating to the global notes that are maintained by DTC or any of its participants or indirect participants.

Exchange of Book-Entry Notes for Certificated Notes

A global note is exchangeable for certificated notes in definitive, fully registered form without interest coupons if:

- DTC notifies us that it is unwilling or unable to continue as depositary for the global notes and we fail to appoint a successor depositary within 90 days of receipt of DTC's notice, or DTC has ceased to be a clearing agency registered under the Exchange Act and we fail to appoint a successor depositary within 90 days of becoming aware of this condition; or

- at our request, DTC notifies holders of the notes that they may utilize DTC's procedures to cause the notes to be issued in certificated form, and such holders request such issuance.

In addition, beneficial interests in a global note may be exchanged by or on behalf of DTC for certificated notes upon request by DTC, but only upon at least 20 days prior written notice given to the Trustee in accordance with DTC's customary procedures. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository in accordance with its customary procedures.

RESTRICTED STOCK UNIT AWARD AGREEMENT

CUSTOMERS BANCORP, INC. (the "**Company**") is pleased to award you Restricted Stock Units pursuant to the **Customers Bancorp, Inc. 2019 Stock Incentive Plan** (the "**Plan**"). This Restricted Stock Unit Award Agreement (the "**Agreement**") is made as of ________, by and between Customers Bancorp, Inc. and ____________ (the "**Grantee**").

WHEREAS, the Grantee is a valued employee, officer, director, consultant or advisor of the Company or one of its subsidiaries; and

WHEREAS, the Company maintains the Customers Bancorp, Inc. 2019 Stock Incentive Plan; and

Pursuant to the actions of the Company's Board of Directors and the Committee established under the Plan, the Company wishes to conditionally transfer rights to receive Restricted Stock Units of common stock, of the Company, to the Grantee pursuant to the terms of the Plan, subject to the additional terms and conditions set forth herein.

NOW, THEREFORE, the Company and the Grantee, intending to be legally bound, hereby agree as follows:

1. Subject to and as soon as practicable following the satisfaction of the vesting conditions set forth in Paragraph 2 below, and subject to your acceptance of this agreement, the Grantee will be awarded [______] Restricted Stock Units of the Company's common stock ("**Award Shares**").

2. (a) Subject to Paragraph 2(c) below, the Grantee shall be entitled to receive the Award Shares that shall be the earlier of (i) the vesting schedule as outlined below (ii) the date of the Grantee's death, or (iii) a "Change in Control" as defined by the Plan:

– Vesting schedule -

(b) Unless otherwise determined by the Committee, the vesting of Restricted Stock Units will be suspended during the period of any approved leave of absence in which the Grantee has a right to reinstatement. Upon the Grantee's return to employment, vesting will resume.

(c) If the Grantee's employment or service with the Company is terminated for any reason other than death prior to the vesting schedule, this Agreement shall automatically terminate, the Grantee shall forfeit all unvested Restricted Stock Units and rights hereunder, and no Restricted Stock Units or other consideration shall be transferred to Grantee pursuant to this Agreement.

3. Unless the Grantee and the Company make other arrangements satisfactory to the Company with respect to the payment of withholding taxes, no Award Shares shall be transferred to the Grantee pursuant to Paragraph 2(a), above until the grantee has satisfied all tax obligations regarding the vesting thereof.

4. Nothing in this Agreement is intended to give any Grantee the right to remain employed or service of the Company, or shall interfere with or restrict, in any way, the rights of such person to terminate Grantee's employment or service at any time, subject to the terms of any employment or service agreement by and between the Company and Grantee.

5. This Agreement is subject to the terms of the Plan and the Grantee hereby acknowledges receipt of a copy of the Plan. Except as otherwise stated, all terms used herein and not defined herein shall have the meanings set forth in the Plan.

6. This Agreement shall be governed by the substantive law of the Commonwealth of Pennsylvania, without giving effect to the choice of law principles thereof.

The Company has executed this Agreement with intent to be legally bound hereby, as of the first date set forth above.

CUSTOMERS BANCORP, INC. **Grantee:**

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made as of January 22, 2020 ("Effective Date"), is by and between CUSTOMERS BANCORP, INC., a Pennsylvania corporation, with its main office located at 1015 Penn Avenue, Wyomissing, PA 19610 ("Company") and Samvir Sidhu ("Executive").

Background

A. Company wishes to secure the services of Executive as the Company's Head of Corporate Development and Chief Operating Officer of Customers Bank on the terms and conditions set forth herein.

B. Subject to the terms and conditions hereinafter, Executive is willing to enter into this Employment Agreement (this "Agreement") upon the terms and conditions set forth.

C. The Company's Board of Directors has approved this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the parties agree as follows:

1. **Employment.** Company agrees to employ Executive as its Head of Corporate Development and Chief Operating Officer of Customers Bank during the "Term" defined in Section 2 of this Agreement. Executive shall report to and be subject to the direction of the President and Chief Operating Officer of the Company. Executive shall have the powers and authority ordinarily given to the position described above as provided under the Bylaws of the Company. Executive will have such duties as normally apply to such position. Executive shall devote all of his working time, abilities and attention to the business of the Company, and will fulfill all of the duties required of him as Head of Corporate Development and Chief Operating Officer of Customers Bank. The services of Executive shall be rendered principally in Wyomissing, PA and New York, New York but Executive shall undertake such traveling on behalf of Company as may be reasonably required.

2. **Term of Employment.** Subject to the terms and conditions of this Agreement, the initial term of employment hereunder shall be for the three (3)-year period commencing on the Effective Date and ending on the day preceding the three (3)-year anniversary of the Effective Date. As of each one (1)-year anniversary of the Effective Date, the term of employment hereunder shall be extended for another one (1) year, automatically, unless either party delivers notice to the contrary to the other party at least sixty (60) days prior to such one (1)-year anniversary, in which case the term of employment hereunder shall expire as of the date to which it was last extended pursuant to this sentence. Such notice shall be delivered in a manner consistent with the requirements of Section 12. References in this Agreement to the "Term" shall refer both to such initial term and any successive terms.

3. **Compensation.** In consideration of the services to be rendered by Executive, Company shall pay to Executive during the initial Term:

(a) A base salary of not less than three hundred and seventy five thousand dollars ($375,000) per annum for each year of the Term, payable in equal installments over such payroll cycles as the Company pays its executive officers generally, with any salary for initial or final partial months or other payroll periods being prorated based on the number of calendar days in question. It is understood that the President and Chief Operating Officer of the Company shall review Executive's performance and make a determination regarding increases in his salary at least once in every calendar year during the Term.

(b) Incentive Compensation in an amount, in such form, and at such time as is provided in such executive incentive plan for Executive, either alone or for Executive and other officers and management employees of the Company, as shall be approved by the Board of Directors of the Company and in effect from time to time. Such incentive compensation may take the form of cash payments ("Cash Bonus"), transfers of stock, stock appreciation awards, restricted stock units or stock options (collectively, "Equity Awards"). Equity Awards shall be subject to such restrictions, vesting and other conditions and limitations as set forth in such executive incentive plan.

4. **Reimbursement of Expenses.**

4.1 **Reimbursement of Expenses.** During the Term, Company shall reimburse Executive for reasonable expenses incurred by him in the performance of his duties, as well as those incurred in furtherance of or in connection with the business of Company, including but not limited to traveling, entertainment, dining and other expenses.

5. **Termination of Employment.**

5.1 **Termination by Company; "Cause."** Company shall have the right to terminate Executive's employment hereunder at any time, with or without "Cause" (as defined below). In the event of any termination by Company, Company shall give Executive forty-five (45) days prior notice of any termination without Cause, but shall not be obligated to give Executive prior notice of a termination with Cause. Company shall nevertheless be obligated to pay Executive such compensation and severance, if any, as may be provided for in this Agreement under the applicable circumstances. Company will give Executive notice of termination of his employment pursuant to a "Notice of Termination" (as defined below).

5.2 **No Right to Compensation or Benefits Except as Stated.** If the Company terminates Executive's employment for Cause, Executive shall have no right to severance compensation of any kind, or any right to salary or other benefits for any period after such date of termination. If Executive is terminated by Company other than for Cause, Executive's rights to compensation and benefits under this Agreement shall be as set forth in Section 5.5.

5.3 **Termination by Executive.** Executive shall have the right to terminate his employment, whether or not for "Good Reason" (as hereinafter defined), but, in all events, Executive shall give Company notice pursuant to a written "Notice of Termination" (as defined below). If the termination by Executive is other than for Good Reason: (i) Executive must give

Company a Notice of Termination not less than forty five (45) days prior to the date his termination of employment will be effective, and (ii) Executive shall have no right to severance compensation of any kind, or any right to salary or other benefits for any period after such date of termination. If termination is by Executive for Good Reason, Executive's rights to compensation and benefits under this Agreement shall be as set forth in Section 5.5.

5.4 **Certain Definitions.**

(a) In connection with a termination of Executive's employment by the Company, "Cause" shall mean any one or more of the following reasons: (l) the willful material failure by the Executive to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness of the Executive or material changes in the direction and policies of the Board of Directors of Company), if such failure continues for fifteen (15) days after a written demand for substantial performance is delivered to the Executive by the Company which specifically identifies the manner in which it is believed that the Executive has failed to attempt to perform his duties hereunder; (2) the willful engaging by the Executive in willful misconduct materially injurious to the Company; (3) receipt by the Company of a notice (which shall not have been appealed by Executive or shall have become final and non-appealable) of any governmental body or entity having jurisdiction over the Company requiring termination or removal of the Executive from his then present position, or receipt of a written directive or order of any governmental body or entity having jurisdiction over the Company (which shall not have been appealed by Executive or shall have become final and non-appealable) requiring termination or removal of the Executive from his then present position; (4) personal dishonesty, incompetence, willful misconduct, willful breach of fiduciary duty involving personal profit or conviction of a felony; or (5) material breach of any provision set forth in Sections 6, 7, 8 or 9, to the extent applicable. For purposes of this section, no act, or failure to act, on the Executive's part shall be considered ''willful'' unless done or omitted to be done by Executive in bad faith and without reasonable belief that his action or omission was in the best interest of Company. Any act or omission to act by the Executive in reliance upon a written opinion of counsel to Company shall not be deemed to be willful.

(b) Good Reason. For purposes of this Agreement, "Good Reason" shall mean (1) a material breach by Company of the provisions of this Agreement, which failure has not been cured within 30 days after a written notice of such noncompliance has been given by Executive to Company; (2) any purported termination of Executive's employment which is not effected in compliance with the requirements of this Agreement; (3) any reduction in title or a material adverse change in Executive's responsibilities or authority which are inconsistent with, or the assignment to Executive of duties inconsistent with, Executive's status as Head of Corporate Development of Company and Chief Operating Officer of Customers Bank; or (4) any reduction in Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time.

(c) Notice of Termination. Any termination of Executive's employment by Company or by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of

Termination" shall mean a dated notice which shall (1) indicate the specific termination provision in this Agreement relied upon; (2) set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated; and (3) be given in a manner consistent with the requirements of Section 12.

5.5 **Compensation Upon Certain Types of Termination.** If Executive shall terminate his employment for Good Reason during the Term, or if Executive's Employment is terminated by the Company other than for Cause during the Term, or if Executive's Employment is terminated for any reason other than Cause upon expiration of the Term, then in lieu of any salary or damages payments to Executive for periods subsequent to the date of termination, Company shall pay as "Severance Compensation" to Executive, in lieu of all other damages, compensation and benefits other than any benefits the right to which shall have previously vested, an amount (the "Severance Compensation") equal to the following, depending upon whether a "Change in Control" (as defined below) shall have occurred at the time of termination of employment:

(a) If a Change in Control shall not have occurred within twelve (12) months prior to the date of termination of Executive's employment with the Company, the Company shall pay Executive the following Severance Compensation, payable at the respective times and on the respective conditions set forth in this subsection for each type of Severance Compensation:

(i) Cash Severance Compensation. Notwithstanding anything to the contrary elsewhere in this Agreement, Executive shall be entitled to receive a dollar amount equal to the sum of Executive's then current base salary plus the average of the annual performance bonus (consisting of both cash and other incentive compensation, but excluding the Company match of any deferred compensation) provided to him with respect to the three (3) fiscal years of the Company immediately preceding the fiscal year of termination, for the greater of three (3) years or the period of time remaining in the Term. This element of Severance Compensation shall be payable in equal installments on the normal pay dates following Executive's separation from service with the Company within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (such Section and regulations are sometimes referred to in this Agreement as "Section 409A"). If, as of the date of the Executive's separation from service, stock of the Company or a holding company or other parent entity with respect to the Company is publicly traded on an established securities market or otherwise, and if necessary to comply with Section 409A, payments otherwise due during the six (6)-month period following his separation from service shall be suspended and paid in a lump sum upon completion of such six (6)-month period, at which time the balance of the payments shall commence in installments as described in the preceding sentence. Payments shall be subject to deduction for such tax withholdings as Company may be obligated to make;

(ii) Equity Awards. All Equity Awards shall be vested in full;

(iii) Cash Bonus. Executive shall be entitled to a fraction of any Cash Bonus for the fiscal year of the Company within which Executive's termination of employment occurs which, based upon the criteria established for such Cash Bonus, would have been payable to Executive had he remained employed through the date of payment, the numerator of which is the number of days of such fiscal year prior to his termination of employment and the denominator of which is three hundred and sixty-five (365); and

(iv) Insurance. Company shall continue to provide health insurance (including dental if applicable) and any life insurance benefits for the shorter of (i) the length of the severance measurement period set forth in Section 5.5(a)(i) above, or (ii) the maximum period the Company is then permitted to extend each individual benefit under the applicable plan or policy or applicable law.

(b) If a Change in Control shall have occurred within twelve (12) months prior to the date of termination of Executive's employment with the Company, the Company shall pay Executive Severance Compensation equal to three hundred percent (300%) of the sum of Executive's then current base salary plus the average of the annual performance bonus (consisting of both cash and other incentive compensation, but excluding the Company match of any deferred compensation) provided to him with respect to the three (3) fiscal years of the Company immediately preceding the fiscal year of termination. The Severance Compensation shall be payable in a single lump sum within thirty (30) days following Executive's separation from service within the meaning of Section 409A. If, as of the date of the Executive's separation from service, stock of the Company or a holding company or other parent entity with respect to the Company is publicly traded on an established securities market or otherwise, and if necessary to comply with Section 409A, payment of the lump sum shall be suspended and paid within the thirty (30)-day period following the close of the six (6)-month period following his separation from service. Payments shall be subject to deduction for such tax withholdings as Company may be obligated to make. In addition to the aforesaid Executive Severance Compensation, additional Executive Severance Compensation shall be provided as set forth below.

(i) Equity Awards. All Equity Awards shall be vested in full;

(ii) Cash Bonus. Executive shall be entitled to a fraction of any Cash Bonus for the fiscal year of the Company within which Executive's termination of employment occurs which, based upon the criteria established for such Cash Bonus, would have been payable to Executive had he remained employed through the date of payment, the numerator of which is the number of days of such fiscal year prior to his termination of employment and the denominator of which is three hundred and sixty-five (365);

(iii) Insurance. Company shall continue to provide health insurance (including dental if applicable) and any life insurance benefits for the shorter of (i) the length of the severance measurement period set forth in above in this Section 5.5(b), or (ii) the maximum period the Company is then permitted to extend each individual benefit under the applicable plan or policy or applicable law; and

(iv) Golden Parachute Limitation. Notwithstanding any provision of this Agreement to the contrary, if, as a result of a payment provided for under or pursuant to this Agreement, together with all other payments in the nature of compensation provided to or for the benefit of the Executive under any other plans or agreements in connection with a Change in Control, the Executive becomes subject to excise taxes under Section 4999 of the Code, then the amount of severance to be paid pursuant to this Agreement shall be reduced to the maximum amount allowable without causing Executive to become subject to such excise taxes. Such maximum amount shall be determined by a registered public accounting firm selected by the Compensation Committee of the Board of Directors of the Company, whose determination, absent manifest error, shall be treated as conclusive and binding.

(c) For purposes of this Agreement, "Change in Control" means the occurrence of any one or more of the following events:

(i) There occurs a merger, consolidation or other business combination or reorganization to which the Company is a party, whether or not approved in advance by the Board of Directors of the Company, in which (A) the members of the Board of Directors of the Company immediately preceding the consummation of such transaction do not constitute a majority of the members of the Board of Directors of the resulting corporation and of any parent corporation thereof immediately after the consummation of such transaction, and (B) the shareholders of the Company immediately before such transaction do not hold more than fifty percent (50%) of the voting power of securities of the resulting corporation;

(ii) There occurs a sale, exchange, transfer, or other disposition of substantially all of the assets of the Company to another entity, whether or not approved in advance by the Board of Directors of the Company (for purpose of this Agreement, a sale of more than one-half of the branches of Customers Bank, a wholly owned subsidiary of the Company, would constitute a Change in Control, but for purposes of this section, no branches or assets will be deemed to have been sold if they are leased back contemporaneously with or promptly after their sale);

(iii) A plan of liquidation or dissolution is adopted for the Company; or

(iv) Any individual, firm, corporation, partnership or other entity ("Person") (except Company, any subsidiary of Company, any employee benefit plan of Company, any Person or entity organized, appointed or established by Company or any subsidiary of Company for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act") of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities. For purposes of this subsection, "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations issued under the Exchange Act.

(d) In the event that the Executive's employment is terminated during the Term as a result of his death or disability, he (or his estate, as the case may be) shall not be entitled to any payments or other benefits pursuant to this Section 5.5 or otherwise.

5.6 **Release**. The Company's obligation to pay Severance Compensation under Section 5.5 hereof is expressly conditioned upon Executive's execution of and delivery to the Company (and non-revocation) of a release (as drafted at the time of Executive's termination of employment, and which will include, but not be limited to: (a) an unconditional release of all rights to any claims, charges, complaints, grievances, known or unknown to Executive, against the Company, its affiliates or assigns, or any of their officers, directors, employees and agents, through to the date of Executive's termination from employment, and (b) a representation and warranty that Executive has not filed or assigned any claims, charges, complaints, or grievances against the Company, its affiliates or assigns, or any of their officers, directors, employees and agents.

5.7 **Mitigation by Executive.** Executive shall not be required to mitigate the amount of any payment provided for in Section 5.5 by seeking other employment or otherwise.

6. **Non-Disclosure.** The Executive covenants and agrees that Executive will not at any time, either during the Term or thereafter, use, disclose or make accessible to any other person, firm, partnership, corporation or any other entity any Confidential and Proprietary Information (as defined herein), other than to (a) Executive's attorney or spouse in confidence, (b) while employed by the Company, in the business and for the benefit of the Company, or (c) when required to do so by a court of competent jurisdiction, any government agency having supervisory authority over the business of the Executive or the Company or any administrative body or legislative body, including a committee thereof, with jurisdiction.

For purposes of this Agreement, "Confidential and Proprietary Information" shall mean non-public, confidential, and proprietary information provided to the Executive concerning, without limitation, the Company's financial condition and/or results of operations, statistical data, products, ideas and concepts, strategic business plans, lists of customers or customer information, information relating to marketing plans, management development reviews, including information regarding the capabilities and experience of the Company's employees, compensation, recruiting and training, and human resource policies and procedures, policy and procedure manuals, together with all materials and documents in any form or medium (including oral, written, tangible, intangible, or electronic) concerning any of the above, and other non-public, proprietary and confidential information of the Company; provided, however, that Confidential and Proprietary Information shall not include any information that is known generally to the public or within the industry other than as a result of unauthorized disclosure by the Executive. It is specifically understood and agreed by the Executive that any non-public information received by the Executive during Executive's employment by the Company is deemed Confidential and Proprietary Information for purposes of this Agreement. In the event the Executive's employment is terminated for any reason, the Executive shall immediately return to the Company upon request all Confidential and Proprietary Information in Executive's possession or control.

7. **Non-Solicitation.** Executive agrees that during the Term and for a period of twelve (12) months thereafter, unless the Executive obtains the Company's prior written permission, which may be granted or denied at the Company's sole and absolute discretion, the Executive shall not:

(a) solicit or divert to any competitor of the Company or, upon termination of the Executive's employment with the Company, accept any business from any individual or entity that is a customer or a prospective customer of the Company, to the extent that such prospective customer was identifiable as such prior to the date of the Executive's termination, except that this covenant of non-solicitation shall not apply with respect to anyone who, while having previously been a customer or prospect of the Company, is no longer a customer or prospect of the Company at the time of the solicitation; and/or

(b) induce or encourage any officer and/or employee of the Company to leave the employ of the Company, hire any individual who was an employee of the Company as of the date of the termination of the Executive's, or induce or encourage any customer, vendor, participant, agent or other business relation of the Company to cease or reduce doing business with the Company or in any way interfere with the relationship between any such customer, vendor, participant, agent or other business relation and the Company.

8. **Noncompete Agreement.** For a period of twelve (12) months after any resignation or termination of Executive's employment for any reason, Executive shall not, directly or indirectly, within 10 miles of any office of the Company, enter into or engage directly or indirectly in competition with the Company or any subsidiary or other company under common control with the Company, in any financial services business conducted by the Company or any such subsidiary at the time of such resignation or termination, either as an individual on his own or as a partner or joint venturer, or as a director, officer, shareholder, employee, agent, independent contractor, nor shall Executive assist any other person or entity in engaging directly or indirectly in such competition.

9. **Non-Disparagement.** During the Term, after its expiration and following the termination of this Agreement by the Company or the Executive for any reason, each party agrees not to make any statements, in writing or otherwise, that disparage the reputation or character of the other party or, in the case of the Company, any subsidiaries or affiliates of the Company or any of their respective managers, directors, officers, stockholders, partners, members or employees, at any time for any reason whatsoever, except that nothing in this section shall prohibit any party from giving truthful testimony in any litigation or administrative proceedings either between the Executive and the Company or in connection with which such party is subpoenaed and required by law to give testimony, including without limitation, any action by the Executive to enforce Executive's rights hereunder.

10. **Severance Compensation Conditional; Remedies for Breach of Sections 6, 7, 8 and 9; Independence of Covenants; Notice to Others; Savings Clause.**

10.1 **Severance Compensation Independent**. Company's obligation to pay Severance Compensation is conditioned on Executive's compliance with Sections 6, 7, 8 and 9 of this Agreement and Company shall not be obligated to pay such Severance Compensation in the event of any breach by Executive of such sections.

10.2 **Remedies for Breach of Sections 6, 7, 8 and 9**. Executive and Company agree that the covenants in Sections 6, 7, 8 and 9 are reasonable covenants under the circumstances. Executive agrees that any breach of the covenants set forth in Sections 6, 7, 8 and 9 of this Agreement will irreparably harm the Company. The Executive and the Company agree that in the event of any breach by the Executive of the provisions set forth in Sections 6, 7, 8 and 9 of this Agreement, the Company shall be entitled to all rights and remedies available at law or in equity, including without limitation, the following cumulative and not alternative rights:

(a) the right to obtain injunctive or other equitable relief to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of this Agreement, it being agreed that monetary damages alone would be inadequate to compensate the Company, the amount of such damages will be difficult (if not impossible) to prove precisely, and would be an inadequate remedy for such breach;

(b) the right to institute civil suit to recover damages suffered by the Company;

(c) the right to recover actual reasonable attorneys' fees and other costs incurred by the Company in connection with pursuing remedies hereunder; and

(d) the right to seek an equitable accounting of all earnings, profits and other benefits arising from any such violation.

10.3 **Independence of Covenants.** The existence of any claim or cause of action of the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the provisions of Sections 6, 7, 8 and 9.

10.4 **Notice to Others.** Executive agrees to notify any future prospective employers and future employers, and any future joint venturers, partners and contracting parties of Executive, whose activities may be deemed to compete with Company of the existence of each of the covenants contained in Sections 6, 7, 8 and 9 of this Agreement.

10. **Savings Clause.** In the event that any provision or provisions of any of the covenants in Section 6, 7, 8 and 9 would otherwise be determined by any court of competent jurisdiction to be unenforceable in whole or in part by reason of being for too great a period of time or covering too great a geographical area or too broad a product market, or for any other reason, each such covenant shall nevertheless remain in full force and effect and be construed so as to be enforceable as to that period of time and geographical area and product market, and on such other conditions, as may be determined to be reasonable by the court.

11. **<u>Amendments</u>.** No amendments to this Agreement shall be binding unless in writing and signed by both parties.

12. **<u>Notices</u>.** All notices under this Agreement shall be in writing and shall be deemed effective (i) when delivered in person or by fax or other electronic means capable of being embodied in written form, or (ii) forty-eight (48) hours after deposit thereof in the U.S. mails by certified or registered mail, return receipt requested, postage prepaid, addressed, in the case of Executive, to his last known address as carried on the personnel records of Company and, in the case of Company, to the corporate headquarters, attention of the Chairman of the Board of Directors, or to such other address as the party to be notified may specify by notice to the other party.

13. **<u>Entire Agreement</u>.** This Agreement is the entire agreement of the parties with respect to its subject matter and supersedes and replaces all other negotiations, discussions and prior or contemporaneous agreements between the parties, whether oral or written, with respect to the subject matter of Executive's employment with Company.

14. **<u>Binding Effect and Benefits</u>.** The rights and obligations of Company and Executive under this Agreement shall inure to the benefit of and shall be binding upon the respective heirs, personal representatives, successors and assigns of Company and Executive.

15. **<u>Construction</u>.** This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania, as they may be preempted by federal laws and regulations. Section headings are for convenience only and shall not be considered a part of the terms and provisions of the Agreement.

16. **<u>Governing Law; Jurisdiction; Venue</u>.** The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the internal laws of the Commonwealth of Pennsylvania, without regard to its conflicts of law rules, and by federal law to the extent it pre-empts state law. For purposes of any action or proceeding, the Executive irrevocably submits to the exclusive jurisdiction of the courts of the Commonwealth Pennsylvania and the courts of the United States of America located in Pennsylvania for the purpose of any judicial proceeding arising out of or relating to this Agreement or otherwise. The Executive irrevocably agrees to service of process by certified mail, return receipt requested, to the Executive at the addressed listed in the records of the Company. The proper venue for all such disputes, actions or proceedings shall be Chester County. The parties agree that in any action or proceeds arising under this Agreement, attorneys' fees and costs shall be awarded to the prevailing party.

17. **<u>Executive's Acknowledgment of Terms and Right to Separate Counsel</u>**. Executive acknowledges that he has read this Agreement fully and carefully, understands its terms and that it has been entered into by Executive voluntarily. Executive further acknowledges that Executive has had sufficient opportunity to consider this Agreement and discuss it with Executive's own advisors, including Executive's attorney and accountants and that Executive has made Executive's own free decision whether and to what extent to do so.

18. **Legal Expenses**. Company shall pay to Executive all reasonable legal fees and expenses incurred by him in seeking to obtain or enforce any rights or benefits provided by this Agreement to the extent he prevails in such efforts.

19. **Indemnification of Executive.** Company shall indemnify Executive against any liability incurred in connection with any proceeding in which the Executive may be involved as a party or otherwise by reason of the fact that Executive is or was serving as Head of Corporate Development and Chief Operating Officer of Customers Bank to the extent permitted by the Company's articles of incorporation, bylaws and applicable law. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Company shall cause its director and officer liability insurance to cover Executive during the Term and for such period thereafter as the Company's liability insurance policy permits coverage for actions or omissions of former directors or officers.

IN WITNESS WHEREOF, the parties hereto have caused the due execution of this Agreement as of the date first set forth above.

Attest:	CUSTOMERS BANCORP, INC.
/s/ Michael DeTommaso_____________	By: /s/ Richard Ehst_______________ For the Board of Directors
Witness:	SAMVIR SIDHU
/s/ Carlyn D'Amico	/s/ Samvir Sidhu

Exhibit 21.1

List of Significant Subsidiaries of Customers Bancorp, Inc.

Name:	**Jurisdiction**
1. Customers Bank	Pennsylvania

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-218483 on Form S-3 and Registration Statement Nos. 333-232824, 333-197977, and 333-186544 on Form S-8 of our reports dated March 2, 2020, relating to the consolidated financial statements of Customers Bancorp, Inc. and subsidiaries, and the effectiveness of Customers Bancorp, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 2, 2020

Consent of Independent Registered Public Accounting Firm

Customers Bancorp, Inc.
Wyomissing, Pennsylvania

We hereby consent to the incorporation by reference in the Registration Statements on Form S3 (No. 333-218483) and Form S-8 (No. 333-232824, 333-197997 and 333-186554) of Customers Bancorp, Inc. of our report dated March 1, 2019, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO USA, LLP

Philadelphia, Pennsylvania
March 2, 2020

Exhibit 24.1

RESOLUTIONS OF THE BOARD OF DIRECTORS (“BOARD’)
Of Customers Bancorp, Inc. (“Corporation”)
DATE: February 26, 2020

RESOLVED, that the Chairman of the Board and the Executive Vice President and Chief Financial Officer of the Corporation be, and each of them hereby is, authorized to execute and deliver on behalf of the Corporation an annual report on Form 10-K for the year ended December 31, 2019, in the form presented to this meeting with such changes therein as either of them with the advice of the General Counsel shall approve; and

RESOLVED, that the Chairman of the Board in his capacity as Chief Executive Officer, the Executive Vice President and Chief Financial Officer in her capacity as Chief Financial Officer, and the Senior Vice President, Controller and Chief Accounting Officer in his capacity as Chief Accounting Officer of the Corporation be, and each of them hereby is, authorized to execute such annual report on Form 10-K; and further

RESOLVED, that the officers of the Corporation be and each of them hereby is, authorized and directed to file such annual report on Form 10-K, with all the exhibits thereto and any other documents that may be necessary or desirable in connection therewith, after its execution by the foregoing officers and by a majority of the Board of Directors, with the Securities and Exchange Commission and the New York Stock Exchange; and further

RESOLVED, that the officers and directors of the Corporation who may be required to execute such annual report on Form 10-K be, and each of them hereby is, authorized to execute a power of attorney in the firm submitted to this meeting appointing Michael A. De Tommaso, Carla Leibold, Jeffrey Skumin, Alan Kidd and Wendy Sharetts, and each of them, severally, his or her true and lawful attorneys and agents to act in his or her name, place and stead, to execute said annual report on Form 10-K and any all amendments and supplements thereto and all other instruments necessary or desirable in connection therewith; and further

RESOLVED, that the signature of any officer of the Corporation required by law to affix his or her signature to such annual report on Form 10-K or to any amendment or supplement thereto and such additional documents as they may deem necessary or advisable in connection therewith, may be affixed by said officer personally or by any attorney-in-fact duly constituted in writing by said officer to sign his or her name thereto; and further

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to execute such amendments or supplements to such annual report on Form 10-K and such additional documents as they may deem necessary or advisable in connection with any such amendment or supplement and to file the foregoing with the Securities and Exchange Commission and the New York Stock Exchange; and further

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized to take such actions and to execute such other documents, agreements or instruments as may be necessary or desirable in connection with the foregoing.

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jay S. Sidhu, certify that:

1. I have reviewed this Annual Report on Form 10-K of Customers Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jay S. Sidhu

Jay S. Sidhu

Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: March 2, 2020

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Carla A. Leibold, certify that:

1. I have reviewed this Annual Report on Form 10-K of Customers Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Carla A. Leibold

Carla A. Leibold

Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: March 2, 2020

Exhibit 32.1

**Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Customers Bancorp, Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay S. Sidhu, Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 2, 2020

/s/ Jay S. Sidhu

Jay S. Sidhu, Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Customers Bancorp, Inc. (the "Corporation") on Form 10-K for the period ending December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carla A. Leibold, Chief Financial Officer and Treasurer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 2, 2020

/s/ Carla A. Leibold

Carla A. Leibold, Chief Financial Officer and Treasurer

(Principal Financial Officer)