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

Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2024

☐ **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)

(Exact name of registrant as specified in its charter)

Customers Bancorp, Inc.

Pennsylvania	**27-2290659**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

701 Reading Avenue
West Reading , PA 19611
(Address of principal executive offices)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 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 (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 x 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 such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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.

Large accelerated filer	x	Accelerated Filer	☐
Non-accelerated filer	o	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. o

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

On May 6, 2024, 31,652,021 shares of Voting Common Stock were outstanding.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES

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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 Unaudited Consolidated Financial Statements and the Notes to the Unaudited Consolidated Financial Statements.

ACL	Allowance for credit losses
AFS	Available for sale
AOCI	Accumulated other comprehensive income (loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
B2B	Business-to-business
Bancorp	Customers Bancorp, Inc.
Bank	Customers Bank
BBB spread	BBB rated corporate bond spreads to U.S. Treasury securities
BM Technologies	BM Technologies, Inc.
BOLI	Bank-owned life insurance
CBIT™	Customers Bank Instant Token
CCF	Customers Commercial Finance, LLC
CECL	Current expected credit losses
CODM	Chief operating decision maker
Commission	U.S. Securities and Exchange Commission
Company	Customers Bancorp, Inc. and subsidiaries
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
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.
DCF	Discounted cash flow
EPS	Earnings per share
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Fed Funds	Federal Reserve Board's Effective Federal Funds Rate
Federal Reserve, Federal Reserve Board	Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank
FICO	Fair, Isaac and Company
Fintech	Third-Party Financial Technology
FMV	Fair Market Value
FRB	Federal Reserve Bank of Philadelphia
GDP	Gross domestic product
HTM	Held to maturity
LIBOR	London Interbank Offered Rate
LPO	Limited Purpose Office
MMDA	Money market deposit accounts
NIM	Net interest margin, tax equivalent
NM	Not meaningful
NPA	Non-performing asset
NPL	Non-performing loan
NYSE	New York Stock Exchange
OCI	Other comprehensive income (loss)
OREO	Other real estate owned
PCD	Purchased Credit-Deteriorated
PPP	Paycheck Protection Program
PUT	Purchase Upon Termination
Rate Shocks	Interest rates rising or falling immediately
ROU	Right-of-use

SBA	U.S. 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 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
SOFR	Secured Overnight Financing Rate
TRAC	Terminal Rental Adjustment Clause
U.S. GAAP	Accounting principles generally accepted in the United States of America
VIE	Variable interest entity

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

	March 31, 2024	December 31, 2023
ASSETS		
Cash and due from banks	$ 51,974	$ 45,210
Interest earning deposits	3,649,146	3,801,136
Cash and cash equivalents	3,701,120	3,846,346
Investment securities, at fair value (includes allowance for credit losses of $ 5,069 and $ 3,952 , respectively)	2,604,868	2,405,640
Investment securities held to maturity	1,032,037	1,103,170
Loans held for sale (includes $ 219,885 and $ 189,277 , respectively, at fair value)	357,640	340,317
Loans and leases receivable	11,936,621	11,963,855
Loans receivable, mortgage finance, at fair value	962,610	897,912
Allowance for credit losses on loans and leases	(133,296)	(135,311)
Total loans and leases receivable, net of allowance for credit losses on loans and leases	12,765,935	12,726,456
FHLB, Federal Reserve Bank, and other restricted stock	100,067	109,548
Accrued interest receivable	120,123	114,766
Bank premises and equipment, net	7,253	7,371
Bank-owned life insurance	293,400	292,193
Goodwill and other intangibles	3,629	3,629
Other assets	361,295	366,829
Total assets	$ 21,347,367	$ 21,316,265
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	$ 4,688,880	$ 4,422,494
Interest bearing	13,272,503	13,497,742
Total deposits	17,961,383	17,920,236
FHLB advances	1,195,088	1,203,207
Other borrowings	123,905	123,840
Subordinated debt	182,300	182,230
Accrued interest payable and other liabilities	193,074	248,358
Total liabilities	19,655,750	19,677,871
Commitments and contingencies (NOTE 15)		
Shareholders' equity:		
Preferred stock, par value $ 1.00 per share; liquidation preference $ 25.00 per share; 100,000,000 shares authorized, 5,700,000 shares issued and outstanding as of March 31, 2024 and December 31, 2023	137,794	137,794
Common stock, par value $ 1.00 per share; 200,000,000 shares authorized; 35,540,367 and 35,459,342 shares issued as of March 31, 2024 and December 31, 2023; 31,521,931 and 31,440,906 shares outstanding as of March 31, 2024 and December 31, 2023	35,540	35,459
Additional paid in capital	567,490	564,538
Retained earnings	1,205,508	1,159,582
Accumulated other comprehensive income (loss), net	(132,305)	(136,569)
Treasury stock, at cost (4,018,436 shares as of March 31, 2024 and December 31, 2023)	(122,410)	(122,410)
Total shareholders' equity	1,691,617	1,638,394
Total liabilities and shareholders' equity	$ 21,347,367	$ 21,316,265

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
Interest income:		
Loans and leases	$ 217,999	$ 244,212
Investment securities	46,802	47,316
Interest earning deposits	52,817	10,395
Loans held for sale	12,048	11,701
Other	2,111	1,321
Total interest income	331,777	314,945
Interest expense:		
Deposits	153,725	143,930
FHLB advances	13,485	10,370
FRB advances	—	6,286
Subordinated debt	2,689	2,689
Other borrowings	1,493	1,771
Total interest expense	171,392	165,046
Net interest income	160,385	149,899
Provision for credit losses	17,070	19,603
Net interest income after provision for credit losses	143,315	130,296
Non-interest income:		
Commercial lease income	9,683	9,326
Loan fees	5,280	3,990
Bank-owned life insurance	3,261	2,647
Mortgage finance transactional fees	946	1,074
Gain (loss) on sale of loans	10	—
Net gain (loss) on sale of investment securities	(30)	—
Other	2,081	1,084
Total non-interest income	21,231	18,121
Non-interest expense:		
Salaries and employee benefits	36,025	32,345
Technology, communication and bank operations	21,904	16,589
Commercial lease depreciation	7,970	7,875
Professional services	6,353	7,596
Loan servicing	4,031	4,661
Occupancy	2,347	2,760
FDIC assessments, non-income taxes and regulatory fees	13,469	2,728
Advertising and promotion	682	1,049
Other	6,388	4,530
Total non-interest expense	99,169	80,133
Income before income tax expense	65,377	68,284
Income tax expense	15,651	14,563
Net income	49,726	53,721
Preferred stock dividends	3,800	3,456
Net income available to common shareholders	$ 45,926	$ 50,265
Basic earnings per common share	$ 1.46	$ 1.58
Diluted earnings per common share	1.40	1.55

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
Net income	$ 49,726	$ 53,721
Unrealized gains (losses) on available for sale debt securities:		
Unrealized gains (losses) arising during the period	4,480	8,270
Income tax effect	(1,138)	(2,101)
Reclassification adjustments for (gains) losses included in net income	30	—
Income tax effect	(8)	—
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	1,206	872
Income tax effect	(306)	(221)
Net unrealized gains (losses) on available for sale debt securities	4,264	6,820
Other comprehensive income (loss), net of income tax effect	4,264	6,820
Comprehensive income (loss)	$ 53,990	$ 60,541

See accompanying notes to the unaudited consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY — UNAUDITED
(amounts in thousands, except shares outstanding data)

	Three Months Ended March 31, 2024									
	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, 2023	5,700,000	$ 137,794	31,440,906	$ 35,459	$ 564,538	$ 1,159,582	$ (136,569)	$ (122,410)	$ 1,638,394
Net income	—	—	—	—	—	49,726	—	—	49,726
Other comprehensive income (loss)	—	—	—	—	—	—	4,264	—	4,264
Preferred stock dividends (1)	—	—	—	—	—	(3,800)	—	—	(3,800)
Share-based compensation expense	—	—	—	—	3,976	—	—	—	3,976
Issuance of common stock under share-based compensation arrangements	—	—	81,025	81	(1,024)	—	—	—	(943)
Balance, March 31, 2024	5,700,000	$ 137,794	31,521,931	$ 35,540	$ 567,490	$ 1,205,508	$ (132,305)	$ (122,410)	$ 1,691,617

	Three Months Ended March 31, 2023								
	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, 2022	5,700,000	$ 137,794	32,373,697	$ 35,012	$ 551,721	$ 924,134	$ (163,096)	$ (82,604)	$ 1,402,961
Net income	—	—	—	—	—	53,721	—	—	53,721
Other comprehensive income (loss)	—	—	—	—	—	—	6,820	—	6,820
Preferred stock dividends (1)	—	—	—	—	—	(3,456)	—	—	(3,456)
Share-based compensation expense	—	—	—	—	2,980	—	—	—	2,980
Issuance of common stock under share-based compensation arrangements	—	—	245,936	246	(2,446)	—	—	—	(2,200)
Repurchase of common shares	—	—	(1,379,883)	—	—	—	—	(39,806)	(39,806)
Balance, March 31, 2023	5,700,000	$ 137,794	31,239,750	$ 35,258	$ 552,255	$ 974,399	$ (156,276)	$ (122,410)	$ 1,421,020

(1) Dividends per share of $ 0.681630 and $ 0.657743 were declared on Series E and F preferred stock, respectively, for the three months ended March 31, 2024. Dividends per share of $ 0.619313 and $ 0.595688 were declared on Series E and F preferred stock, respectively, for the three months ended March 31, 2023.

See accompanying notes to the unaudited consolidated financial statements.

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CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

(amounts in thousands)

	Three Months Ended March 31,	
	2024	2023
Cash Flows from Operating Activities		
Net income from continuing operations	$ 49,726	$ 53,721
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	17,070	19,603
Depreciation and amortization	8,246	8,833
Share-based compensation expense	3,890	3,005
Deferred taxes	(276)	18,656
Net amortization (accretion) of investment securities premiums and discounts	(2,286)	(2,682)
Unrealized (gain) loss on investment securities	45	(62)
Net (gain) loss on sale of investment securities	30	—
Impairment loss on fixed assets and leases	—	109
Unrealized (gain) loss on derivatives	(661)	52
Settlement of terminated fair value hedge derivatives	—	4,630
(Gain) loss on sale of loans	(68)	—
Origination and purchases of loans held for sale	(340,536)	(185,919)
Proceeds from the sales and repayments of loans held for sale	322,413	106,146
Amortization (accretion) of loan net deferred fees, discounts and premiums	(7,367)	(23,039)
Earnings on investment in bank-owned life insurance	(3,261)	(2,647)
(Increase) decrease in accrued interest receivable and other assets	(10,576)	(932)
Increase (decrease) in accrued interest payable and other liabilities	(55,207)	18,064
Net Cash Provided By (Used In) Operating Activities	(18,818)	17,538
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of investment securities available for sale	113,323	69,648
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	72,327	44,213
Proceeds from sales of investment securities available for sale	21,970	—
Purchases of investment securities available for sale	(328,905)	—
Purchases of investment securities held to maturity	—	(73,074)
Origination of mortgage finance loans	(4,936,887)	(4,702,988)
Proceeds from repayments of mortgage finance loans	4,880,422	4,794,683
Net (increase) decrease in loans and leases, excluding mortgage finance loans	16,634	736,616
Purchases of loans	(7,403)	(12,550)
Proceeds from bank-owned life insurance	176	727
Net (purchases of) proceeds from sale of FHLB, Federal Reserve Bank, and other restricted stock	9,481	(50,537)
Purchases of bank premises and equipment	(418)	(130)
Proceeds from sale of other real estate owned	33	—
Proceeds from sales of leased assets under lessor operating leases	94	113
Purchases of leased assets under lessor operating leases	(4,007)	(2,076)
Net Cash Provided By (Used In) Investing Activities	(163,160)	804,645

(continued)

	Three Months Ended March 31,	
	2024	2023
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	41,501	(435,823)
Net increase (decrease) in short-term borrowed funds from FHLB	—	(300,000)
Proceeds from long-term borrowed funds from FHLB and FRB	—	2,565,000
Repayments of long-term borrowed funds from FHLB and FRB	—	(1,015,000)
Preferred stock dividends paid	(3,804)	(3,450)
Purchase of treasury stock	—	(39,806)
Payments of employee taxes withheld from share-based awards	(1,426)	(2,280)
Proceeds from issuance of common stock	481	55
Net Cash Provided By (Used In) Financing Activities	36,752	768,696
Net Increase (Decrease) in Cash and Cash Equivalents	[illegible]	[illegible]

Net Increase (Decrease) in Cash and Cash Equivalents		(145,226)		1,590,879
Cash and Cash Equivalents – Beginning		3,846,346		455,806
Cash and Cash Equivalents – Ending	$	3,701,120	$	2,046,685
Non-cash Investing and Financing Activities:				
Transfer of loans held for investment to held for sale	$	—	$	16,000
Transfer of loans held for sale to held for investment		858		—

See accompanying notes to the unaudited consolidated financial statements.

CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED 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 businesses and residents in Berks County and Southeastern Pennsylvania (Bucks, Chester and Philadelphia Counties); New York (Westchester and Suffolk Counties, and Manhattan); Hamilton, New Jersey; Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire; Chicago, Illinois; Dallas, Texas; Wilmington, North Carolina; and nationally for certain loan and deposit products. The Bank has seven branches and provides commercial banking products, primarily loans and deposits. In addition, the Bank also administratively supports loan and other financial products, including equipment finance leases, to customers through its limited-purpose offices. The Bank also serves specialized businesses nationwide, including its mortgage finance loans, commercial equipment financing, SBA lending, specialized lending and consumer loans through relationships with fintech companies.

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.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of Presentation

The interim unaudited consolidated financial statements have been prepared in conformity with U.S. GAAP and pursuant to the rules and regulations of the SEC. These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Customers Bancorp and subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted from these interim unaudited consolidated financial statements as permitted by SEC rules and regulations. The December 31, 2023 consolidated balance sheet presented in this report has been derived from Customers Bancorp’s audited 2023 consolidated financial statements. Management believes that the disclosures are adequate to present fairly the consolidated financial statements as of the dates and for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the 2023 consolidated financial statements of Customers Bancorp and subsidiaries included in Customers’ Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 29, 2024 (the “2023 Form 10-K”). The 2023 Form 10-K describes Customers Bancorp’s significant accounting policies. There have been no material changes to Customers Bancorp’s significant accounting policies noted above for the three months ended March 31, 2024.

Recently Issued Accounting Standards

Presented below are recently issued accounting standards that Customers has adopted as well as those that the FASB has issued but are not yet effective.

Accounting Standards Adopted in 2024

Standard	Summary of Guidance	Effects on Financial Statements
ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* Issued June 2022	• Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and not considered in measuring fair value. • Prohibits recognition and measurement of a contractual sale restriction on the sale of an equity security as a separate unit of account. • Provides disclosure requirements for the equity securities subject to contractual sale restrictions. • Effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.	• Customers adopted this guidance on January 1, 2024. This guidance did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* Issued March 2023	• Provides an election to account for tax equity investments, regardless of the tax credit program, using the proportional amortization method provided that certain conditions are met. • Effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for any interim period, as of the beginning of the fiscal year that includes that interim period.	• Customers adopted this guidance on January 1, 2024. This guidance did not have a material impact on Customers' financial condition, results of operations and consolidated financial statements.

Accounting Standards Issued But Not Yet Adopted

Standard	Summary of Guidance	Effects on Financial Statements
ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* Issued November 2023	• Requires a public entity, including a public entity that has a single reportable segment to disclose, on an annual and interim basis, all disclosures required by the amendments in this ASU and all existing disclosures in ASC 280. • Requires disclosures of significant segment expenses included within each reportable segment's profit or loss that are regularly provided to the CODM, an amount for other segment items by reportable segment and a description of its composition, the title and position of the CODM and an explanation of how the CODM uses the reported measure of segment profit or loss. • Clarifies that more than one measure of a segment's profit or loss may be reported if the CODM uses them in assessing segment performance and deciding how to allocate resources, provided that at least one of the reported segment profit or loss measure is consistent with the measurement principles used in measuring the corresponding amounts in the entity's consolidated financial statements. • Effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.	• Customers is currently evaluating the expected impact of this ASU on Customers' consolidated financial statements.
ASU 2023-08, *Intangibles - Goodwill and Other - Crypto Assets (Subtopic 250-60)* Issued December 2023	• Requires crypto assets meeting certain criteria to be subsequently measured at fair value with changes recognized in net income each reporting period. • Requires crypto assets measured at fair value to be presented separately from other intangible assets in the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. • Requires cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and converted nearly immediately into cash as operating activities in the statement of cash flows. • Effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued.	• Customers does not expect this ASU to have a material impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* Issued December 2023	• Requires public entities to disclose annually a tabular reconciliation of specific reconciling items, including those items exceeding five percent of the amount computed by multiplying income from continuing operations before income taxes by the statutory income tax rate, in the income tax rate reconciliation of the effective tax rate to the statutory tax rate. • Requires disclosures of income taxes paid, net of refunds received, disaggregated by federal, state and foreign taxes and by individual jurisdictions where income taxes paid is equal to or greater than five percent of total income taxes paid, net of refunds received. • Effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued.	• Customers is currently evaluating the expected impact of this ASU on Customers' consolidated financial statements.

NOTE 3 — EARNINGS (LOSS) PER SHARE

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

	Three Months Ended March 31,	
(amounts in thousands, except share and per share data)	2024	2023
Net income available to common shareholders	$ 45,926	$ 50,265
Weighted-average number of common shares outstanding – basic	31,473,424	31,819,203
Share-based compensation plans	1,381,110	525,814
Weighted-average number of common shares – diluted	32,854,534	32,345,017
Basic earnings per common share	$ 1.46	$ 1.58
Diluted earnings per common share	1.40	1.55

The following are 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.

	Three Months Ended March 31,	
	2024	2023
Anti-dilutive securities:		
Share-based compensation awards	1,680	850,725

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

The following tables present the changes in accumulated other comprehensive income (loss) by component for the three months ended March 31, 2024 and 2023. Amounts in parentheses indicate reductions to AOCI.

	Unrealized Gains (Losses) on Available for Sale Securities (1)	
	Three Months Ended March 31,	
(amounts in thousands)	2024	2023
Balance at January 1	$ (136,569)	$ (163,096)
Unrealized gains (losses) arising during period, before tax	4,480	8,270
Income tax effect	(1,138)	(2,101)
Other comprehensive income (loss) before reclassifications	3,342	6,169
Reclassification adjustments for (gains) losses included in net income, before tax	30	—
Income tax effect	(8)	—
Amounts reclassified from accumulated other comprehensive income (loss) to net income	22	—
Amortization of unrealized loss on securities transferred from available for sale to held to maturity	1,206	872
Income tax effect	(306)	(221)
Amortization of unrealized loss on securities transferred from available for sale to held to maturity	900	651
Net current-period other comprehensive income (loss)	4,264	6,820
Balance at March 31	$ (132,305)	$ (156,276)

(1) Reclassification amounts for AFS debt securities are reported as gain (loss) on sale of investment securities and amortization of unrealized losses on debt securities transferred from available-for-sale to held-to-maturity is reported within interest income on the consolidated statements of income.

NOTE 5 — INVESTMENT SECURITIES

Investment securities at fair value

The amortized cost, approximate fair value and allowance for credit losses of investment securities at fair value as of March 31, 2024 and December 31, 2023 are summarized as follows:

	March 31, 2024 (1)				
(amounts in thousands)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale debt securities:					
Asset-backed securities	$ 62,274	$ (450)	$ —	$ (3,590)	$ 58,234
Agency-guaranteed residential mortgage-backed securities	86,227	—	299	(114)	86,412
Agency-guaranteed residential collateralized mortgage obligations	138,573	—	—	(13,615)	124,958
Agency-guaranteed commercial collateralized mortgage obligations	34,573	—	73	(872)	33,774
Collateralized loan obligations	593,236	—	55	(8,796)	584,495
Commercial mortgage-backed securities	114,445	—	—	(1,819)	112,626
Corporate notes	668,459	(4,619)	—	(53,370)	610,470
Private label collateralized mortgage obligations	1,017,587	—	628	(58,045)	960,170
Available for sale debt securities	$ 2,715,374	$ (5,069)	$ 1,055	$ (140,221)	2,571,139
Equity securities (2)					33,729
Total investment securities, at fair value					$ 2,604,868

	December 31, 2023 (1)				
(amounts in thousands)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale debt securities:					
Asset-backed securities	$ 97,359	$ (483)	$ 15	$ (4,262)	$ 92,629
Agency-guaranteed residential collateralized mortgage obligations	129,589	—	—	(12,681)	116,908
Collateralized loan obligations	500,109	—	1	(11,018)	489,092
Commercial mortgage-backed securities	125,885	—	—	(4,249)	121,636
Corporate notes	636,880	(3,469)	79	(50,456)	583,034
Private label collateralized mortgage obligations	1,034,841	—	1,201	(62,481)	973,561
Available for sale debt securities	$ 2,524,663	$ (3,952)	$ 1,296	$ (145,147)	2,376,860
Equity securities (2)					28,780
Total investment securities, at fair value					$ 2,405,640

(1) Accrued interest on AFS debt securities totaled $ 19.5 million and $ 14.7 million at March 31, 2024 and December 31, 2023, respectively, and is included in accrued interest receivable on the consolidated balance sheet.

(2) Includes perpetual preferred stock issued by domestic banks and domestic bank holding companies and equity securities issued by fintech companies, without a readily determinable fair value, and CRA-qualified mutual fund shares at March 31, 2024 and December 31, 2023. No impairments or measurement adjustments have been recorded on the equity securities without a readily determinable fair value since acquisition.

Customers’ transactions with unconsolidated VIEs include sales of consumer installment loans and investments in the securities issued by the VIEs. Customers is not the primary beneficiary of the VIEs because Customers has no right to make decisions that will most significantly affect the economic performance of the VIEs. Customers’ continuing involvement with the unconsolidated VIEs is not significant. Customers’ continuing involvement is not considered to be significant where Customers only invests in securities issued by the VIE and was not involved in the design of the VIE or where Customers has transferred financial assets to the VIE for only cash consideration. Customers’ investments in the securities issued by the VIEs are classified as AFS or HTM debt securities on the consolidated balance sheets, and represent Customers' maximum exposure to loss.

Proceeds from the sale of AFS debt securities were $ 22.0 million for the three months ended March 31, 2024. There were no sales of AFS debt securities for the three months ended March 31, 2023. The following table presents gross realized gains and realized losses from the sale of AFS debt securities for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(amounts in thousands)	2024	2023
Gross realized gains	$ —	$ —
Gross realized losses	(30)	—
Net realized gains (losses) on sale of available for sale debt securities	$ (30)	$ —

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

The following table presents AFS debt securities by stated maturity. Debt securities backed by mortgages and other assets 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:

	March 31, 2024	
(amounts in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 31,500	$ 26,852
Due after one year through five years	569,353	525,291
Due after five years through ten years	67,606	58,327
Asset-backed securities	62,274	58,234
Agency-guaranteed residential mortgage-backed securities	86,227	86,412
Agency-guaranteed residential collateralized mortgage obligations	138,573	124,958
Agency-guaranteed commercial collateralized mortgage obligations	34,573	33,774
Collateralized loan obligations	593,236	584,495
Commercial mortgage-backed securities	114,445	112,626
Private label collateralized mortgage obligations	1,017,587	960,170
Total available for sale debt securities	$ 2,715,374	$ 2,571,139

Gross unrealized losses and fair value of Customers' AFS debt securities for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024					
	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:						
Asset-backed securities	$ —	$ —	$ 52,676	$ (3,261)	$ 52,676	$ (3,261)
Agency-guaranteed residential mortgage-backed securities	47,014	(114)	—	—	47,014	(114)
Agency-guaranteed residential collateralized mortgage obligations	12,283	(105)	112,675	(13,510)	124,958	(13,615)
Agency-guaranteed commercial collateralized mortgage obligations	26,582	(872)	—	—	26,582	(872)
Collateralized loan obligations	114,173	(779)	429,799	(8,017)	543,972	(8,796)
Commercial mortgage-backed securities	—	—	112,626	(1,819)	112,626	(1,819)
Corporate notes	30,829	(532)	410,323	(36,201)	441,152	(36,733)
Private label collateralized mortgage obligations	260,549	(8,133)	572,448	(49,912)	832,997	(58,045)
Total	$ 491,430	$ (10,535)	$ 1,690,547	$ (112,720)	$ 2,181,977	$ (123,255)

	December 31, 2023					
	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:						
Asset-backed securities	$ —	$ —	$ 64,029	$ (4,027)	$ 64,029	$ (4,027)
Agency-guaranteed residential collateralized mortgage obligations	—	—	116,908	(12,681)	116,908	(12,681)
Collateralized loan obligations	29,241	(392)	438,551	(10,626)	467,792	(11,018)
Commercial mortgage-backed securities	—	—	121,636	(4,249)	121,636	(4,249)
Corporate notes	23,243	(1,147)	424,768	(33,764)	448,011	(34,911)
Private label collateralized mortgage obligations	303,750	(11,243)	613,007	(51,417)	916,757	(62,660)
Total	$ 356,234	$ (12,782)	$ 1,778,899	$ (116,764)	$ 2,135,133	$ (129,546)

At March 31, 2024, there were 38 AFS debt securities with unrealized losses in the less-than-twelve-months category and 102 AFS debt securities with unrealized losses in the twelve-months-or-more category. Except for one asset-backed security and 19 corporate notes where there was a change in future estimated cash flows as further discussed below, the unrealized losses were principally due to changes in market interest rates and credit spreads that resulted in a negative impact on the respective securities' fair value and expected to be recovered when market prices recover or at maturity. Customers does not intend to sell any of the 140 securities, and it is not more likely than not that Customers will be required to sell any of the 140 securities before recovery of the amortized cost basis. At December 31, 2023, there were 119 AFS debt securities in an unrealized loss position.

Customers recorded an allowance for credit losses on one asset-backed security and 19 corporate notes where there was a change in future estimated cash flows during the three months ended March 31, 2024 and on four asset-backed securities and six corporate notes during the three months ended March 31, 2023. A discounted cash flow approach is used to determine the amount of the allowance. The cash flows expected to be collected, after considering expected prepayments, are discounted at the original effective interest rate. The amount of the allowance is limited to the difference between the amortized cost basis of the security and its estimated fair value.

The following table presents the activity in the allowance for credit losses on AFS debt securities, by major security type, for the periods presented:

	Three Months Ended March 31,					
	2024			2023		
(amounts in thousands)	Asset-backed securities	Corporate notes	Total	Asset-backed securities	Corporate notes	Total
Balance at January 1	$ 483	$ 3,469	$ 3,952	$ 578	$ —	$ 578
Credit losses on securities for which credit losses were not previously recorded	—	502	502	—	1,383	1,383
Credit losses on previously impaired securities	—	648	648	273	—	273
Decrease in allowance for credit losses on previously impaired securities	(33)	—	(33)	(61)	—	(61)
Balance at March 31	$ 450	$ 4,619	$ 5,069	$ 790	$ 1,383	$ 2,173

At March 31, 2024 and December 31, 2023, no AFS investment securities holding of any one issuer, other than the U.S. government and its agencies, amounted to greater than 10% of shareholders' equity.

At March 31, 2024 and December 31, 2023, Customers Bank had pledged AFS investment securities aggregating $ 1.3 billion and $ 1.2 billion in fair value, respectively, as collateral for immediately available liquidity from the FRB. The counterparty does not have the ability to sell or repledge these securities.

Investment securities held to maturity

The amortized cost, approximate fair value and allowance for credit losses of investment securities held to maturity as of March 31, 2024 and December 31, 2023 are summarized as follows:

	March 31, 2024 [1]					
(amounts in thousands)	Amortized Cost	Allowance for Credit Losses	Net Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity debt securities:						
Asset-backed securities	$ 509,690	$ —	$ 509,690	$ 345	$ (2,432)	$ 507,603
Agency-guaranteed residential mortgage-backed securities	7,001	—	7,001	—	(1,087)	5,914
Agency-guaranteed commercial mortgage-backed securities	1,830	—	1,830	—	(151)	1,679
Agency-guaranteed residential collateralized mortgage obligations	182,856	—	182,856	—	(20,723)	162,133
Agency-guaranteed commercial collateralized mortgage obligations	146,001	—	146,001	—	(21,535)	124,466
Private label collateralized mortgage obligations	184,659	—	184,659	—	(13,826)	170,833
Total held to maturity debt securities	$ 1,032,037	$ —	$ 1,032,037	$ 345	$ (59,754)	$ 972,628

	December 31, 2023 [1]					
(amounts in thousands)	Amortized Cost	Allowance for Credit Losses	Net Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity debt securities:						
Asset-backed securities	$ 575,990	$ —	$ 575,990	$ 202	$ (2,064)	$ 574,128
Agency-guaranteed residential mortgage-backed securities	7,039	—	7,039	—	(649)	6,390
Agency-guaranteed commercial mortgage-backed securities	1,850	—	1,850	—	(134)	1,716
Agency-guaranteed residential collateralized mortgage obligations	186,636	—	186,636	—	(19,049)	167,587
Agency-guaranteed commercial collateralized mortgage obligations	146,765	—	146,765	—	(23,178)	123,587
Private label collateralized mortgage obligations	184,890	—	184,890	—	(11,859)	173,031
Total held to maturity debt securities	$ 1,103,170	$ —	$ 1,103,170	$ 202	$ (56,933)	$ 1,046,439

(1) Accrued interest on HTM debt securities totaled $ 2.6 million and $ 2.7 million at March 31, 2024 and December 31, 2023, respectively, and is included in accrued interest receivable on the consolidated balance sheet.

The following table presents HTM debt securities by stated maturity, including debt securities backed by mortgages and other assets with expected maturities that differ from contractual maturities because borrowers have the right to call or prepay and, therefore, are classified separately with no specific maturity date:

	March 31, 2024	
(amounts in thousands)	Amortized Cost	Fair Value
Asset-backed securities	$ 509,690	$ 507,603
Agency-guaranteed residential mortgage-backed securities	7,001	5,914
Agency-guaranteed commercial mortgage-backed securities	1,830	1,679
Agency-guaranteed residential collateralized mortgage obligations	182,856	162,133
Agency-guaranteed commercial collateralized mortgage obligations	146,001	124,466
Private label collateralized mortgage obligations	184,659	170,833
Total held to maturity debt securities	$ 1,032,037	$ 972,628

Customers recorded no allowance for credit losses on investment securities classified as held to maturity at March 31, 2024 and December 31, 2023. The U.S. government agency securities represent obligations issued by a U.S. government-sponsored enterprise or other federal government agency that are explicitly or implicitly guaranteed by the U.S. federal government and therefore, assumed to have zero credit losses. The private label collateralized mortgage obligations are highly rated with sufficient overcollateralization, and therefore, are estimated to have no expected credit losses. Customers recorded no allowance for its investments in the asset-backed securities. Customers considered the seniority of its beneficial interests, which include overcollateralization of these asset-backed securities in the estimate of the ACL at March 31, 2024 and December 31, 2023. The unrealized losses on HTM debt securities with no ACL were primarily due to changes in market interest rates that resulted in a negative impact on the respective securities' fair value and are expected to be recovered when market prices recover or at maturity.

Credit Quality Indicators

Customers monitors the credit quality of HTM debt securities primarily through credit ratings provided by rating agencies. Investment grade debt securities are rated BBB- or higher by S&P Global Ratings, Baa3 or higher by Moody's Investors Service or equivalent ratings by other rating agencies, and are generally considered to be of low credit risk. Except for the asset-backed securities and a private label collateralized mortgage obligation, all of the HTM debt securities held by Customers were investment grade or U.S. government agency guaranteed securities that were not rated at March 31, 2024 and December 31, 2023. The asset-backed securities and a private label collateralized mortgage obligation are not rated by rating agencies. Customers monitors the credit quality of these asset-backed securities and a private label collateralized mortgage obligation by evaluating the performance of the sold consumer installment loans and other underlying loans against the overcollateralization available for these securities.

The following table presents the amortized cost of HTM debt securities based on their lowest credit rating available:

	March 31, 2024			
(amounts in thousands)	AAA	AA	Not Rated	Total
Held to maturity debt securities:				
Asset-backed securities	$ —	$ —	$ 509,690	$ 509,690
Agency-guaranteed residential mortgage-backed securities	—	—	7,001	7,001
Agency-guaranteed commercial mortgage-backed securities	—	—	1,830	1,830
Agency-guaranteed residential collateralized mortgage obligations	—	—	182,856	182,856
Agency-guaranteed commercial collateralized mortgage obligations	—	—	146,001	146,001
Private label collateralized mortgage obligations	66,371	44,429	73,859	184,659
Total held to maturity debt securities	$ 66,371	$ 44,429	$ 921,237	$ 1,032,037

Customers has elected to not estimate an ACL on accrued interest receivable on HTM debt securities, as it already has a policy in place to reverse or write-off accrued interest, through interest income, for debt securities in nonaccrual status in a timely manner. At March 31, 2024 and December 31, 2023, there were no HTM debt securities past due under the terms of their agreements or in nonaccrual status.

At March 31, 2024 and December 31, 2023, Customers Bank had pledged HTM investment securities aggregating $ 391.4 million and $ 398.4 million in fair value, respectively, as collateral primarily for immediately available liquidity from the FRB and unused lines of credit with another financial institution. The counterparties do not have the ability to sell or repledge these securities.

NOTE 6 – LOANS HELD FOR SALE

The composition of loans held for sale as of March 31, 2024 and December 31, 2023 was as follows:

(amounts in thousands)	March 31, 2024	December 31, 2023
Residential mortgage loans, at fair value	$ 870	$ 1,215
Personal installment loans, at lower of cost or fair value	137,755	151,040
Other installment loans, at fair value	219,015	188,062
Total loans held for sale	$ 357,640	$ 340,317

Total loans held for sale included NPLs of $ 0.6 million and $ 0.5 million as of March 31, 2024 and December 31, 2023, respectively.

NOTE 7 — LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LEASES

The following table presents loans and leases receivable as of March 31, 2024 and December 31, 2023.

(amounts in thousands)	March 31, 2024	December 31, 2023
Loans and leases receivable:		
Commercial:		
Commercial and industrial:		
Specialized lending [(1)]	$ 5,104,405	$ 5,006,693
Other commercial and industrial [(2)]	1,222,053	1,279,147
Multifamily	2,123,675	2,138,622
Commercial real estate owner occupied	806,278	797,319
Commercial real estate non-owner occupied	1,182,084	1,177,650
Construction	185,601	166,393
Total commercial loans and leases receivable	10,624,096	10,565,824
Consumer:		
Residential real estate	482,537	484,435
Manufactured housing	37,382	38,670
Installment:		
Personal	492,892	555,533
Other	299,714	319,393
Total consumer loans receivable	1,312,525	1,398,031
Loans and leases receivable	11,936,621	11,963,855
Loans receivable, mortgage finance, at fair value	962,610	897,912
Allowance for credit losses on loans and leases	(133,296)	(135,311)
Total loans and leases receivable, net of allowance for credit losses on loans and leases [(3)]	$ 12,765,935	$ 12,726,456

(1) Includes direct finance equipment leases of $ 212.1 million and $ 205.7 million at March 31, 2024 and December 31, 2023, respectively.

(2) Includes PPP loans of $ 52.0 million and $ 74.7 million at March 31, 2024 and December 31, 2023, respectively.

(3) Includes deferred (fees) costs and unamortized (discounts) premiums, net of $(20.4) million and $(22.7) million at March 31, 2024 and December 31, 2023, respectively.

Customers' total loans and leases receivable includes loans receivable reported at fair value based on an election made to account for these loans at fair value, and loans and leases receivable predominately reported at their outstanding unpaid principal balance, net of charge-offs, deferred costs and fees, unamortized premiums and discounts, and evaluated for impairment. The total amount of accrued interest recorded for total loans was $ 92.2 million and $ 95.0 million at March 31, 2024 and December 31, 2023, respectively, and is presented in accrued interest receivable in the consolidated balance sheet. At March 31, 2024 and December 31, 2023, there were $ 23.8 million and $ 15.8 million of individually evaluated loans that were collateral-dependent, respectively. Substantially all individually evaluated loans were collateral-dependent and consisted primarily of commercial and industrial, commercial real estate, and residential real estate loans. Collateral-dependent commercial and industrial loans were secured by accounts receivable, inventory and equipment; collateral-dependent commercial real estate loans were secured by commercial real estate assets; and residential real estate loans were secured by residential real estate assets.

Loans and leases receivable

The following tables summarize loans and leases receivable by loan and lease type and performance status as of March 31, 2024 and December 31, 2023:

	March 31, 2024					
(amounts in thousands)	30-59 Days past due [1]	60-89 Days past due [1]	90 Days or more past due [2]	Total past due	Loans and leases not past due [3][4]	Total loans and leases [4]
Commercial and industrial, including specialized lending	$ 5,910	$ 180	$ 2,624	$ 8,714	$ 6,265,787	$ 6,274,501
Multifamily	10,331	—	5,161	15,492	2,108,183	2,123,675
Commercial real estate owner occupied	3,135	—	8,883	12,018	794,260	806,278
Commercial real estate non-owner occupied	27,632	—	62	27,694	1,154,390	1,182,084
Construction	—	—	—	—	185,601	185,601
Residential real estate	11,289	786	4,300	16,375	466,162	482,537
Manufactured housing	629	401	2,775	3,805	33,577	37,382
Installment	7,824	4,960	6,958	19,742	772,864	792,606
Total	$ 66,750	$ 6,327	$ 30,763	$ 103,840	$ 11,780,824	$ 11,884,664

	December 31, 2023					
(amounts in thousands)	30-59 Days past due [1]	60-89 Days past due [1]	90 Days or more past due [2]	Total past due	Loans and leases not past due [3]	Total loans and leases [4]
Commercial and industrial, including specialized lending	$ 1,516	$ 322	$ 4,153	$ 5,991	$ 6,205,114	$ 6,211,105
Multifamily	16,003	—	—	16,003	2,122,619	2,138,622
Commercial real estate owner occupied	449	3,814	5,827	10,090	787,229	797,319
Commercial real estate non-owner occupied	16,653	—	—	16,653	1,160,997	1,177,650
Construction	—	—	—	—	166,393	166,393
Residential real estate	10,504	2,255	3,764	16,523	467,912	484,435
Manufactured housing	1,152	343	2,869	4,364	34,306	38,670
Installment	9,255	7,866	7,211	24,332	850,594	874,926
Total	$ 55,532	$ 14,600	$ 23,824	$ 93,956	$ 11,795,164	$ 11,889,120

(1) Includes past due loans and leases that are accruing interest because collection is considered probable.

(2) Includes loans amounting to $ 0.5 million as of March 31, 2024 and December 31, 2023 that are still accruing interest because collection is considered probable.

(3) Loans and leases where next payment due is less than 30 days from the report date. The tables exclude PPP loans of $ 52.0 million, of which $ 2.7 million were 30-59 days past due and $ 32.3 million were 60 days or more past due as of March 31, 2024, and PPP loans of $ 74.7 million, of which $ 0.7 million were 30-59 days past due and $ 48.5 million were 60 days or more past due as of December 31, 2023. Claims for guarantee payments are submitted to the SBA for eligible PPP loans that are more than 60 days past due.

(4) Includes PCD loans of $ 154.0 million and $ 157.2 million at March 31, 2024 and December 31, 2023, respectively.

Nonaccrual Loans and Leases

The following table presents the amortized cost of loans and leases held for investment on nonaccrual status.

	March 31, 2024			December 31, 2023		
(amounts in thousands)	Nonaccrual loans with no related allowance	Nonaccrual loans with related allowance	Total nonaccrual loans	Nonaccrual loans with no related allowance	Nonaccrual loans with related allowance	Total nonaccrual loans
Commercial and industrial, including specialized lending	$ 3,322	$ 286	$ 3,608	$ 3,365	$ 1,071	$ 4,436
Multifamily	5,161	—	5,161	—	—	—
Commercial real estate owner occupied	8,920	—	8,920	5,869	—	5,869
Commercial real estate non-owner occupied	62	—	62	—	—	—
Residential real estate	7,664	425	8,089	6,685	117	6,802
Manufactured housing	—	2,268	2,268	—	2,331	2,331
Installment	—	6,958	6,958	—	7,211	7,211
Total	$ 25,129	$ 9,937	$ 35,066	$ 15,919	$ 10,730	$ 26,649

Interest income recognized on nonaccrual loans was insignificant for the three months ended March 31, 2024 and 2023. Accrued interest reversed when the loans went to nonaccrual status was insignificant for the three months ended March 31, 2024 and 2023.

Loans receivable, mortgage finance, at fair value

Mortgage finance loans consist of commercial loans to mortgage companies. These mortgage finance 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 finance 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 finance 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 March 31, 2024 and December 31, 2023, all of Customers' mortgage finance loans were current in terms of payment. As these loans are reported at their fair value, they do not have an ACL and are therefore excluded from ACL-related disclosures.

Allowance for credit losses on loans and leases

The changes in the ACL on loans and leases by loan and lease type for the three months ended March 31, 2024 and 2023 are presented in the tables below.

(amounts in thousands)	Commercial and industrial (1)(2)	Multifamily	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Installment	Total
Three Months Ended March 31, 2024									
Ending Balance, December 31, 2023	$ 23,503	$ 16,343	$ 9,882	$ 16,859	$ 1,482	$ 6,586	$ 4,239	$ 56,417	$ 135,311
Charge-offs	(5,396)	(473)	(22)	—	—	(19)	—	(16,917)	(22,827)
Recoveries	1,724	—	—	—	—	1	—	3,134	4,859
Provision (benefit) for credit losses on loans and leases	3,172	2,437	341	1,461	384	139	(79)	8,098	15,953
Ending Balance, March 31, 2024	$ 23,003	$ 18,307	$ 10,201	$ 18,320	$ 1,866	$ 6,707	$ 4,160	$ 50,732	$ 133,296

(amounts in thousands)	Commercial and industrial [(1)(2)]	Multifamily	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Installment	Total
Three Months Ended March 31, 2023									
Ending Balance, December 31, 2022	$ 17,582	$ 14,541	$ 6,454	$ 11,219	$ 1,913	$ 6,094	$ 4,430	$ 68,691	$ 130,924
Charge-offs	(160)	—	—	(4,239)	—	—	—	(16,715)	(21,114)
Recoveries	231	—	—	5	116	2	—	2,109	2,463
Provision (benefit) for credit losses on loans and leases	2,397	543	2,018	4,047	307	757	(91)	8,030	18,008
Ending Balance, March 31, 2023	$ 20,050	$ 15,084	$ 8,472	$ 11,032	$ 2,336	$ 6,853	$ 4,339	$ 62,115	$ 130,281

(1) Includes specialized lending.

(2) PPP loans include an embedded credit enhancement from the SBA, which guarantees 100% of the principal and interest owed by the borrower provided that the SBA's eligibility criteria are met. As a result, the eligible PPP loans do not have an ACL.

At March 31, 2024, the ACL on loans and leases was $ 133.3 million, a decrease of $ 2.0 million from the December 31, 2023 balance of $ 135.3 million. The decrease in ACL for the three months ended March 31, 2024 was primarily attributable to a decrease in consumer installment loan balances held for investment.

Loan Modifications for Borrowers Experiencing Financial Difficulty

A borrower is considered to be experiencing financial difficulty when there is a significant doubt about the borrower's ability to make the required principal and interest payments on the loan or to get an equivalent financing from another creditor at a market rate for a similar loan.

When borrowers are experiencing financial difficulty, Customers may make certain loan modifications as part of loss mitigation strategies to maximize expected payment. To be classified as a modification made to a borrower experiencing financial difficulty, the modification must be in the form of an interest rate reduction, principal forgiveness, or an other-than-insignificant payment delay (payment deferral), term extension, or combinations thereof.

Customers will generally try other forms of relief before principal forgiveness. Any contractual reduction in the amount of principal due without receiving payment or assets is considered forgiveness. For the purpose of this disclosure, Customers considers any contractual change in interest rate that results in a reduction in interest rate relative to the current stated interest rate as an interest rate reduction. Generally, Customers considers any delay in payment of greater than 90 days in the last 12 months to be significant. Term extensions extend the original contractual maturity of the loan. For the purpose of this disclosure, modification of contingent payment features or covenants that would have accelerated payment are not considered term extensions.

The following table presents the amortized cost of loans that were modified to borrowers experiencing financial difficulty for the three months ended March 31, 2024 and 2023, disaggregated by class of financing receivable and type of modification granted.

	Three Months Ended March 31, 2024					
(dollars in thousands)	Term Extension	Payment Deferral	Debt Forgiveness	Interest Rate Reduction and Term Extension	Total	Percentage of Total by Financing Class
Commercial and industrial, including specialized lending	$ —	$ 1,980	$ —	$ —	$ 1,980	0.03 %
Multifamily	—	10,688	—	—	10,688	0.50 %
Residential real estate	—	57	—	—	57	0.01 %
Personal installment	3,747	198	36	—	3,981	0.50 %
Total	$ 3,747	$ 12,923	$ 36	$ —	$ 16,706	

(dollars in thousands)	Three Months Ended March 31, 2023 Term Extension	Payment Deferral	Debt Forgiveness	Interest Rate Reduction and Term Extension	Total	Percentage of Total by Financing Class
Commercial and industrial, including specialized lending	$ 172	$ —	$ —	$ —	$ 172	0.00 %
Commercial real estate owner occupied	169	—	—	—	169	0.02 %
Manufactured housing	7	—	—	63	70	0.16 %
Personal installment	4,833	131	114	—	5,078	0.60 %
Total	$ 5,181	$ 131	$ 114	$ 63	$ 5,489	

As of March 31, 2024, there were no commitments to lend additional funds to debtors experiencing financial difficulty whose loans have been modified during the three months ended March 31, 2024.

The following table summarizes the impacts of loan modifications made to borrowers experiencing financial difficulty for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	Weighted Average				Weighted Average			
(dollars in thousands)	Interest Rate Reduction (%)	Term Extension (in months)	Payment Deferral (in months)	Debt Forgiven	Interest Rate Reduction (%)	Term Extension (in months)	Payment Deferral (in months)	Debt Forgiven
Commercial and industrial, including specialized lending	— %	0	3	$ —	— %	4	0	$ —
Multifamily	—	0	12	—	—	0	0	—
Commercial real estate owner occupied	—	0	0	—	—	4	0	—
Residential real estate	—	0	5	—	—	0	0	—
Manufactured housing	—	0	0	—	0.8	55	0	—
Personal installment	—	6	6	100	—	5	6	66

The performance of loans made to borrowers experiencing financial difficulty in which modifications were made is closely monitored to understand the effectiveness of modification efforts. Loans are considered to be in payment default at 90 days or more past due. The following table presents an aging analysis of loan modifications made to borrowers experiencing financial difficulty in the twelve months ended March 31, 2024 and the three months ended three months ended March 31, 2023.

(dollars in thousands)	March 31, 2024 30-59 Days past due	60-89 Days past due	90 Days or more past due	Current	Total
Commercial and industrial, including specialized lending	$ 1,980	$ —	$ —	$ 15,348	$ 17,328
Multifamily	—	—	—	10,688	10,688
Residential real estate	57	—	—	46	103
Manufactured housing	—	92	31	620	743
Personal installment	943	626	546	12,131	14,246
Total	$ 2,980	$ 718	$ 577	$ 38,833	$ 43,108

(dollars in thousands)	March 31, 2023 [1] 30-59 Days past due	60-89 Days past due	90 Days or more past due	Current	Total
Commercial and industrial, including specialized lending	$ —	$ 172	$ —	$ —	$ 172
Commercial real estate owner occupied	—	—	169	—	169
Manufactured housing	—	—	—	70	70
Personal installment	202	44	21	4,811	5,078
Total	$ 202	$ 216	$ 190	$ 4,881	$ 5,489

(1) Customers adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02") effective January 1, 2023, therefore, the March 31, 2023 balances only include loans since ASU 2022-02 became effective.

The loans to borrowers experiencing financial difficulty that were modified during the twelve months ended March 31, 2024 that subsequently defaulted were not material. During the three months ended March 31, 2023, there were no borrowers experiencing financial difficulty that subsequently defaulted. Customers' ACL is influenced by loan level characteristics that inform the assessed propensity to default. As such, the provision for credit losses is impacted by changes in such loan level characteristics, such as payment performance. Loans made to borrowers experiencing financial difficulty can be classified as either accrual or nonaccrual.

Credit Quality Indicators

The ACL represents management's estimate of expected losses in Customers' loans and leases receivable portfolio, excluding mortgage finance loans reported at fair value pursuant to a fair value option election and PPP loans receivable. Commercial and industrial including specialized lending, multifamily, 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, manufactured housing and installment loans are evaluated based on the payment activity of the loan.

To facilitate the monitoring of credit quality within the commercial and industrial including specialized lending, multifamily, owner occupied commercial real estate, non-owner occupied commercial real estate, and construction loan portfolios, and as an input in the ACL lifetime loss rate model for the commercial and industrial loan portfolio, 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 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 2023 Form 10-K describes Customers Bancorp's risk rating grades.

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. PPP loans of $ 52.0 million and $ 74.7 million at March 31, 2024 and December 31, 2023, respectively, are excluded in the tables below as these loans are fully guaranteed by the SBA, provided that the eligibility criteria are met. The following tables present the credit ratings of loans and leases receivable and current period gross write-offs as of March 31, 2024 and December 31, 2023.

(amounts in thousands)	Term Loans Amortized Cost Basis by Origination Year as of March 31, 2024 2024	2023	2022	2021	2020	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Commercial and industrial loans and leases, including specialized lending:									
Pass	$ 453,522	$ 1,023,266	$ 2,018,082	$ 471,404	$ 142,178	$ 60,734	$ 1,594,160	$ 343,934	$ 6,107,280
Special mention	—	12,090	176	5,000	6,884	3,430	10,923	1,689	40,192
Substandard	—	699	18,575	34,687	27,274	39,866	5,855	73	127,029
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial loans and leases	$ 453,522	$ 1,036,055	$ 2,036,833	$ 511,091	$ 176,336	$ 104,030	$ 1,610,938	$ 345,696	$ 6,274,501
Commercial and industrial loans and leases charge-offs:									
Three Months Ended March 31, 2024 [1]	$ 145	$ 484	$ 344	$ 3,397	$ 692	$ 334	$ —	$ —	$ 5,396
Multifamily loans:									
Pass	$ —	$ 850	$ 1,239,644	$ 344,966	$ 128,439	$ 284,391	$ —	$ —	$ 1,998,290
Special mention	—	—	—	—	—	88,656	—	—	88,656
Substandard	—	—	—	—	—	36,729	—	—	36,729
Doubtful	—	—	—	—	—	—	—	—	—
Total multifamily loans	$ —	$ 850	$ 1,239,644	$ 344,966	$ 128,439	$ 409,776	$ —	$ —	$ 2,123,675
Multifamily loans charge-offs:									
Three Months Ended March 31, 2024	$ —	$ —	$ —	$ —	$ —	$ 473	$ —	$ —	$ 473
Commercial real estate owner occupied loans:									
Pass	$ 66,614	$ 34,503	$ 226,892	$ 178,805	$ 66,229	$ 152,046	$ —	$ 11,288	$ 736,377
Special mention	—	—	—	—	—	35,530	—	—	35,530
Substandard	—	2,944	—	15,385	—	16,042	—	—	34,371
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate owner occupied loans	$ 66,614	$ 37,447	$ 226,892	$ 194,190	$ 66,229	$ 203,618	$ —	$ 11,288	$ 806,278
Commercial real estate owner occupied loans charge-offs:									
Three Months Ended March 31, 2024	$ —	$ —	$ —	$ —	$ —	$ 22	$ —	$ —	$ 22
Commercial real estate non-owner occupied loans:									
Pass	$ 7,195	$ 16,791	$ 337,029	$ 103,661	$ 150,553	$ 456,456	$ —	$ —	$ 1,071,685
Special mention	—	—	5,380	—	20,570	415	—	—	26,365
Substandard	—	—	—	—	—	84,034	—	—	84,034
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate non-owner occupied loans	$ 7,195	$ 16,791	$ 342,409	$ 103,661	$ 171,123	$ 540,905	$ —	$ —	$ 1,182,084
Commercial real estate non-owner occupied loans charge-offs:									
Three Months Ended March 31, 2024	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction loans:									
Pass	$ 3,214	$ 14,234	$ 135,023	$ 25,541	$ —	$ 3,967	$ —	$ —	$ 181,979
Special mention	—	3,622	—	—	—	—	—	—	3,622
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total construction loans	$ 3,214	$ 17,856	$ 135,023	$ 25,541	$ —	$ 3,967	$ —	$ —	$ 185,601
Construction loans charge-offs:									
Three Months Ended March 31, 2024	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total commercial loans and leases receivable	$ 530,545	$ 1,108,999	$ 3,980,801	$ 1,179,449	$ 542,127	$ 1,262,296	$ 1,610,938	$ 356,984	$ 10,572,139

(amounts in thousands)	2024	2023	2022	2021	2020	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
	Term Loans Amortized Cost Basis by Origination Year as of March 31, 2024								
Total commercial loans and leases receivable charge-offs:									
Three Months Ended March 31, 2024	$ 145	$ 484	$ 344	$ 3,397	$ 692	$ 829	$ —	$ —	$ 5,891
Residential real estate loans:									
Performing	$ 4,437	$ 22,540	$ 171,091	$ 129,844	$ 6,339	$ 85,373	$ 55,093	$ —	$ 474,717
Non-performing	—	—	1,066	1,776	226	4,747	5	—	7,820
Total residential real estate loans	$ 4,437	$ 22,540	$ 172,157	$ 131,620	$ 6,565	$ 90,120	$ 55,098	$ —	$ 482,537
Residential real estate loans charge-offs:									
Three Months Ended March 31, 2024	$ —	$ —	$ —	$ —	$ —	$ 19	$ —	$ —	$ 19
Manufactured housing loans:									
Performing	$ —	$ —	$ —	$ —	$ —	$ 35,185	$ —	$ —	$ 35,185
Non-performing	—	—	—	—	—	2,197	—	—	2,197
Total manufactured housing loans	$ —	$ —	$ —	$ —	$ —	$ 37,382	$ —	$ —	$ 37,382
Manufactured housing loans charge-offs:									
Three Months Ended March 31, 2024	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Installment loans:									
Performing	$ 15,048	$ 227,664	$ 268,738	$ 132,929	$ 53,774	$ 36,543	$ 48,852	$ 7	$ 783,555
Non-performing	—	3,628	3,065	1,363	351	481	163	—	9,051
Total installment loans	$ 15,048	$ 231,292	$ 271,803	$ 134,292	$ 54,125	$ 37,024	$ 49,015	$ 7	$ 792,606
Installment loans charge-offs:									
Three Months Ended March 31, 2024	$ 1,072	$ 1,053	$ 6,220	$ 5,237	$ 1,273	$ 2,062	$ —	$ —	$ 16,917
Total consumer loans	$ 19,485	$ 253,832	$ 443,960	$ 265,912	$ 60,690	$ 164,526	$ 104,113	$ 7	$ 1,312,525
Total consumer loans charge-offs:									
Three Months Ended March 31, 2024	$ 1,072	$ 1,053	$ 6,220	$ 5,237	$ 1,273	$ 2,081	$ —	$ —	$ 16,936
Loans and leases receivable	$ 550,030	$ 1,362,831	$ 4,424,761	$ 1,445,361	$ 602,817	$ 1,426,822	$ 1,715,051	$ 356,991	$ 11,884,664
Loans and leases receivable charge-offs:									
Three Months Ended March 31, 2024	$ 1,217	$ 1,537	$ 6,564	$ 8,634	$ 1,965	$ 2,910	$ —	$ —	$ 22,827

(1) Charge-offs for the three months ended March 31, 2024 included $ 3.4 million of commercial and industrial loans originated under the PPP that were subsequently determined to be ineligible for SBA forgiveness and guarantee and were ultimately deemed uncollectible.

(amounts in thousands)	Term Loans Amortized Cost Basis by Origination Year as of December 31, 2023						Revolving loans amortized cost basis	Revolving loans converted to term	Total
	2023	2022	2021	2020	2019	Prior			
Commercial and industrial loans and leases, including specialized lending:									
Pass	$ 1,184,923	$ 1,909,592	$ 483,039	$ 170,384	$ 59,213	$ 63,480	$ 1,722,559	$ 384,947	$ 5,978,137
Special mention	18,000	3,377	5,127	1,986	—	595	7,916	2,903	39,904
Substandard	14,738	39,258	61,533	26,660	4,803	42,062	4,010	—	193,064
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial loans and leases	$ 1,217,661	$ 1,952,227	$ 549,699	$ 199,030	$ 64,016	$ 106,137	$ 1,734,485	$ 387,850	$ 6,211,105
Commercial and industrial loans and leases charge-offs:									
For the Year Ended December 31, 2023 (1)(2)	$ 1,483	$ 381	$ 3,169	$ 10,348	$ 24	$ 1,510	$ —	$ —	$ 16,915
Multifamily loans:									
Pass	$ 845	$ 1,229,198	$ 371,016	$ 127,493	$ 43,046	$ 253,806	$ —	$ —	$ 2,025,404
Special mention	—	—	—	—	6,468	67,035	—	—	73,503
Substandard	—	—	—	—	—	39,715	—	—	39,715
Doubtful	—	—	—	—	—	—	—	—	—
Total multifamily loans	$ 845	$ 1,229,198	$ 371,016	$ 127,493	$ 49,514	$ 360,556	$ —	$ —	$ 2,138,622
Multifamily loans charge-offs:									
For the Year Ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ 3,574	$ —	$ —	$ 3,574
Commercial real estate owner occupied loans:									
Pass	$ 41,011	$ 254,878	$ 180,289	$ 77,821	$ 44,382	$ 120,248	$ —	$ 11,318	$ 729,947
Special mention	—	—	15,432	—	35,691	47	—	—	51,170
Substandard	—	—	—	—	347	15,855	—	—	16,202
Doubtful	—	—	—	—		—	—	—	—
Total commercial real estate owner occupied loans	$ 41,011	$ 254,878	$ 195,721	$ 77,821	$ 80,420	$ 136,150	$ —	$ 11,318	$ 797,319
Commercial real estate owner occupied loans charge-offs:									
For the Year Ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ 39	$ —	$ —	$ 39
Commercial real estate non-owner occupied loans:									
Pass	$ 12,906	$ 325,881	$ 109,521	$ 152,227	$ 88,586	$ 367,996	$ —	$ —	$ 1,057,117
Special mention	—	—	—	20,702	—	9,148	—	—	29,850
Substandard	—	10,910	—	—	8,113	71,660	—	—	90,683
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate non-owner occupied loans	$ 12,906	$ 336,791	$ 109,521	$ 172,929	$ 96,699	$ 448,804	$ —	$ —	$ 1,177,650
Commercial real estate non-owner occupied loans charge-offs:									
For the Year Ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ 4,527	$ —	$ —	$ 4,527
Construction loans:									
Pass	$ 17,594	$ 138,797	$ 2,567	$ —	$ —	$ 4,580	$ —	$ 1,100	$ 164,638
Special mention	1,755	—	—	—	—	—	—	—	1,755
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total construction loans	$ 19,349	$ 138,797	$ 2,567	$ —	$ —	$ 4,580	$ —	$ 1,100	$ 166,393
Construction loans charge-offs:									
For the Year Ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total commercial loans and leases receivable	$ 1,291,772	$ 3,911,891	$ 1,228,524	$ 577,273	$ 290,649	$ 1,056,227	$ 1,734,485	$ 400,268	$ 10,491,089

(amounts in thousands)	Term Loans Amortized Cost Basis by Origination Year as of December 31, 2023: 2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Total commercial loans and leases receivable charge-offs:									
For the Year Ended December 31, 2023	$ 1,483	$ 381	$ 3,169	$ 10,348	$ 24	$ 9,650	$ —	$ —	$ 25,055
Residential real estate loans:									
Performing	$ 22,613	$ 173,424	$ 131,621	$ 6,458	$ 15,508	$ 71,433	$ 56,844	$ —	$ 477,901
Non-performing	—	350	1,236	229	545	3,993	181	—	6,534
Total residential real estate loans	$ 22,613	$ 173,774	$ 132,857	$ 6,687	$ 16,053	$ 75,426	$ 57,025	$ —	$ 484,435
Residential real estate loans charge-offs:									
For the Year Ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ 69	$ —	$ —	$ 69
Manufactured housing loans:									
Performing	$ —	$ —	$ —	$ —	$ 98	$ 36,464	$ —	$ —	$ 36,562
Non-performing	—	—	—	—	—	2,108	—	—	2,108
Total manufactured housing loans	$ —	$ —	$ —	$ —	$ 98	$ 38,572	$ —	$ —	$ 38,670
Manufactured housing loans charge-offs:									
For the Year Ended December 31, 2023	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Installment loans:									
Performing	$ 253,958	$ 307,566	$ 158,381	$ 50,354	$ 39,953	$ 3,448	$ 51,480	$ —	$ 865,140
Non-performing	2,634	4,102	1,751	546	477	86	190	—	9,786
Total installment loans	$ 256,592	$ 311,668	$ 160,132	$ 50,900	$ 40,430	$ 3,534	$ 51,670	$ —	$ 874,926
Installment loans charge-offs:									
For the Year Ended December 31, 2023	$ 7,728	$ 24,605	$ 23,984	$ 5,590	$ 6,797	$ 1,238	$ —	$ —	$ 69,942
Total consumer loans	$ 279,205	$ 485,442	$ 292,989	$ 57,587	$ 56,581	$ 117,532	$ 108,695	$ —	$ 1,398,031
Total consumer loans charge-offs:									
For the Year Ended December 31, 2023	$ 7,728	$ 24,605	$ 23,984	$ 5,590	$ 6,797	$ 1,307	$ —	$ —	$ 70,011
Loans and leases receivable	$ 1,570,977	$ 4,397,333	$ 1,521,513	$ 634,860	$ 347,230	$ 1,173,759	$ 1,843,180	$ 400,268	$ 11,889,120
Loans and leases receivable charge-offs:									
For the Year Ended December 31, 2023	$ 9,211	$ 24,986	$ 27,153	$ 15,938	$ 6,821	$ 10,957	$ —	$ —	$ 95,066

(1) Excludes $ 6.2 million of charge-offs for certain PCD loans against $ 8.7 million of allowance for credit losses on PCD loans recognized upon acquisition of a venture banking loan portfolio (included within specialized lending) from the FDIC on June 15, 2023. These PCD loans were originated in years 2016 to 2022.

(2) Charge-offs for the year ended December 31, 2023 included $ 10.7 million of commercial and industrial loans originated under the PPP that were subsequently determined to be ineligible for SBA forgiveness and guarantee and were ultimately deemed uncollectible.

Loan Purchases and Sales

Purchases and sales of loans held for investment were as follows for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(amounts in thousands)	2024	2023
Purchases [(1)]		
Other commercial and industrial	$ 7,403	$ 5,445
Commercial real estate owner occupied	—	2,867
Residential real estate	—	4,238
Total	$ 7,403	$ 12,550

(1) Amounts reported in the above table are the unpaid principal balance at time of purchase. The purchase price was 100.0 % and 101.9 % of the loans' unpaid principal balance for the three months ended March 31, 2024 and 2023, respectively.

Loans Pledged as Collateral

Customers has pledged eligible commercial and residential real estate, multifamily, commercial and industrial, PPP and consumer installment loans as collateral for borrowings outstanding or available immediately from the FHLB and FRB in the amount of $ 7.6 billion and $ 7.0 billion at March 31, 2024 and December 31, 2023, respectively.

NOTE 8 — LEASES

Lessee

Customers has operating leases for its branches, certain LPOs, and administrative offices, with remaining lease terms ranging between four months and nine years . These operating leases comprise substantially all of Customers' obligations in which Customers is the lessee. These lease agreements typically consist of initial lease terms ranging between one and ten years , with options to renew the leases or extend the term up to ten 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 obligation 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 when determining the present value of lease payments.

The following table summarizes operating lease ROU assets and operating lease liabilities and their corresponding balance sheet location:

(amounts in thousands)	Classification	March 31, 2024	December 31, 2023
ASSETS			
Operating lease ROU assets	Other assets	$ 16,741	$ 15,644
LIABILITIES			
Operating lease liabilities	Other liabilities	$ 18,987	$ 18,048

The following table summarizes operating lease cost and its corresponding income statement location for the periods presented:

		Three Months Ended March 31,	
(amounts in thousands)	Classification	2024	2023
Operating lease cost [(1)]	Occupancy expenses	$ 1,185	$ 1,218

(1) There were no variable lease costs for the three months ended March 31, 2024 and 2023, and sublease income for operating leases was immaterial.

Maturities of non-cancelable operating lease liabilities were as follows at March 31, 2024:

(amounts in thousands)	March 31, 2024
2024	$ 3,683
2025	4,218
2026	3,462
2027	2,966
2028	2,600
Thereafter	3,667
Total minimum payments	20,596
Less: interest	1,609
Present value of lease liabilities	$ 18,987

Customers does not have leases where it is involved with the construction or design of an underlying asset. Cash paid pursuant to the operating lease liabilities was $ 1.4 million and $ 1.7 million for the three months ended March 31, 2024 and 2023, respectively. These payments were 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 March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Weighted average remaining lease term (years)		
Operating leases	5.7 years	5.6 years
Weighted average discount rate		
Operating leases	3.51 %	3.28 %

Equipment Lessor

Customers' commercial equipment financing group goes to market through the following origination platforms: vendors, intermediaries, direct and capital markets. The commercial equipment financing group is primarily focused on serving the following industries: transportation, construction (includes crane and utility), marine, franchise, general manufacturing (includes machine tool), helicopter/fixed wing, solar, packaging, plastics and food processing. Lease terms typically range from 24 months to 120 months. The commercial equipment financing group offers the following products: Loans, Capital Lease, PUT, 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 Customers' Split-TRAC leases have residual risk and the unguaranteed portions are typically nominal. Expected credit losses on direct financing leases and the related estimated residual values are included in the ACL on loans and leases.

Leased assets under operating leases are reported 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 operating leased assets for impairment. An impairment loss is recognized if the carrying amount of the operating leased asset exceeds its fair value and is not recoverable. The carrying amount of operating 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 March 31, 2024 and December 31, 2023:

(amounts in thousands)	Classification	March 31, 2024	December 31, 2023
ASSETS			
Direct financing leases			
Lease receivables	Loans and leases receivable	$ 198,187	$ 190,559
Guaranteed residual assets	Loans and leases receivable	16,796	15,783
Unguaranteed residual assets	Loans and leases receivable	10,010	10,010
Deferred initial direct costs	Loans and leases receivable	1,231	1,213
Unearned income	Loans and leases receivable	(14,076)	(11,891)
Net investment in direct financing leases		$ 212,148	$ 205,674
Operating leases			
Investment in operating leases	Other assets	$ 278,379	$ 282,208
Accumulated depreciation	Other assets	(78,739)	(77,672)
Deferred initial direct costs	Other assets	1,116	1,192
Net investment in operating leases		200,756	205,728
Total lease assets		$ 412,904	$ 411,402

Maturities of operating and direct financing lease receivables were as follows at March 31, 2024:

(amounts in thousands)	Operating leases	Direct financing leases
2024	$ 32,330	$ 38,847
2025	39,137	45,807
2026	44,812	38,092
2027	33,566	33,108
2028	53,255	23,609
Thereafter	25,654	19,850
Total minimum payments	$ 228,754	199,313
Less: interest		1,126
Present value of lease receivables		$ 198,187

NOTE 9 – DEPOSITS

The components of deposits at March 31, 2024 and December 31, 2023 were as follows:

(amounts in thousands)	March 31, 2024	December 31, 2023
Demand, non-interest bearing	$ 4,688,880	$ 4,422,494
Demand, interest bearing	5,661,775	5,580,527
Savings, including money market deposit accounts	5,428,217	4,629,336
Time	2,182,511	3,287,879
Total deposits	$ 17,961,383	$ 17,920,236

The scheduled maturities for time deposits at March 31, 2024 were as follows:

(amounts in thousands)	March 31, 2024
2024	$ 1,300,535
2025	264,437
2026	361,940
2027	117,773
2028	137,768
Thereafter	58
Total time deposits	$ 2,182,511

Time deposits greater than the FDIC limit of $250,000 totaled $ 238.5 million and $ 186.3 million at March 31, 2024 and December 31, 2023, respectively.

Demand deposit overdrafts reclassified as loans were $ 1.6 million and $ 1.2 million at March 31, 2024 and December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, the Bank had $ 1.1 billion in deposits, to which it had pledged $ 1.1 billion of available borrowing capacity through the FHLB to the depositors through a standby letter of credit arrangement.

NOTE 10 - BORROWINGS

Short-term debt

There were no short-term debt outstanding at March 31, 2024 and December 31, 2023.

The following is a summary of additional information relating to Customers' short-term debt:

(dollars in thousands)	March 31, 2024 (1)	December 31, 2023 (2)
FRB advances		
Maximum outstanding at any month end	$ —	$ —
Average balance during the period	—	120,099
Weighted-average interest rate during the period	— %	5.23 %
FHLB advances		
Maximum outstanding at any month end	—	—
Average balance during the period	—	87,407
Weighted-average interest rate during the period	— %	5.16 %
Federal funds purchased		
Maximum outstanding at any month end	—	—
Average balance during the period	—	3,781
Weighted-average interest rate during the period	— %	4.97 %

(1) For the three months ended March 31, 2024.

(2) For the year ended December 31, 2023.

At March 31, 2024 and December 31, 2023, Customers Bank had aggregate availability under federal funds lines totaling $ 1.7 billion.

Long-term debt

FHLB and FRB advances

Long-term FHLB and FRB advances at March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024		December 31, 2023	
(dollars in thousands)	Amount	Rate	Amount	Rate
FHLB advances [(1)(2)]	$ 1,195,088	3.91 %	$ 1,203,207	3.91 %
Total long-term FHLB and FRB advances	$ 1,195,088		$ 1,203,207	

(1) Amounts reported in the above table include a fixed rate long-term advance from FHLB of $ 250.0 million with a maturity of June 2024 and a returnable option that can be repaid without penalty on certain predetermined dates at Customers Bank's option, and fixed rate long-term advances of $ 950.0 million with maturities ranging from March 2025 to March 2028, at March 31, 2024.

(2) Includes $(4.9) million and $ 3.2 million of unamortized basis adjustments from interest rate swaps designated as fair value hedges of long-term advances from FHLB at March 31, 2024 and December 31, 2023, respectively. Refer to NOTE 14 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES for additional information.

Maturities of long-term FHLB advances were as follows at March 31, 2024:

	March 31, 2024	
(dollars in thousands)	Amount [(1)]	Rate
2024	$ 250,000	3.44 %
2025	200,000	4.45 %
2026	200,000	4.32 %
2027	450,000	3.70 %
2028	100,000	4.19 %
Thereafter	—	— %
Total long-term FHLB advances	$ 1,200,000	

(1) Amounts reported in the above table include a fixed rate long-term advance from FHLB of $ 250.0 million with a maturity of June 2024 and a returnable option that can be repaid without penalty on certain predetermined dates at Customers Bank's option.

The maximum borrowing capacity with the FHLB and FRB at March 31, 2024 and December 31, 2023 was as follows:

(amounts in thousands)	March 31, 2024	December 31, 2023
Total maximum borrowing capacity with the FHLB	$ 3,431,804	$ 3,474,347
Total maximum borrowing capacity with the FRB	4,082,885	3,436,000
Qualifying loans and securities serving as collateral against FHLB and FRB advances	9,339,657	8,575,137

Senior and Subordinated Debt

Long-term senior notes and subordinated debt at March 31, 2024 and December 31, 2023 were as follows:

(dollars in thousands)		March 31, 2024	December 31, 2023					
Issued by	Ranking	Carrying Amount	Carrying Amount	Rate	Issued Amount	Date Issued	Maturity	Price
Customers Bancorp	Senior (1)	$ 98,963	$ 98,928	2.875 %	$ 100,000	August 2021	August 2031	100.000 %
Customers Bancorp	Senior	24,942	24,912	4.500 %	25,000	September 2019	September 2024	100.000 %
Total other borrowings		$ 123,905	$ 123,840					
Customers Bancorp	Subordinated (2)(3)	$ 72,811	$ 72,766	5.375 %	$ 74,750	December 2019	December 2034	100.000 %
Customers Bank	Subordinated (2)(4)	109,489	109,464	6.125 %	110,000	June 2014	June 2029	100.000 %
Total subordinated debt		$ 182,300	$ 182,230					

(1) The senior notes will bear an annual fixed rate of 2.875 % until August 15, 2026. From August 15, 2026 until maturity, the notes will bear an annual interest rate equal to a benchmark rate, which is expected to be the three-month term SOFR, plus 235 basis points. Customers Bancorp has the ability to call the senior notes, in whole, or in part, at a redemption price equal to 100 % of the principal balance at certain times on or after August 15, 2026.

(2) The subordinated notes qualify as Tier 2 capital for regulatory capital purposes.

(3) 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.

(4) 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. Pursuant to the Adjustable Interest Rate (LIBOR) Act enacted by Congress on March 15, 2022, Customers will substitute three-month term SOFR plus a tenor spread adjustment of 26.161 basis points for three-month LIBOR as the benchmark reference rate in order to calculate the annual interest rate after June 26, 2024. 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 11 — SHAREHOLDERS' EQUITY

Preferred Stock

As of March 31, 2024 and December 31, 2023, Customers Bancorp has two series of preferred stock outstanding. The table below summarizes Customers' issuances of preferred stock that remain outstanding at March 31, 2024 and December 31, 2023 and the dividends paid per share.

(amounts in thousands except share and per share data)		Shares at		Carrying value at					
Fixed-to-floating rate:	Issue Date	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	Initial Fixed Rate	Date at which dividend rate becomes floating and earliest redemption date	Floating rate of Three-Month SOFR (2) Plus:	Dividend Paid Per Share in 2024 (1)
Series E	April 28, 2016	2,300,000	2,300,000	$ 55,593	$ 55,593	6.45 %	June 15, 2021	5.140 %	$ 0.68
Series F	September 16, 2016	3,400,000	3,400,000	82,201	82,201	6.00 %	December 15, 2021	4.762 %	$ 0.66
Totals		5,700,000	5,700,000	$ 137,794	$ 137,794				

(1) For the three months ended March 31, 2024.

(2) Pursuant to the Adjustable Interest Rate (LIBOR) Act enacted by Congress on March 15, 2022, Customers substituted three-month term SOFR plus a tenor spread adjustment of 26.161 basis points for three-month LIBOR as the benchmark reference rate on Series E and F Preferred Stock, plus 5.14 % and 4.762 %, respectively, beginning with dividends declared on October 25, 2023.

NOTE 12 — 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 the 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.

In first quarter 2020, the U.S federal banking regulatory agencies permitted banking organizations 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. As part of its response to the impact of COVID-19, on March 31, 2020, the U.S. federal banking regulatory agencies issued an interim final rule that provided the option to temporarily delay certain effects of CECL on regulatory capital for two years, followed by a three-year transition period. The interim final rule allows banking organizations to delay for two years 100% of the day-one impact of adopting CECL and 25% of the cumulative change in the reported allowance for credit losses since adopting CECL. Customers has elected to adopt the interim final rule, which is reflected in the regulatory capital data presented below. The cumulative CECL capital transition impact as of December 31, 2021 which amounted to $ 61.6 million will be phased in at 25% per year beginning on January 1, 2022 through December 31, 2024. As of March 31, 2024, our regulatory capital ratios reflected 25%, or $ 15.4 million, benefit associated with the CECL transition provisions.

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 March 31, 2024 and December 31, 2023, 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 as 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
As of March 31, 2024:								
Common equity Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,695,246	12.622 %	$ 604,410	4.500 %	N/A	N/A	$ 940,193	7.000 %
Customers Bank	$ 1,898,686	14.155 %	$ 603,597	4.500 %	$ 871,863	6.500 %	$ 938,929	7.000 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,833,039	13.648 %	$ 805,880	6.000 %	N/A	N/A	$ 1,141,663	8.500 %
Customers Bank	$ 1,898,686	14.155 %	$ 804,797	6.000 %	$ 1,073,062	8.000 %	$ 1,140,128	8.500 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 2,129,343	15.854 %	$ 1,074,506	8.000 %	N/A	N/A	$ 1,410,290	10.500 %
Customers Bank	$ 2,122,179	15.822 %	$ 1,073,062	8.000 %	$ 1,341,328	10.000 %	$ 1,408,394	10.500 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 1,833,039	8.512 %	$ 861,350	4.000 %	N/A	N/A	$ 861,350	4.000 %
Customers Bank	$ 1,898,686	8.824 %	$ 860,686	4.000 %	$ 1,075,857	5.000 %	$ 860,686	4.000 %
As of December 31, 2023:								
Common equity Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,661,149	12.230 %	$ 611,200	4.500 %	N/A	N/A	$ 950,755	7.000 %
Customers Bank	$ 1,868,360	13.773 %	$ 610,453	4.500 %	$ 881,765	6.500 %	$ 949,594	7.000 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,798,942	13.245 %	$ 814,933	6.000 %	N/A	N/A	$ 1,154,489	8.500 %
Customers Bank	$ 1,868,360	13.773 %	$ 813,937	6.000 %	$ 1,085,250	8.000 %	$ 1,153,078	8.500 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 2,076,550	15.289 %	$ 1,086,578	8.000 %	N/A	N/A	$ 1,426,133	10.500 %
Customers Bank	$ 2,073,202	15.283 %	$ 1,085,250	8.000 %	$ 1,356,562	10.000 %	$ 1,424,390	10.500 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 1,798,942	8.375 %	$ 859,189	4.000 %	N/A	N/A	$ 859,189	4.000 %
Customers Bank	$ 1,868,360	8.708 %	$ 858,225	4.000 %	$ 1,072,782	5.000 %	$ 858,225	4.000 %

The Basel III Capital Rules require that we maintain a 2.500 % capital conservation buffer with respect to each of common equity Tier 1, Tier 1 and total capital to risk-weighted assets, which provides for capital levels that exceed the minimum risk-based capital adequacy requirements. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers.

NOTE 13 — 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 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 a 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* ("ASC 820"), 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 adjustments to 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 March 31, 2024 and December 31, 2023:

Financial Instruments Recorded at Fair Value on a Recurring Basis

Investment securities:

The fair values of equity securities with a readily determinable fair value, AFS 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), 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).

When quoted market prices are not available, Customers employs an independent pricing service that utilizes matrix pricing to calculate fair value. Such fair value measurements consider observable data such as dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and respective terms and conditions for debt instruments. Management maintains procedures to monitor the pricing service's results and has an established process to challenge their valuations, or methodologies, that appear unusual or unexpected.

Customers also utilizes internally and externally developed models that use unobservable inputs due to limited or no market activity of the instrument. These models use unobservable inputs that are inherently judgmental and reflect our best estimates of the assumptions a market participant would use to calculate fair value. Certain unobservable inputs in isolation may have either a directionally consistent or opposite impact on the fair value of the instrument for a given change in that input. When multiple inputs are used within the valuation techniques, a change in one input in a certain direction may be offset by an opposite change from another input. 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 held for sale - Consumer other installment loans (fair value option):

The fair value of medical installment loans within consumer other installment loans is the amount of cash initially advanced to fund the loan, as specified in the agreement with a fintech company, and generally held for up to 90 days prior to sale. These assets are classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans receivable - Mortgage finance loans (fair value option):

The fair value of mortgage finance 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 the 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.

Derivative assets and liabilities are presented in other assets and accrued interest payable and other liabilities on the consolidated balance sheet.

Financial Instruments Recorded at Fair Value on a Nonrecurring Basis

Collateral-dependent loans:

Collateral-dependent loans are those loans that are accounted for under ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"), in which the Bank has measured impairment generally based on the fair value of the loan's collateral or DCF analysis. Fair value is generally determined based upon independent third-party appraisals of the properties that collateralize the loans, DCF based upon the expected proceeds, sales agreements or letters of intent with third parties. 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.

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.

The estimated fair values of Customers' financial instruments at March 31, 2024 and December 31, 2023 were as follows:

(amounts in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurements at March 31, 2024 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	$ 3,701,120	$ 3,701,120	$ 3,701,120	$ —	$ —
Debt securities, available for sale	2,571,139	2,571,139	—	2,542,876	28,263
Debt securities, held to maturity	1,032,037	972,628	—	465,025	507,603
Loans held for sale	357,640	357,640	—	870	356,770
Total loans and leases receivable, net of allowance for credit losses on loans and leases	12,765,935	12,551,635	—	962,610	11,589,025
FHLB, Federal Reserve Bank, and other restricted stock	100,067	100,067	—	100,067	—
Derivatives	21,437	21,437	—	21,360	77
Liabilities:					
Deposits	$ 17,961,383	$ 17,958,161	$ 15,778,872	$ 2,179,289	$ —
FHLB advances	1,195,088	1,180,285	—	1,180,285	—
Other borrowings	123,905	105,761	—	105,761	—
Subordinated debt	182,300	163,417	—	163,417	—
Derivatives	31,958	31,958	—	31,958	—

(amounts in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurements at December 31, 2023 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	$ 3,846,346	$ 3,846,346	$ 3,846,346	$ —	$ —
Debt securities, available for sale	2,376,860	2,376,860	—	2,341,911	34,949
Debt securities, held to maturity	1,103,170	1,046,439	—	472,311	574,128
Loans held for sale	340,317	340,317	—	1,215	339,102
Total loans and leases receivable, net of allowance for credit losses on loans and leases	12,726,456	12,513,386	—	897,912	11,615,474
FHLB, Federal Reserve Bank, and other restricted stock	109,548	109,548	—	109,548	—
Derivatives	17,931	17,931	—	17,906	25
Liabilities:					
Deposits	$ 17,920,236	$ 17,922,005	$ 14,632,357	$ 3,289,648	$ —
FHLB advances	1,203,207	1,188,517	—	1,188,517	—
Other borrowings	123,840	103,674	—	103,674	—
Subordinated debt	182,230	164,233	—	164,233	—
Derivatives	27,110	27,110	—	27,110	—

For financial assets and liabilities measured at fair value on a recurring and nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024			
	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 debt securities:				
Asset-backed securities	$ —	$ 29,971	$ 28,263	$ 58,234
Agency-guaranteed residential mortgage-backed securities	—	86,412	—	86,412
Agency-guaranteed residential collateralized mortgage obligations	—	124,958	—	124,958
Agency-guaranteed commercial collateralized mortgage obligations	—	33,774	—	33,774
Collateralized loan obligations	—	584,495	—	584,495
Commercial mortgage-backed securities	—	112,626	—	112,626
Corporate notes	—	610,470	—	610,470
Private label collateralized mortgage obligations	—	960,170	—	960,170
Derivatives	—	21,360	77	21,437
Loans held for sale – fair value option	—	870	219,015	219,885
Loans receivable, mortgage finance – fair value option	—	962,610	—	962,610
Total assets – recurring fair value measurements	$ —	$ 3,527,716	$ 247,355	$ 3,775,071
Liabilities				
Derivatives	$ —	$ 31,958	$ —	$ 31,958
Measured at Fair Value on a Nonrecurring Basis:				
Assets				
Collateral-dependent loans	$ —	$ —	$ 7,747	$ 7,747
Total assets – nonrecurring fair value measurements	$ —	$ —	$ 7,747	$ 7,747

(amounts in thousands)	December 31, 2023 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 debt securities:				
Asset-backed securities	$ —	$ 57,680	$ 34,949	$ 92,629
Agency-guaranteed residential collateralized mortgage obligations	—	116,908	—	116,908
Collateralized loan obligations	—	489,092	—	489,092
Commercial mortgage-backed securities	—	121,636	—	121,636
Corporate notes	—	583,034	—	583,034
Private label collateralized mortgage obligations	—	973,561	—	973,561
Derivatives	—	17,906	25	17,931
Loans held for sale – fair value option	—	1,215	188,062	189,277
Loans receivable, mortgage finance – fair value option	—	897,912	—	897,912
Total assets – recurring fair value measurements	$ —	$ 3,258,944	$ 223,036	$ 3,481,980
Liabilities				
Derivatives	$ —	$ 27,110	$ —	$ 27,110
Measured at Fair Value on a Nonrecurring Basis:				
Assets				
Collateral-dependent loans	$ —	$ —	$ 2,373	$ 2,373
Total assets – nonrecurring fair value measurements	$ —	$ —	$ 2,373	$ 2,373

The changes in asset-backed securities (Level 3 assets) measured at fair value on a recurring basis for the three months ended March 31, 2024 and 2023 are summarized in the table below.

(amounts in thousands)	Asset-backed securities Three Months Ended March 31, 2024	2023
Balance at January 1	$ 34,949	$ 73,266
Principal payments and premium amortization	(7,114)	(11,216)
Increase in allowance for credit losses	—	(273)
Decrease in allowance for credit losses	33	61
Change in fair value recognized in OCI	395	1,538
Balance at March 31	$ 28,263	$ 63,376

The changes in other installment loans (Level 3 assets) measured at fair value on a recurring basis, based on an election made to account for the loans at fair value for the three months ended March 31, 2024 and 2023 are summarized in the table below.

(amounts in thousands)	Other Installment Loans Three Months Ended March 31, 2024	 2023
Balance at January 1	$ 188,062	$ —
Originations	235,431	—
Sales	(158,215)	—
Principal payments	(46,263)	—
Change in fair value recognized in earnings	—	—
Balance at March 31	$ 219,015	$ —

There were no transfers between levels during the three months ended March 31, 2024 and 2023.

The following tables summarize financial assets and financial liabilities measured at fair value as of March 31, 2024 and December 31, 2023 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.

	Quantitative Information about Level 3 Fair Value Measurements			
(dollars in thousands)	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average)
March 31, 2024				
			Discount rate	10 % - 13 % (12 %)
			Annualized loss rate	3 % - 15 % (6 %)
Asset-backed securities	$ 28,263	Discounted cash flow	Constant prepayment rate	10 % - 30 % (26 %)

	Quantitative Information about Level 3 Fair Value Measurements			
(dollars in thousands)	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average)
December 31, 2023				
			Discount rate	12 % - 14 % (13 %)
			Annualized loss rate	3 % - 13 % (5 %)
Asset-backed securities	$ 34,949	Discounted cash flow	Constant prepayment rate	11 % - 30 % (26 %)

NOTE 14 — 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 an accommodation 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.

Fair Value Hedges of Benchmark Interest-Rate Risk

Customers is exposed to changes in the fair value of certain of its fixed rate AFS debt securities, deposits and FHLB advances due to changes in the benchmark interest rate. Customers uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate such as the Fed Funds Effective Swap Rate. Interest rate swaps designated as fair value hedges of certain fixed rate AFS debt securities involve the payment of fixed-rate amounts to a counterparty in exchange for Customers receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate swaps designated as fair value hedges of certain deposits and FHLB advances involve the payment of variable-rate amounts to a counterparty in exchange for Customers receiving fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in net interest income.

At March 31, 2024, Customers had six outstanding interest rate derivatives with notional amounts totaling $ 472.5 million that were designated as fair value hedges of certain AFS debt securities and FHLB advances. During the year ended December 31, 2023, Customers entered into five interest rate derivatives with notional amounts totaling $ 1.0 billion, two of which were terminated with notional amounts totaling $ 550.0 million that were designated as fair value hedges of certain deposits and FHLB advances resulting in $ 4.6 million of basis adjustments being amortized over the remaining terms of the hedged items as a reduction in interest expense. At December 31, 2023, Customers had six outstanding interest rate derivatives with notional amounts totaling $ 472.5 million that were designated as fair value hedges of certain AFS debt securities and FHLB advances.

As of March 31, 2024 and December 31, 2023, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges.

	Amortized Cost		Cumulative Amount of Fair Value Hedging Adjustment to Hedged Items	
(amounts in thousands)	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
AFS debt securities	$ 22,500	$ 22,500	$ 764	$ 941
Deposits	300,000	300,000	1,079	1,432
FHLB advances	700,000	700,000	(4,912)	3,206

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 March 31, 2024, Customers had 128 interest rate swaps with an aggregate notional amount of $ 1.2 billion and two interest rate caps with an aggregated notional amount of $ 55.6 million related to this program. At December 31, 2023, Customers had 132 interest rate swaps with an aggregate notional amount of $ 1.2 billion and two interest rate caps with an aggregate notional amount of $ 55.6 million related to this program.

Fair Value of Derivative Instruments on the Balance Sheet

The following tables present the fair value of Customers' derivative financial instruments as well as their presentation on the consolidated balance sheets as of March 31, 2024 and December 31, 2023.

	March 31, 2024			
	Derivative Assets		Derivative Liabilities	
(amounts in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Interest rate swaps and caps [1]	Other assets	$ 21,359	Other liabilities	$ 31,956

	December 31, 2023			
	Derivative Assets		Derivative Liabilities	
(amounts in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Interest rate swaps and caps [1]	Other assets	$ 17,903	Other liabilities	$ 27,097

(1) Customers' centrally cleared derivatives are legally settled through variation margin payments and these payments are reflected as a reduction of the related derivative asset or liability, including accrued interest, on the consolidated balance sheet.

Effect of Derivative Instruments on Net Income

The following table presents amounts included in the consolidated statements of income related to derivatives designated as fair value hedges and derivatives not designated as hedges for the three months ended March 31, 2024 and 2023.

		Amount of Income (Loss) Recognized in Earnings	
		Three Months Ended March 31,	
(amounts in thousands)	Income Statement Location	2024	2023
Derivatives designated as fair value hedges:			
Recognized on interest rate swaps	Net interest income	$ 8,173	$ (301)
Recognized on hedged AFS debt securities	Net interest income	(177)	301
Recognized on hedged FHLB advances	Net interest income	(7,996)	—
Total		$ —	$ —
Derivatives not designated as hedging instruments:			
Interest rate swaps and caps	Other non-interest income	$ 672	$ (24)

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 or with central clearing parties.

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 March 31, 2024, the fair value of derivatives in a net asset position related to these agreements was $ 19.8 million. In addition, Customers, which has collateral posting thresholds with certain of these counterparties, had received $ 20.9 million of cash as collateral at March 31, 2024. Customers records cash posted or received as collateral with these counterparties, except with a central clearing entity, as a reduction or an increase in the outstanding balance of cash and cash equivalents and an increase in the balance of other assets or other liabilities.

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 tables below. Interest rate swaps and interest rate caps with commercial banking customers are not subject to master netting arrangements and are excluded from the tables below. Customers has not made a policy election to offset its derivative positions.

(amounts in thousands)	Gross Amounts Recognized on the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
		Financial Instruments	Cash Collateral Received/Posted	
March 31, 2024				
Interest rate derivative assets with institutional counterparties	$ 20,701	$ (929)	$ (19,772)	$ —
Interest rate derivative liabilities with institutional counterparties	$ 929	$ (929)	$ —	$ —

(amounts in thousands)	Gross Amounts Recognized on the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
		Financial Instruments	Cash Collateral Received/Posted	
December 31, 2023				
Interest rate derivative assets with institutional counterparties	$ 17,439	$ (500)	$ (16,939)	$ —
Interest rate derivative liabilities with institutional counterparties	$ 500	$ (500)	$ —	$ —

NOTE 15 — 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.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

This report and all attachments hereto, as well as other written or oral communications made from time to time by us, may contain forward-looking information within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements with respect to Customers Bancorp, Inc.’s strategies, goals, beliefs, expectations, estimates, intentions, capital raising efforts, financial condition and results of operations, future performance and business. Statements preceded by, followed by, or that include the words “may,” “could,” “should,” “pro forma,” “looking forward,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “project,” or similar expressions generally indicate a forward-looking statement. These forward-looking statements involve risks and uncertainties that are subject to change based on various important factors (some of which, in whole or in part, are beyond Customers Bancorp, Inc.’s control). Numerous competitive, economic, regulatory, legal and technological events and factors, among others, could cause Customers Bancorp, Inc.’s financial performance to differ materially from the goals, plans, objectives, intentions and expectations expressed in such forward-looking statements, including: a continuation of the recent turmoil in the banking industry, responsive measures taken by us and regulatory authorities to mitigate and manage related risks, regulatory actions taken that address related issues and the costs and obligations associated therewith, such as the FDIC special assessments, the impact of COVID-19 and its variants on the U.S. economy and customer behavior, the impact that changes in the economy have on the performance of our loan and lease portfolio, the market value of our investment securities, the continued success and acceptance of our blockchain payments system, the demand for our products and services and the availability of sources of funding; the effects of actions by the federal government, including the Board of Governors of the Federal Reserve System and other government agencies, that affect market interest rates and the money supply; actions that we and our customers take in response to these developments and the effects such actions have on our operations, products, services and customer relationships; higher inflation and its impacts; and the effects of any changes in accounting standards or policies. Customers Bancorp, Inc. cautions that the foregoing factors are not exclusive, and neither such factors nor any such forward-looking statement takes into account the impact of any future events. All forward-looking statements and information set forth herein are based on management’s current beliefs and assumptions as of the date hereof and speak only as of the date they are made. For a more complete discussion of the assumptions, risks and uncertainties related to our business, you are encouraged to review Customers Bancorp, Inc.’s filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K for the year ended December 31, 2023, subsequently filed quarterly reports on Form 10-Q and current reports on Form 8-K, including any amendments thereto, that update or provide information in addition to the information included in the Form 10-K and Form 10-Q filings, if any. Customers Bancorp, Inc. does not undertake to update any forward-looking statement whether written or oral, that may be made from time to time by Customers Bancorp, Inc. or by or on behalf of Customers Bank, except as may be required under applicable law.

Management’s discussion and analysis represents an overview of the financial condition and results of operations, and highlights the significant changes in the financial condition and results of operations, as presented in the accompanying consolidated financial statements for Customers Bancorp, Inc. (the “Bancorp” or “Customers Bancorp”), a financial holding company, and its wholly owned subsidiaries, including Customers Bank (the “Bank”), collectively referred to as “Customers” herein. This information is intended to facilitate your understanding and assessment of significant changes and trends related to Customers’ financial condition and results of operations as of and for the three months ended March 31, 2024. All quarterly information in this Management’s Discussion and Analysis is unaudited. You should read this section in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Customers’ 2023 Form 10-K.

Overview

Like most financial institutions, Customers derives the majority of its income from interest it receives on its interest-earning assets, such as loans, leases and investments. Customers’ primary source of funds for making these loans, leases 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 interest income on its interest-earning assets and the interest 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.

There is credit risk inherent in loans and leases requiring Customers to maintain an ACL to absorb credit losses on existing loans and leases that may become uncollectible. Customers maintains this allowance by charging a provision for credit losses on loan and leases against its operating earnings. Customers has included a detailed discussion of this process in “NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION” to Customers’ audited consolidated financial statements in its 2023 Form 10-K, as well as several tables describing its ACL in “NOTE 7 – LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LEASES” to Customers’ unaudited consolidated financial statements.

Impact of Macroeconomic and Banking Industry Uncertainties and Military Conflicts

Inflation remains elevated in 2024. The Federal Reserve has raised interest rates significantly throughout 2022 and into 2023 in attempts to bring the inflation to its long run target rate of two percent. The Federal Reserve has indicated that the interest rates will be lowered in 2024, however significant uncertainties exist as to the extent and timing of any future rate cuts.

Significant uncertainties as to future economic conditions continue to exist, including higher inflation and interest rate environment, elevated liquidity risk to the U.S. banking system and the exposure to the U.S. commercial real estate market, particularly to the regional banks, disruptions to global supply chain and labor markets and higher oil and commodity prices exacerbated by the military conflicts between Russia and Ukraine and in Israel. Customers has taken deliberate actions in response, including maintaining higher levels of liquidity, reserves for credit losses on loans and leases and off-balance sheet credit exposures and strong capital ratios. Customers has shifted the mix of its loan portfolio towards low credit risk commercial loans with floating or adjustable interest rates to position the Bank for higher interest rates. Customers' exposure to higher risk commercial real estate such as the office sector is minimal, representing approximately 1% of the loan portfolio as of March 31, 2024. Customers has also shifted the mix of its available for sale debt securities portfolio towards variable rate, shorter duration debt securities. The Bank's debt securities available for sale and held to maturity are available to be pledged as collateral to the FRB and FHLB for additional liquidity. The Bank had $5.2 billion in immediate available liquidity from the FRB and FHLB and cash on hand of $3.7 billion as of March 31, 2024. The Bank's estimated FDIC insured deposits represented approximately 71% of our deposits (inclusive of accrued interest) as of March 31, 2024. When including collateralized and affiliate deposits as FDIC insured, this number increased to 78% of our deposits as of March 31, 2024. Customers is focused on growing its non-interest bearing and lower-cost interest-bearing deposits. Customers continues to monitor closely the impact of uncertainties affecting the macroeconomic conditions, the U.S. banking system, particularly regional banks, the military conflicts between Russia and Ukraine and in Israel, as well as any effects that may result from the federal government's responses including future rate and regulatory actions; however, the extent to which inflation, interest rates and other macroeconomic and industry factors, the geopolitical conflicts and developments in the U.S. banking system will impact Customers' operations and financial results during the remainder of 2024 is highly uncertain.

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' unaudited consolidated financial statements.

Critical Accounting Policies and Estimates

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" in Customers' audited consolidated financial statements included in its 2023 Form 10-K. 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 policy that is both important to the portrayal of Customers' financial condition and results of operations and requires complex, subjective judgments is the ACL. This critical accounting policy and material estimate, along with the related disclosures, are reviewed by Customers' Audit Committee of the Board of Directors.

Allowance for Credit Losses

Customers' ACL at March 31, 2024 represents Customers' current estimate of the lifetime credit losses expected from its loan and lease portfolio and its unfunded lending-related commitments that are not unconditionally cancellable. Management estimates the ACL by projecting a lifetime loss rate conditional on a forecast of economic parameters and other qualitative adjustments, for the loans' and leases' expected remaining term.

Customers uses external sources in the creation of its forecasts, including current economic conditions and forecasts for macroeconomic variables over its reasonable and supportable forecast period (e.g., GDP growth rate, unemployment rate, BBB spread, commercial real estate and home price index). After the reasonable and supportable forecast period, which ranges from two to five years, the models revert the forecasted macroeconomic variables to their historical long-term trends, without specific predictions for the economy, over the expected life of the pool, while also incorporating prepayment assumptions into its lifetime loss rates. Internal factors that impact the quarterly allowance estimate include the level of outstanding balances, portfolio performance and assigned risk ratings. Significant loan/borrower attributes utilized in the models include property type, initial loan to value, assigned risk ratings, delinquency status, origination date, maturity date, initial FICO scores, and borrower industry and state.

The ACL may be affected materially by a variety of qualitative factors that Customers considers to reflect its current judgment of various events and risks that are not measured in our statistical procedures, including uncertainty related to the economic forecasts used in the modelled credit loss estimates, nature and volume of the loan and lease portfolio, credit underwriting policy exceptions, peer comparison, industry data, and model and data limitations. The qualitative allowance for economic forecast risk is further informed by multiple alternative scenarios, as deemed applicable, to arrive at a scenario or a composite of scenarios supporting the period-end ACL balance. The evaluation process is inherently imprecise and subjective as it requires significant management judgment based on underlying factors that are susceptible to changes, sometimes materially and rapidly. Customers recognizes that this approach may not be suitable in certain economic environments such that additional analysis may be performed at management's discretion. Due in part to its subjectivity, the qualitative evaluation may be materially impacted during periods of economic uncertainty and late breaking events that could lead to a revision of reserves to reflect management's best estimate of expected credit losses.

The ACL is established in accordance with our ACL policy. The ACL Committee, which includes the President, Chief Financial Officer, Chief Accounting Officer, Chief Lending Officer, and Chief Credit Officer, among others, reviews the adequacy of the ACL each quarter, together with Customers' risk management team. The ACL policy, significant judgments and the related disclosures are reviewed by Customers' Audit Committee of the Board of Directors.

The net decrease in our estimated ACL as of March 31, 2024 as compared to our December 31, 2023 resulted primarily from lower consumer installment loan balances held for investment. The provision for credit losses on loans and leases was $16.0 million for the three months ended March 31, 2024, for an ending ACL balance of $136.6 million ($133.3 million for loans and leases and $3.3 million for unfunded lending-related commitments) as of March 31, 2024.

To determine the ACL as of March 31, 2024, Customers utilized Moody's March 2024 Baseline forecast to generate its modelled expected losses and considered Moody's other alternative economic forecast scenarios to qualitatively adjust the modelled ACL by loan portfolio in order to reflect management's reasonable expectations of current and future economic conditions. The Baseline forecast at March 2024 assumed a slightly higher near term GDP growth rate but with weaker forecast of certain macroeconomic variables compared to the fourth quarter 2023 forecasts of macroeconomic conditions used by Customers; the Federal Reserve Board has reached its terminal range of 5.25% to 5.5%, and lowering interest rates by 0.25 percentage point per quarter beginning in June 2024; the federal government avoiding a shutdown in 2024; recent issues around a regional bank and failures of several regional banks in the first half of 2023 are not symptomatic of a broader problem in the U.S. financial system and policymakers' aggressive response will ensure that the failures do not weaken the financial system or further undermine economic growth; the military conflict between Russia and Ukraine continuing for the foreseeable future but its fallout on energy, agriculture and other commodity markets and the global economy fading; the war in Israel not broadening to a regional conflict and disrupting global energy markets; the CPI rising 2.8% in 2024 and 2.3% in 2025; and the unemployment rate rising to 3.9% in 2024 and 4.1% in 2025. Customers continues to monitor the impact of the U.S. banking system weaknesses, military conflicts between Russia and Ukraine and in Israel, inflation, and monetary and fiscal policy measures on the U.S. economy and, if pace of the expected recovery is worse than expected, further meaningful provisions for credit losses could be required.

As of December 31, 2023, the ACL ending balance was $138.2 million ($135.3 million for loans and leases and $2.9 million for unfunded lending-related commitments). To determine the ACL as of December 31, 2023, Customers utilized the Moody's December 2023 Baseline forecast to generate its modelled expected losses and considered Moody's other alternative economic forecast scenarios to qualitatively adjust the modelled ACL by loan portfolio in order to reflect management's reasonable expectations of current and future economic conditions. The Baseline forecast at December 31, 2023 assumed lower growth rates in macroeconomic forecasts compared to the macroeconomic forecasts used by Customers in 2022; the Federal Reserve Board not raising the effective fed funds rate further as it has reached its terminal range of 5.25% to 5.5%, and easing gradually beginning in mid-2024; the federal government avoiding a shutdown in the fourth quarter 2023 and remaining in continuous operation through 2024; recent U.S. bank failures are not symptomatic of a broader problem in the U.S. financial system and policymakers' aggressive response will ensure that the failures do not weaken the financial system or the U.S. economy; the military conflict between Russia and Ukraine continuing for the foreseeable future but its fallout on energy, agriculture and other commodity markets and the global economy fading; the war in Israel not broadening to a regional conflict and disrupting global energy markets; the CPI rising 2.8% in 2024 and 2.4% in 2025; and the unemployment rate rising to 4.0% in 2024 and 4.1% in 2025.

One of the most significant judgments influencing the ACL is the macroeconomic forecasts from Moody's. Changes in the economic forecasts could significantly affect the estimated credit losses which could potentially lead to materially different allowance levels from one reporting period to the next. Given the dynamic relationship between macroeconomic variables within Customers' modelling framework, it is difficult to estimate the impact of a change in any one individual variable on the ACL. However, to illustrate a hypothetical sensitivity analysis, management calculated a quantitative allowance using a 100% weighting applied to an adverse scenario. This scenario includes assumptions around the risk of an extended federal government shutdown increasing, causing consumer and business confidence to decline; concerns about bank failures raising fears of further collapse in the banking industry, reducing consumer confidence and causing banks to tighten lending standards; the Federal Reserve keeping the fed funds rate at the target range through the second quarter of 2024 but easing beginning in the third quarter 2024 as the economy weakens further; military conflict between Russia and Ukraine persisting longer than expected; worries grow that the military conflict in Israel leading to a wider military conflict; rising unemployment and the U.S. economy falling into recession in the second quarter of 2024. Under this scenario, as an example, the unemployment rate is estimated at 5.8% and 7.5% in 2024 and 2025, respectively. These numbers represent a 1.9% and 3.4% higher unemployment estimate than the Baseline scenario projection of 3.9% and 4.1% for the same time periods, respectively. To demonstrate the sensitivity to key economic parameters, management calculated the difference between a 100% Baseline weighting and a 100% adverse scenario weighting for modelled results. This would result in an incremental quantitative impact to the ACL of approximately $57 million at March 31, 2024. This resulting difference is not intended to represent an expected increase in ACL levels since (i) Customers may use a weighted approach applied to multiple economic scenarios for its ACL process, (ii) the highly uncertain economic environment, (iii) the difficulty in predicting inter-relationships between macroeconomic variables used in various economic scenarios, and (iv) the sensitivity analysis does not account for any qualitative adjustments incorporated by Customers as part of its overall ACL framework.

There is no certainty that Customers' ACL will be appropriate over time to cover losses in our portfolio as economic and market conditions may ultimately differ from our reasonable and supportable forecast. Additionally, events adversely affecting specific customers, industries, or Customers' markets, such as geopolitical instability, risks of rising inflation including a near-term recession, or worsening of the U.S. banking system could severely impact our current expectations. If the credit quality of Customers' customer base materially deteriorates or the risk profile of a market, industry, or group of customers changes materially, Customers' net income and capital could be materially adversely affected which, in turn could have a material adverse effect on Customers' financial condition and results of operations. The extent to which the geopolitical instability, risks of rising inflation, worsening of the U.S. banking system and federal government shutdown have and will continue to negatively impact Customers' businesses, financial condition, liquidity and results will depend on future developments, which are highly uncertain and cannot be forecasted with precision at this time.

For more information, refer to "NOTE 7 – LOANS AND LEASES RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LEASES" to Customers' unaudited consolidated financial statements.

Results of Operations

The following table sets forth the condensed statements of income for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
(dollars in thousands)	2024	2023	Change	% Change
Net interest income	$ 160,385	$ 149,899	$ 10,486	7.0 %
Provision for credit losses	17,070	19,603	(2,533)	(12.9)%
Total non-interest income	21,231	18,121	3,110	17.2 %
Total non-interest expense	99,169	80,133	19,036	23.8 %
Income before income tax expense	65,377	68,284	(2,907)	(4.3)%
Income tax expense	15,651	14,563	1,088	7.5 %
Net income	49,726	53,721	(3,995)	(7.4)%
Preferred stock dividends	3,800	3,456	344	10.0 %
Net income available to common shareholders	$ 45,926	$ 50,265	$ (4,339)	(8.6)%

Customers reported net income available to common shareholders of $45.9 million for the three months ended March 31, 2024, compared to net income available to common shareholders of $50.3 million for the three months ended March 31, 2023. Factors contributing to the change in net income available to common shareholders for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 were as follows:

Net interest income

Net interest income increased $10.5 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 due to an increase in average interest-earning assets and higher market interest rates on variable rate lower credit risk specialized lending verticals, interest-earning deposits and investments and lower average balances of borrowings, offset in part by higher funding costs on deposits from increased market interest rates. Average interest-earning assets increased by $357.5 million for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase in interest-earning assets was driven by an increase in interest-earning deposits, offset in part by decreases in PPP loans due to PPP loan forgiveness and guarantee payments from the SBA as the PPP program was substantially completed in early 2023, mortgage finance loans due to lower mortgage activity from rising interest rates and consumer installment loans as Customers continued its de-risking strategy. NIM increased by 14 basis points to 3.10% for the three months ended March 31, 2024 from 2.96% for the three months ended March 31, 2023. The NIM increase was primarily attributable to higher interest income on variable rate loans in specialized lending, interest-earning deposits and investments in a higher interest rate environment. The NIM increase was partially offset by the shift in the mix of interest-bearing liabilities with higher market interest rates on deposits partially offset by lower average balances of borrowings, which drove a 75 basis point increase in the cost of interest-bearing liabilities for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, and reduced recognition of net deferred loan origination fees from PPP loans due to lower PPP loan forgiveness and guarantee payments from the SBA as the PPP program was substantially completed in early 2023. Customers' total cost of funds, including non-interest bearing deposits was 3.55% and 3.45% for the three months ended March 31, 2024 and 2023, respectively.

Provision for credit losses

The $2.5 million decrease in the provision for credit losses for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily reflects lower consumer installment loan balances held for investment. The ACL on off-balance sheet credit exposures is presented within accrued interest payable and other liabilities in the consolidated balance sheet and the related provision is presented as part of other non-interest expense on the consolidated statement of income. The ACL on loans and leases held for investment represented 1.12% of total loans and leases receivable at March 31, 2024, compared to 0.97% of total loans and leases receivable at March 31, 2023. Net charge-offs for the three months ended March 31, 2024 were $18.0 million, or 55 basis points of average loans and leases on an annualized basis, compared to net charge-offs of $18.7 million, or 49 basis points on an annualized basis, for the three months ended March 31, 2023. The decrease in net charge-offs for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to lower charge-offs for consumer installment loans.

The provision for credit losses for the three months ended March 31, 2024 and 2023 also included a provision for credit losses of $1.1 million and $1.6 million on certain asset-backed securities and corporate notes, respectively, included in our investment securities available for sale. Refer to "NOTE 5 – INVESTMENT SECURITIES" to Customers' unaudited consolidated financial statements for additional information.

Non-interest income

The $3.1 million increase in non-interest income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from increases of $1.3 million in loan fees, $1.0 million in other non-interest income, $0.6 million in bank-owned life insurance income and $0.4 million in commercial lease income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Non-interest expense

The $19.0 million increase in non-interest expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from increases of $10.7 million in FDIC assessments, non-income taxes and regulatory fees, $5.3 million in technology, communication and bank operations, $3.7 million in salaries and employee benefits and $1.9 million in other non-interest expense. These increases were offset in part by a decrease of $1.2 million in professional services for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Included in the $10.7 million increase in FDIC assessments, non-income taxes and regulatory fees was $4.2 million in FDIC premiums related to periods prior to 2024 and $0.5 million related to an industry-wide FDIC special assessment associated with the bank failures of March 2023. Included in the $5.3 million increase in technology, communication and bank operations was $7.1 million of deposit servicing-related fees related to periods prior to 2024, partially offset by reductions in deposit servicing-related fees and other technology, communication and banking operations expenses for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Income tax expense

Customers' effective tax rate was 23.94% for the three months ended March 31, 2024 compared to 21.33% for the three months ended March 31, 2023. The increase in the effective tax rate primarily resulted from a decrease in estimated income tax credits for the year ending December 31, 2024.

Preferred stock dividends

Preferred stock dividends were $3.8 million and $3.5 million for the three months ended March 31, 2024 and 2023, respectively. There were no changes to the amount of preferred stock outstanding during the three months ended March 31, 2024 and 2023.

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 three months ended March 31, 2024 and 2023. 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.

(dollars in thousands)	Three Months Ended March 31, 2024 Average Balance	2024 Interest Income or Expense	2024 Average Yield or Cost (%)	2023 Average Balance	2023 Interest Income or Expense	2023 Average Yield or Cost (%)	Three Months Ended March 31, 2024 vs. 2023 Due to rate	Due to volume	Total
Assets									
Interest-earning deposits	$ 3,865,028	$ 52,817	5.50 %	$ 914,149	$ 10,395	4.61 %	$ 2,394	$ 40,028	$ 42,422
Investment securities [1]	3,771,097	46,802	4.99 %	4,031,247	47,316	4.69 %	2,765	(3,279)	(514)
Loans and leases:									
Commercial and industrial:									
Specialized lending loans and leases [2]	5,268,345	115,590	8.82 %	5,694,168	103,688	7.38 %	19,902	(8,000)	11,902
Other commercial and industrial loans [2][3]	1,654,665	26,714	6.49 %	2,594,440	49,121	7.68 %	(6,713)	(15,694)	(22,407)
Mortgage finance loans	1,033,177	12,830	4.99 %	1,262,139	17,412	5.59 %	(1,703)	(2,879)	(4,582)
Multifamily loans	2,121,650	21,255	4.03 %	2,206,600	20,470	3.76 %	1,545	(760)	785
Non-owner occupied commercial real estate loans	1,348,468	20,179	6.02 %	1,449,722	20,199	5.65 %	1,367	(1,387)	(20)
Residential mortgages	522,528	5,708	4.39 %	542,909	5,598	4.18 %	305	(195)	110
Installment loans	1,179,721	27,771	9.47 %	1,727,995	39,425	9.25 %	946	(12,600)	(11,654)
Total loans and leases [4]	13,128,554	230,047	7.05 %	15,477,973	255,913	6.70 %	13,419	(39,285)	(25,866)
Other interest-earning assets	107,525	2,111	7.90 %	91,308	1,321	5.87 %	522	268	790
Total interest-earning assets	20,872,204	331,777	6.39 %	20,514,677	314,945	6.21 %	10,512	6,320	16,832
Non-interest-earning assets	463,025			538,243					
Total assets	$ 21,335,229			$ 21,052,920					
Liabilities									
Interest checking accounts	$ 5,538,846	61,531	4.47 %	$ 7,494,379	70,485	3.81 %	11,210	(20,164)	(8,954)
Money market deposit accounts	3,233,103	36,811	4.58 %	2,470,004	20,783	3.41 %	8,434	7,594	16,028
Other savings accounts	1,753,118	21,399	4.91 %	822,312	6,286	3.10 %	5,143	9,970	15,113
Certificates of deposit	2,750,788	33,984	4.97 %	4,504,333	46,376	4.18 %	7,862	(20,254)	(12,392)
Total interest-bearing deposits [5]	13,275,855	153,725	4.66 %	15,291,028	143,930	3.82 %	30,060	(20,265)	9,795
Federal funds purchased	—	—	— %	15,333	188	4.97 %	—	(188)	(188)
Borrowings	1,506,707	17,667	4.72 %	1,788,116	20,928	4.75 %	(125)	(3,136)	(3,261)
Total interest-bearing liabilities	14,782,562	171,392	4.66 %	17,094,477	165,046	3.91 %	30,085	(23,739)	6,346
Non-interest-bearing deposits [5]	4,620,986			2,299,295					
Total deposits and borrowings	19,403,548		3.55 %	19,393,772		3.45 %			
Other non-interest-bearing liabilities	264,677			247,575					
Total liabilities	19,668,225			19,641,347					
Shareholders' equity	1,667,004			1,411,573					
Total liabilities and shareholders' equity	$ 21,335,229			$ 21,052,920					
Net interest income		160,385			149,899		$ (19,573)	$ 30,059	$ 10,486
Tax-equivalent adjustment		394			375				
Net interest earnings		$ 160,779			$ 150,274				
Interest spread			2.84 %			2.76 %			
Net interest margin			3.09 %			2.95 %			
Net interest margin tax equivalent [6]			3.10 %			2.96 %			

(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 PPP loans.

(4) Includes non-accrual loans, the effect of which is to reduce the yield earned on loans and leases, and deferred loan fees.

(5) Total costs of deposits (including interest bearing and non-interest-bearing) were 3.45% and 3.32% for the three months ended March 31, 2024 and 2023, respectively.

(6) Tax-equivalent basis, using an estimated marginal tax rate of 26% for the three months ended March 31, 2024 and 2023, presented to approximate interest income as a taxable asset.

Net interest income increased $10.5 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily due to an increase in average interest-earning assets and higher market interest rates on variable rate lower credit risk specialized lending verticals, interest-earning deposits and investments and lower average balances of borrowings, offset in part by higher funding costs on deposits from increased market interest rates. Average interest-earning assets increased by $357.5 million, primarily related to an increase in interest-earning deposits, offset in part by decreases in PPP loans due to PPP loan forgiveness and guarantee payments from the SBA as the PPP program was substantially completed in early 2023, mortgage finance loans due to lower mortgage activity from higher interest rates and consumer installment loans as Customers continued its de-risking strategy. Total consumer installment loans decreased for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, as consumer installment loans held for investment decreased primarily for risk management purposes and the build out of our held for sale strategy in 2024 in which we accumulate loans with the intent to sell in the future.

The NIM increased by 14 basis points to 3.10% for the three months ended March 31, 2024 from 2.96% for the three months ended March 31, 2023 resulting primarily from a shift in the mix of interest-earning assets in a higher interest rate environment, offset in part by a shift in the mix of interest-bearing liabilities in a higher interest rate environment and reduced recognition of net deferred loan origination fees from PPP loans driven by lower loan forgiveness and guarantee payments from the SBA, which accelerated the recognition of net deferred loan origination fees, as the PPP program was substantially completed in early 2023. The shift in the mix of interest-earning assets in a higher interest rate environment, mostly due to higher interest rates on variable rate loans in specialized lending, interest-earning deposits and investments drove an increase in the yield on interest-earning assets and contributed to the NIM increase for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The NIM increase was offset in part by a shift in the mix of interest-bearing liabilities with higher market interest rates on deposits partially offset by lower average balances of borrowings, which drove a 75 basis point increase in the cost of interest-bearing liabilities, and reduced recognition of net deferred loan origination fees from PPP loans driven by lower loan forgiveness and guarantee payments from the SBA for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. Customers' total cost of funds, including non-interest bearing deposits was 3.55% and 3.45% for the three months ended March 31, 2024 and 2023, respectively.

PROVISION FOR CREDIT LOSSES

The provision for credit losses is a charge to earnings to maintain the ACL at a level consistent with management's assessment of expected lifetime losses in the loan and lease portfolio at the balance sheet date. Customers recorded a provision for credit losses on loans and leases during the three months ended March 31, 2024, which resulted primarily from increased uncertainty and slightly weaker macroeconomic forecasts, partially offset by lower consumer installment loan balances held for investment. Customers recorded a provision for credit losses of $16.0 million for loans and leases and $0.4 million for lending-related commitments, respectively, for the three months ended March 31, 2024. Customers recorded a provision for credit losses of $18.0 million for loans and leases, which resulted primarily from the recognition of weaker macroeconomic forecasts, and a provision for credit losses of $0.3 million for lending-related commitments, respectively, for the three months ended March 31, 2023. Net charge-offs for the three months ended March 31, 2024 were $18.0 million, or 55 basis points of average loans and leases on an annualized basis, compared to net charge-offs of $18.7 million, or 49 basis points of average loans and leases on an annualized basis, for the three months ended March 31, 2023. The decrease in net charge-offs for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, was primarily due to lower charge-offs for consumer installment loans.

For more information about the provision and ACL and our loss experience on loans and leases, refer to "Credit Risk" and "Asset Quality" herein.

The provision for credit losses for the three months ended March 31, 2024 and 2023 also included a provision for credit losses of $1.1 million and $1.6 million on certain asset-backed securities and corporate notes, respectively, included in our investment securities available for sale. Refer to "NOTE 5 – INVESTMENT SECURITIES" to Customers' unaudited consolidated financial statements for additional information.

NON-INTEREST INCOME

The table below presents the components of non-interest income for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,			
(dollars in thousands)	2024	2023	Change	% Change
Commercial lease income	$ 9,683	$ 9,326	$ 357	3.8 %
Loan fees	5,280	3,990	1,290	32.3 %
Bank-owned life insurance	3,261	2,647	614	23.2 %
Mortgage finance transactional fees	946	1,074	(128)	(11.9)%
Gain (loss) on sale of loans	10	—	10	NM
Net gain (loss) on sale of investment securities	(30)	—	(30)	NM
Other	2,081	1,084	997	92.0 %
Total non-interest income	$ 21,231	$ 18,121	$ 3,110	17.2 %

Commercial lease income

Commercial lease income represents income earned on commercial operating leases originated by Customers' commercial equipment financing group in which Customers is the lessor. The $0.4 million increase in commercial lease income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from the growth of Customers' equipment finance business.

Loan fees

The $1.3 million increase in loan fees for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from increases in fees earned on unused lines of credit, servicing related revenue and other fees from commercial borrowers.

Bank-owned life insurance

Bank-owned life insurance income represents income earned on life insurance policies owned by Customers including an increase in cash surrender value of the policies and any benefits paid by insurance carriers under the policies. The $0.6 million increase in bank-owned life insurance income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from an increase in death benefits paid by insurance carriers under the policies.

Other non-interest income

The $1.0 million increase in other non-interest income for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from an increase in income from derivatives.

NON-INTEREST EXPENSE

The table below presents the components of non-interest expense for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,			
(dollars in thousands)	2024	2023	Change	% Change
Salaries and employee benefits	$ 36,025	$ 32,345	$ 3,680	11.4 %
Technology, communication and bank operations	21,904	16,589	5,315	32.0 %
Commercial lease depreciation	7,970	7,875	95	1.2 %
Professional services	6,353	7,596	(1,243)	(16.4)%
Loan servicing	4,031	4,661	(630)	(13.5)%
Occupancy	2,347	2,760	(413)	(15.0)%
FDIC assessments, non-income taxes and regulatory fees	13,469	2,728	10,741	393.7 %
Advertising and promotion	682	1,049	(367)	(35.0)%
Other	6,388	4,530	1,858	41.0 %
Total non-interest expense	$ 99,169	$ 80,133	$ 19,036	23.8 %

Salaries and employee benefits

The $3.7 million increase in salaries and employee benefits for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from an increase in average full-time equivalent team members, annual merit increases, incentives and stock awards, partially offset by a decrease in severance.

Technology, communication and bank operations

The $5.3 million increase in technology, communication and bank operations expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from an increase in deposit servicing-related expenses resulting from higher servicing fees, which included $7.1 million for periods prior to 2024, and $2.6 million increase in fees for software as a service.

Customers incurred expenses of $10.7 million and $7.6 million to BM Technologies under the deposit servicing agreement included within the technology, communication and bank operations expense during the three months ended March 31, 2024 and 2023, respectively. The deposit servicing fees of $10.7 million incurred to BM Technologies for the three months ended March 31, 2024 included $7.1 million for periods prior to 2024.

Professional services

The $1.2 million decrease in professional services for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from decreases in legal fees related to loan transactions and consulting fees.

FDIC assessments, non-income taxes and regulatory fees

The $10.7 million increase in FDIC assessments, non-income taxes and regulatory fees for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from an increase in FDIC assessment rates, FDIC premiums of $4.2 million relating to periods prior to 2024 and an increase in the estimated FDIC special assessments of $0.5 million. In November 2023, FDIC issued a final rule to implement a special assessment of 3.36 basis points on the uninsured deposits in excess of $5 billion as of December 31, 2022 to recover the losses arising from the closures of Silicon Valley Bank and Signature Bank in early March 2023. Customers recorded an additional special assessment of $0.5 million based on the updated estimate of the losses from the FDIC for the three months ended March 31, 2024. The special assessment will be paid over eight quarterly periods beginning in the first quarter 2024. Customers had approximately $6.4 billion in uninsured deposits as of December 31, 2022. The total special assessment amount to be paid by Customers may vary based on collections ultimately received by the FDIC to recover its losses.

Other non-interest expense

The $1.9 million increase in other non-interest expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 primarily resulted from an increase in fees paid to a fintech company related to consumer installment loans originated and held for sale as a part of the Bank's held for sale strategy.

INCOME TAXES

The table below presents income tax expense and the effective tax rate for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,			
(dollars in thousands)	2024	2023	Change	% Change
Income before income tax expense	$ 65,377	$ 68,284	$ (2,907)	(4.3) %
Income tax expense	15,651	14,563	1,088	7.5 %
Effective tax rate	23.94 %	21.33 %		

The $1.1 million increase in income tax expense for the three months ended March 31, 2024, when compared to the same period in the prior year, primarily resulted from a decrease in estimated income tax credits for the year ending December 31, 2024. The increase in the effective tax rate for the three months ended March 31, 2024, when compared to the same period in the prior year, primarily resulted from a decrease in estimated income tax credits for the year ending December 31, 2024.

PREFERRED STOCK DIVIDENDS

Preferred stock dividends were $3.8 million and $3.5 million for the three months ended March 31, 2024 and 2023, respectively. There were no changes to the amount of preferred stock outstanding during the three months ended March 31, 2024 and 2023.

On June 15, 2021, the Series E Preferred Stock became floating at three-month LIBOR plus 5.14%, compared to a fixed rate of 6.45%. On December 15, 2021, the Series F Preferred Stock became floating at three-month LIBOR plus 4.762%, compared to a fixed rate of 6.00%. Pursuant to the Adjustable Interest Rate (LIBOR) Act enacted by Congress on March 15, 2022, Customers substituted three-month term SOFR plus a tenor spread adjustment of 26.161 basis points for three-month LIBOR as the benchmark reference rate on Series E and F Preferred Stock, plus 5.14% and 4.762%, respectively, beginning with dividends declared on October 25, 2023.

Financial Condition

General

Customers' total assets were $21.3 billion at March 31, 2024. This represented an increase of $31.1 million from total assets of $21.3 billion at December 31, 2023. The increase in total assets was primarily driven by increases of $199.2 million in investment securities, at fair value, $64.7 million in loans receivable, mortgage finance, at fair value and $17.3 million in loans held for sale, partially offset by decreases of $145.2 million in cash and cash equivalents, $71.1 million in investment securities held to maturity and $27.2 million in loans and leases receivable.

Total liabilities were $19.7 billion at March 31, 2024. This represented a decrease of $22.1 million from $19.7 billion at December 31, 2023. The decrease in total liabilities primarily resulted from a decrease of $55.3 million in accrued interest payable and other liabilities, partially offset by an increase of $41.1 million in total deposits.

The following table sets forth certain key condensed balance sheet data as of March 31, 2024 and December 31, 2023:

(dollars in thousands)	March 31, 2024	December 31, 2023	Change	% Change
Cash and cash equivalents	$ 3,701,120	$ 3,846,346	$ (145,226)	(3.8)%
Investment securities, at fair value	2,604,868	2,405,640	199,228	8.3 %
Investment securities held to maturity	1,032,037	1,103,170	(71,133)	(6.4)%
Loans held for sale	357,640	340,317	17,323	5.1 %
Loans and leases receivable	11,936,621	11,963,855	(27,234)	(0.2)%
Loans receivable, mortgage finance, at fair value	962,610	897,912	64,698	7.2 %
Allowance for credit losses on loans and leases	(133,296)	(135,311)	2,015	(1.5)%
Bank-owned life insurance	293,400	292,193	1,207	0.4 %
Other assets	361,295	366,829	(5,534)	(1.5)%
Total assets	21,347,367	21,316,265	31,102	0.1 %
Total deposits	17,961,383	17,920,236	41,147	0.2 %
FHLB advances	1,195,088	1,203,207	(8,119)	(0.7)%
Other borrowings	123,905	123,840	65	0.1 %
Subordinated debt	182,300	182,230	70	0.0 %
Accrued interest payable and other liabilities	193,074	248,358	(55,284)	(22.3)%
Total liabilities	19,655,750	19,677,871	(22,121)	(0.1)%
Total shareholders' equity	1,691,617	1,638,394	53,223	3.2 %
Total liabilities and shareholders' equity	$ 21,347,367	$ 21,316,265	$ 31,102	0.1 %

Cash and Cash Equivalents

Cash and cash equivalents include cash 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 and due from banks were $52.0 million and $45.2 million at March 31, 2024 and December 31, 2023, respectively. Cash and due from banks balances vary from day to day, primarily due to variations in customers' deposit activities with the Bank.

Interest-earning deposits consist of cash deposited at other banks, primarily the FRB. Interest-earning deposits were $3.6 billion and $3.8 billion at March 31, 2024 and December 31, 2023, 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 and risk management decisions made to optimize Customers' net interest income, while effectively managing interest-rate risk and liquidity. The decrease in interest-earning deposits from December 31, 2023 primarily resulted from deploying excess cash into loans and investment securities.

Investment securities at fair value

The investment securities portfolio is an important source of interest income and liquidity. It consists primarily of mortgage-backed securities and collateralized mortgage obligations guaranteed by agencies of the United States government, asset-backed securities, collateralized loan obligations, commercial mortgage-backed securities, private label collateralized mortgage obligations, corporate notes and certain 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 the changes in the economic environment, liquidity position and balance sheet mix.

At March 31, 2024, investment securities at fair value totaled $2.6 billion compared to $2.4 billion at December 31, 2023. The increase primarily resulted from purchases of $328.9 million in asset-backed securities, agency mortgage-backed securities and collateralized mortgage obligations, collateralized loan obligations and corporate notes and an increase in the fair value of AFS debt securities, or a decrease in unrealized losses of $4.5 million primarily due to changes in market interest rates and credit spreads, partially offset by the maturities, calls and principal repayments totaling $113.3 million and the sales of $22.0 million of asset-backed securities for the three months ended March 31, 2024.

For financial reporting purposes, AFS debt securities are reported at fair value. Unrealized gains and losses on AFS debt securities, other than credit losses, 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 equity securities with a readily determinable fair value 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. Customers recorded a provision for credit losses of $1.1 million on certain asset-backed securities and corporate notes included in our investment securities at fair value for the three months ended March 31, 2024. Refer to "NOTE 5 – INVESTMENT SECURITIES" and "NOTE 13 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS" to Customers' unaudited consolidated financial statements for additional information.

The following table sets forth information about the maturities and weighted-average yield of the AFS debt securities portfolio. The weighted-average yield is computed based on a constant effective interest rate over the contractual life of each security adjusted for prepayment estimates, and considers the contractual coupon, amortization of premiums and accretion of discounts. Yields exclude the impact of related hedging derivatives.

	March 31, 2024				
	Within one year	After one but within five years	After five but within ten years	No specific maturity	Total
Asset-backed securities	— %	— %	— %	2.09 %	2.09 %
Agency-guaranteed residential mortgage-backed securities	—	—	—	5.50	5.50
Agency-guaranteed residential collateralized mortgage obligations	—	—	—	2.74	2.74
Agency-guaranteed commercial collateralized mortgage obligations	—	—	—	5.50	5.50
Collateralized loan obligations	—	—	—	7.06	7.06
Commercial mortgage-backed securities	—	—	—	6.60	6.60
Corporate notes	10.34	6.59	4.79	—	6.58
Private label collateralized mortgage obligations	—	—	—	3.81	3.81
Weighted-average yield	10.34 %	6.59 %	4.79 %	3.68 %	5.30 %

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

Investment securities held to maturity

At March 31, 2024, investment securities held to maturity totaled $1.0 billion compared to $1.1 billion at December 31, 2023. The decrease in investment securities held to maturity primarily resulted from the maturities, calls and principal repayments totaling $72.3 million for the three months ended March 31, 2024.

The following table sets forth information about the maturities and weighted-average yield of the investment securities held to maturity. The weighted-average yield is computed based on a constant effective interest rate over the contractual life of each security adjusted for prepayment estimates, and considers the contractual coupon, amortization of premiums, accretion of discounts and amortization of unrealized losses upon transfer from investment securities available for sale to held to maturity, along with the unrealized loss in accumulated other comprehensive income.

	March 31, 2024				
	Within one year	After one but within five years	After five but within ten years	No specific maturity	Total
Asset-backed securities	— %	— %	— %	5.85 %	5.85 %
Agency-guaranteed residential mortgage-backed securities	—	—	—	1.80	1.80
Agency-guaranteed commercial mortgage-backed securities	—	—	—	1.77	1.77
Agency-guaranteed residential collateralized mortgage obligations	—	—	—	1.89	1.89
Agency-guaranteed commercial collateralized mortgage obligations	—	—	—	2.17	2.17
Private label collateralized mortgage obligations	—	—	—	4.81	4.81
Weighted-average yield	— %	— %	— %	4.41 %	4.41 %

The agency-guaranteed mortgage-backed securities and collateralized mortgage obligations in the HTM 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.

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. For financial reporting purposes, these securities are reported 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. Refer to “NOTE 5 – INVESTMENT SECURITIES” and “NOTE 13 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS” to Customers’ unaudited consolidated financial statements for additional information.

LOANS AND LEASES

Existing lending relationships are primarily with small and middle market businesses and individual consumers primarily in Berks County and Southeastern Pennsylvania (Bucks, Chester and Philadelphia Counties); New York (Westchester and Suffolk Counties and Manhattan); Hamilton, New Jersey; Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire; Chicago, Illinois; Dallas, Texas; Wilmington, North Carolina; and nationally for certain loan and deposit products. The portfolio of specialized lending loans and leases and mortgage finance loans is nationwide. The loan portfolio consists primarily of loans to support mortgage companies’ funding needs, multifamily, commercial real estate and commercial and industrial 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 and its specialized lending business. Customers also focuses its lending efforts on local-market mortgage and home equity lending and the origination and purchase of unsecured consumer loans (installment loans), including personal, student loan refinancing, home improvement and medical loans through arrangements with fintech companies and other market place lenders nationwide. Customers is transitioning its consumer installment lending strategy from a held for investment to a held for sale business to reduce its exposure to credit risk.

Commercial Lending

Customers’ commercial lending is broadly divided into the following groups: small and middle market business banking, specialized banking, multifamily and commercial real estate lending, mortgage finance, and SBA lending. This grouping is designed to allow for greater resource deployment, higher standards of risk management, strong asset quality, lower interest-rate risk and higher productivity levels.

As of March 31, 2024, Customers had $11.6 billion in commercial loans outstanding, totaling approximately 87.4% of its total loan and lease portfolio, which includes loans held for sale and loans receivable, mortgage finance, at fair value, compared to commercial loans outstanding of $11.5 billion, comprising approximately 86.8% of its total loan and lease portfolio at December 31, 2023.

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. 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 technology, 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’ specialized banking includes equipment finance, healthcare lending, real estate specialty finance, fund finance, technology and venture capital banking and financial institutions group. Customers’ lender finance vertical within fund finance provides variable rate loans secured by diverse collateral pools to private debt funds. Customers’ capital call lines vertical within fund finance provides variable rate loans secured by collateral pools and limited partnership commitments from institutional investors in private equity funds and cash management services to the alternative investment industry. Customers’ technology and venture capital banking group services the venture-backed growth industry from seed-stage through late-stage.

Customers’ mortgage finance primarily provides financing to mortgage bankers for residential mortgage originations from loan closing until sale in the secondary market. The underlying residential loans are taken as collateral for Customers’ commercial loans to the mortgage companies. As of March 31, 2024 and December 31, 2023, mortgage finance loans totaled $962.6 million and $897.9 million, respectively, and are reported as loans receivable, mortgage finance, at fair value on the consolidated balance sheet.

Customers' commercial equipment financing group goes to market through the following origination platforms: vendors, intermediaries, direct and capital markets. The commercial equipment financing group is primarily focused on serving the following industries: transportation, construction (includes crane and utility), marine, franchise, general manufacturing (includes machine tool), helicopter/fixed wing, solar, packaging, plastics and food processing. As of March 31, 2024 and December 31, 2023, Customers had $563.1 million and $547.0 million, respectively, of equipment finance loans outstanding. As of March 31, 2024 and December 31, 2023, Customers had $212.1 million and $205.7 million, respectively, of equipment finance leases outstanding. As of March 31, 2024 and December 31, 2023, Customers had $200.8 million and $205.7 million, respectively, of operating leases entered into under this program, net of accumulated depreciation of $78.7 million and $77.7 million, respectively.

Customers' multifamily lending group is focused on retaining a portfolio of high-quality multifamily loans within Customers' covered markets. These lending activities use conservative underwriting standards and primarily target the refinancing of loans with other banks or provide purchase money for new acquisitions by borrowers. The primary collateral for these loans is a first lien mortgage on the multifamily property, plus an assignment of all leases related to such property. As of March 31, 2024, Customers had multifamily loans of $2.1 billion outstanding, comprising approximately 16.0% of the total loan and lease portfolio, compared to $2.1 billion, or approximately 16.2% of the total loan and lease portfolio, at December 31, 2023.

Consumer Lending

Customers provides unsecured consumer installment loans, residential mortgage and home equity loans to customers nationwide primarily through relationships with fintech companies. Customers has continued to build out its held for sale strategy in 2024 in which we accumulate loans with the intent to sell in the future while reducing consumer installment loans held for investment. The installment loan portfolio consists largely of originated and purchased personal, student loan refinancing, home improvement and medical loans. None of the loans held for investment 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 the consumer loans it has been purchasing. 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 March 31, 2024, Customers had $1.7 billion in consumer loans outstanding (including consumer loans held for investment and held for sale), or 12.6% of the total loan and lease portfolio, compared to $1.7 billion, or 13.2% of the total loan and lease portfolio, as of December 31, 2023.

Purchases and sales of loans held for investment were as follows for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(amounts in thousands)	2024	2023
Purchases [(1)]		
Other commercial and industrial	$ 7,403	$ 5,445
Commercial real estate owner occupied	—	2,867
Residential real estate	—	4,238
Total	$ 7,403	$ 12,550

(1) Amounts reported represent the unpaid principal balance at time of purchase. The purchase price was 100.0% and 101.9% of the loans' unpaid principal balance for the three months ended March 31, 2024 and 2023, respectively.

Loans Held for Sale

The composition of loans held for sale as of March 31, 2024 and December 31, 2023 was as follows:

(amounts in thousands)	March 31, 2024	December 31, 2023
Residential mortgage loans, at fair value	$ 870	$ 1,215
Personal installment loans, at lower of cost or fair value	137,755	151,040
Other installment loans, at fair value	219,015	188,062
Total loans held for sale	$ 357,640	$ 340,317

Loans held for sale are reported on the consolidated 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 ACL 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:

(amounts in thousands)	March 31, 2024	December 31, 2023
Loans and leases receivable:		
Commercial:		
Commercial and industrial:		
Specialized lending [(1)]	$ 5,104,405	$ 5,006,693
Other commercial and industrial [(2)]	1,222,053	1,279,147
Multifamily	2,123,675	2,138,622
Commercial real estate owner occupied	806,278	797,319
Commercial real estate non-owner occupied	1,182,084	1,177,650
Construction	185,601	166,393
Total commercial loans and leases receivable	10,624,096	10,565,824
Consumer:		
Residential real estate	482,537	484,435
Manufactured housing	37,382	38,670
Installment:		
Personal	492,892	555,533
Other	299,714	319,393
Total consumer loans receivable	1,312,525	1,398,031
Loans and leases receivable	11,936,621	11,963,855
Loans receivable, mortgage finance, at fair value	962,610	897,912
Allowance for credit losses on loans and leases	(133,296)	(135,311)
Total loans and leases receivable, net of allowance for credit losses on loans and leases [(3)]	$ 12,765,935	$ 12,726,456

(1) Includes direct finance equipment leases of $212.1 million and $205.7 million at March 31, 2024 and December 31, 2023, respectively.

(2) Includes PPP loans of $52.0 million and $74.7 million at March 31, 2024 and December 31, 2023, respectively.

(3) Includes deferred (fees) costs and unamortized (discounts) premiums, net of $(20.4) million and $(22.7) million at March 31, 2024 and December 31, 2023, respectively.

Loans receivable, mortgage finance, at fair value

The mortgage finance 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 finance 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 finance, at fair value on the consolidated balance sheets. Because these loans are reported at their fair value, they do not have an ACL and are therefore excluded from ACL-related disclosures. At March 31, 2024, all of Customers' mortgage finance 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 finance 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 finance, at fair value totaled $962.6 million and $897.9 million at March 31, 2024 and December 31, 2023, respectively.

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 ACL. Credit losses are charged-off when they are identified, and provisions are added for current expected credit losses, to the ACL at least quarterly. The ACL is estimated at least quarterly.

The provision for credit losses on loans and leases was $16.0 million and $18.0 million for the three months ended March 31, 2024 and 2023, respectively. The ACL maintained for loans and leases receivable (excluding loans held for sale and loans receivable, mortgage finance, at fair value) was $133.3 million, or 1.12% of loans and leases receivable at March 31, 2024, and $135.3 million or 1.13% of loans and leases receivable at December 31, 2023.

The decrease in the ACL resulted primarily from a decrease in consumer installment loan balances held for investment. Net charge-offs were $18.0 million for the three months ended March 31, 2024, a decrease of $0.7 million compared to the same period in 2023. The decrease in net charge-offs was primarily due to lower charge-offs for consumer installment loans. Installment charge-offs were attributable to unsecured consumer installment loans originated or purchased through arrangements with fintech companies and other market place lenders. Refer to the table of changes in Customers' ACL for annualized net-charge offs to average loans by loan type for the periods indicated.

The tables below present changes in Customers' ACL for the periods indicated.

(amounts in thousands)	Commercial and industrial (1)(2)	Multifamily	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Installment	Total
Three Months Ended March 31, 2024									
Ending Balance, December 31, 2023	$ 23,503	$ 16,343	$ 9,882	$ 16,859	$ 1,482	$ 6,586	$ 4,239	$ 56,417	$ 135,311
Charge-offs (3)	(5,396)	(473)	(22)	—	—	(19)	—	(16,917)	(22,827)
Recoveries (3)	1,724	—	—	—	—	1	—	3,134	4,859
Provision (benefit) for credit losses on loans and leases	3,172	2,437	341	1,461	384	139	(79)	8,098	15,953
Ending Balance, March 31, 2024	$ 23,003	$ 18,307	$ 10,201	$ 18,320	$ 1,866	$ 6,707	$ 4,160	$ 50,732	$ 133,296
Annualized Net Charge-offs to Average Loans and Leases									
Three Months Ended March 31, 2024	(0.24) %	(0.09)%	(0.01) %	— %	— %	(0.01) %	— %	(6.67)%	(0.61)%

(amounts in thousands)	Commercial and industrial (1)(2)	Multifamily	Commercial real estate owner occupied	Commercial real estate non-owner occupied	Construction	Residential real estate	Manufactured housing	Installment	Total
Three Months Ended March 31, 2023									
Ending Balance, December 31, 2022	$ 17,582	$ 14,541	$ 6,454	$ 11,219	$ 1,913	$ 6,094	$ 4,430	$ 68,691	$ 130,924
Charge-offs (3)	(160)	—	—	(4,239)	—	—	—	(16,715)	(21,114)
Recoveries (3)	231	—	—	5	116	2	—	2,109	2,463
Provision (benefit) for credit losses on loans and leases	2,397	543	2,018	4,047	307	757	(91)	8,030	18,008
Ending Balance, March 31, 2023	$ 20,050	$ 15,084	$ 8,472	$ 11,032	$ 2,336	$ 6,853	$ 4,339	$ 62,115	$ 130,281
Annualized Net Charge-offs to Average Loans and Leases									
Three Months Ended March 31, 2023	0.00 %	— %	— %	(1.34) %	0.27 %	0.00 %	— %	(4.35)%	(0.55)%

(1) Includes specialized lending.

(2) PPP loans include an embedded credit enhancement from the SBA, which guarantees 100% of the principal and interest owed by the borrower provided that the SBA's eligibility criteria are met. As a result, the eligible PPP loans do not have an ACL.

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

The ACL is based on a quarterly evaluation of the loan and lease portfolio held for investment and is maintained at a level that management considers adequate to absorb expected losses as of the balance sheet date. All commercial loans, with the exception of PPP loans and mortgage finance 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 ACL. Refer to Critical Accounting Policies and Estimates herein and “NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION” to Customers’ audited consolidated financial statements in its 2023 Form 10-K for further discussion on management’s methodology for estimating the ACL.

Customers’ commercial real estate, commercial and residential construction, consumer residential and commercial and industrial loan types have real estate as collateral (collectively, “the real estate portfolio”) 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. Customers’ exposure to higher risk commercial real estate such as the office sector is minimal, representing approximately 1% of the total loan and lease portfolio as of March 31, 2024.

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 326, individually assessed loans, consisting primarily of non-accrual and restructured loans, are considered in the methodology for determining the ACL. Individually assessed loans are generally evaluated based on the expected future cash flows or the fair value of the underlying collateral if principal repayment is expected to substantially come from the operation of the collateral or fair value of the collateral less estimated costs to sell if repayment of the loan is expected to be provided from the sale of such collateral. Shortfalls in the underlying collateral value for loans or leases determined to be collateral dependent are charged off immediately. Subsequent to an appraisal or other fair value estimate, management will assess whether there was a further decline in the value of the collateral based on changes in market conditions or property use that would require additional impairment to be recorded to reflect the particular situation, thereby increasing the ACL on loans and leases held for investment.

Asset Quality

Customers classifies the loan and lease receivables by product or other characteristic generally defining a shared characteristic with other loans or leases in the same group. Charge-offs from originated and acquired loans and leases held for investment are absorbed by the ACL. The schedule that follows includes both loans held for sale and loans held for investment.

Asset Quality at March 31, 2024

(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 and Repossessed Assets (b)	NPA (a)+(b)	NPL to Loan and Lease Type (%)	NPA to Loans and Leases + OREO and Repossessed Assets (%)
Loan and Lease Type									
Commercial and industrial, including specialized lending [(1)]	$ 6,326,458	$ 6,317,640	$ 5,209	$ 1	$ 3,608	$ —	$ 3,608	0.06 %	0.06 %
Multifamily	2,123,675	2,108,183	10,331	—	5,161	—	5,161	0.24 %	0.24 %
Commercial real estate owner occupied	806,278	794,257	3,101	—	8,920	—	8,920	1.11 %	1.11 %
Commercial real estate non-owner occupied	1,182,084	1,154,390	27,632	—	62	—	62	0.01 %	0.01 %
Construction	185,601	185,601	—	—	—	—	—	— %	— %
Total commercial loans and leases receivable	10,624,096	10,560,071	46,273	1	17,751	—	17,751	0.17 %	0.17 %
Residential	482,537	463,738	10,710	—	8,089	35	8,124	1.68 %	1.68 %
Manufactured housing	37,382	33,577	1,030	507	2,268	64	2,332	6.07 %	6.23 %
Installment	792,606	772,864	12,784	—	6,958	—	6,958	0.88 %	0.88 %
Total consumer loans receivable	1,312,525	1,270,179	24,524	507	17,315	99	17,414	1.32 %	1.33 %
Loans and leases receivable	11,936,621	11,830,250	70,797	508	35,066	99	35,165	0.29 %	0.29 %
Loans receivable, mortgage finance, at fair value	962,610	962,610	—	—	—	—	—	— %	— %
Total loans held for sale	357,640	354,043	3,009	—	588	—	588	0.16 %	0.16 %
Total portfolio	$ 13,256,871	$ 13,146,903	$ 73,806	$ 508	$ 35,654	$ 99	$ 35,753	0.27 %	0.27 %

Asset Quality at March 31, 2024 (continued)

(dollars in thousands)	Total Loans and Leases	Non-accrual / NPL	ACL	Reserves to Loans and Leases (%)	Reserves to NPLs (%)
Loan and Lease Type					
Commercial and industrial, including specialized lending [(1)]	$ 6,326,458	$ 3,608	$ 23,003	0.36 %	637.56 %
Multifamily	2,123,675	5,161	18,307	0.86 %	354.72 %
Commercial real estate owner occupied	806,278	8,920	10,201	1.27 %	114.36 %
Commercial real estate non-owner occupied	1,182,084	62	18,320	1.55 %	29548.39 %
Construction	185,601	—	1,866	1.01 %	— %
Total commercial loans and leases receivable	10,624,096	17,751	71,697	0.67 %	403.90 %
Residential	482,537	8,089	6,707	1.39 %	82.92 %
Manufactured housing	37,382	2,268	4,160	11.13 %	183.42 %
Installment	792,606	6,958	50,732	6.40 %	729.12 %
Total consumer loans receivable	1,312,525	17,315	61,599	4.69 %	355.76 %
Loans and leases receivable	11,936,621	35,066	133,296	1.12 %	380.13 %
Loans receivable, mortgage finance, at fair value	962,610	—	—	— %	— %
Total loans held for sale	357,640	588	—	— %	— %
Total portfolio	$ 13,256,871	$ 35,654	$ 133,296	1.01 %	373.86 %

(1) Includes PPP loans of $52.0 million within commercial and industrial, including specialized lending, and classified as current. PPP loans of $2.7 million were 30-59 days past due and $32.3 million were 60 days or more past due as of March 31, 2024. PPP loans were $74.7 million, of which $0.7 million were 30-59 days past due and $48.5 million were 60 days or more past due as of December 31, 2023. Claims for guarantee payments are submitted to the SBA for eligible PPP loans more than 60 days past due.

The total loan and lease portfolio was $13.3 billion at March 31, 2024 compared to $13.2 billion at December 31, 2023, and $35.7 million, or 0.27% of loans and leases, were non-performing at March 31, 2024 compared to $27.1 million, or 0.21% of loans and leases, at December 31, 2023. The total loan and lease portfolio was supported by an ACL of $133.3 million (373.86% of NPLs and 1.01% of total loans and leases) and $135.3 million (499.12% of NPLs and 1.02% of total loans and leases), at March 31, 2024 and December 31, 2023, 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 our single point of contact relationship managers, our branchless digital banking products, our white label relationship, deposit brokers, listing services and other relationships.

In April 2024, Customers onboarded 10 experienced commercial and business banking teams in New York, California and Nevada to accelerate the Bank's deposit growth potential. The new teams are expected to enhance its presence in New York City, where it has successfully operated for over seven years; reinforce its dedication to Los Angeles; add representation in Orange County, California; and bring client coverage to the communities of Reno and Las Vegas, Nevada. All newly onboarded bankers are highly respected in the commercial deposits space and augment existing expertise in private banking, treasury management, and commercial and industrial lending. They are expected to enhance the growth of the Bank's low-cost, relationship-focused deposit portfolio, and their addition strengthens the Bank's commitment to its single point of contact relationship-oriented service approach.

Customers Bank also provides TassatPay™ instant blockchain-based digital payments platform via CBIT ™, which allows clients to make instant payments in U.S. dollars. CBIT may only be created by, transferred to and redeemed by commercial customers of Customers Bank on the instant B2B payments platform by maintaining U.S. dollars in deposit accounts at Customers Bank. As of March 31, 2024 and December 31, 2023, Customers Bank held $2.9 billion and $2.8 billion, respectively, of deposits from customers participating in CBIT, which are reported as deposit liabilities in the consolidated balance sheets. As of March 31, 2024, substantially all the CBIT-related deposit accounts are non-interest bearing. Each CBIT is minted with precisely one U.S. dollar equivalent, and those dollars are held in a non-interest bearing omnibus deposit account until the CBIT is burned or redeemed. The number of CBIT outstanding in the CBIT instant payments platform is always equal to the U.S. dollars held in the omnibus deposit account at Customers Bank and is reported as a deposit liability in the consolidated balance sheet. The deposits from customers participating in CBIT include the omnibus deposit account established for the CBIT instant payments platform, which had an outstanding balance of $1.1 billion and $826.9 million at March 31, 2024 and December 31, 2023, respectively.

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

(dollars in thousands)	March 31, 2024	December 31, 2023	Change	% Change
Demand, non-interest bearing	$ 4,688,880	$ 4,422,494	$ 266,386	6.0 %
Demand, interest bearing	5,661,775	5,580,527	81,248	1.5 %
Savings, including MMDA	5,428,217	4,629,336	798,881	17.3 %
Non-time deposits	15,778,872	14,632,357	1,146,515	7.8 %
Time deposits	2,182,511	3,287,879	(1,105,368)	(33.6)%
Total deposits	$ 17,961,383	$ 17,920,236	$ 41,147	0.2 %

Total deposits were $18.0 billion at March 31, 2024, an increase of $41.1 million, or 0.2%, from $17.9 billion at December 31, 2023. The increase in total deposits was primarily due to increases in savings, including MMDA of $798.9 million, or 17.3%, to $5.4 billion at March 31, 2024, from $4.6 billion at December 31, 2023, non-interest bearing demand deposits of $266.4 million, or 6.0%, to $4.7 billion at March 31, 2024 from $4.4 billion at December 31, 2023 and interest bearing demand deposits of $81.2 million, or 1.5%, to $5.7 billion at March 31, 2024, from $5.6 billion at December 31, 2023. These increases were partially offset by a decrease in time deposits of $1.1 billion, or 33.6%, to $2.2 billion at March 31, 2024, from $3.3 billion at December 31, 2023.

The total amount of estimated uninsured deposits totaled $5.2 billion and $5.4 billion at March 31, 2024 and December 31, 2023, respectively. Time deposits greater than the FDIC limit of $250,000 totaled $238.5 million and $186.3 million at March 31, 2024 and December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, the Bank had $1.1 billion in deposits, to which it had pledged $1.1 billion of available borrowing capacity through the FHLB to the depositors through a standby letter of credit arrangement.

FHLB ADVANCES AND OTHER BORROWINGS

Borrowed funds from various sources are generally used to supplement deposit growth and meet other operating needs. Customers' borrowings include short-term and long-term advances from the FHLB, FRB, 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

There were no short-term debt outstanding at March 31, 2024 and December 31, 2023.

Long-term debt

FHLB and FRB Advances

Long-term FHLB and FRB advances at March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024		December 31, 2023	
(dollars in thousands)	Amount	Rate	Amount	Rate
FHLB advances [1][2]	$ 1,195,088	3.91 %	$ 1,203,207	3.91 %
Total long-term FHLB and FRB advances	$ 1,195,088		$ 1,203,207	

(1) Amounts reported in the above table include a fixed rate long-term advance from FHLB of $250.0 million with a maturity of June 2024 and a returnable option that can be repaid without penalty on certain predetermined dates at Customers Bank's option, and fixed rate long-term advances of $950.0 million with maturities ranging from March 2025 to March 2028, at March 31, 2024.

(2) Includes $(4.9) million and $3.2 million of unamortized basis adjustments from interest rate swaps designated as fair value hedges of long-term advances from FHLB at March 31, 2024 and December 31, 2023, respectively. Refer to "NOTE 14 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES" to Customers' unaudited consolidated financial statements for additional information.

The maximum borrowing capacity with the FHLB and FRB at March 31, 2024 and December 31, 2023 was as follows:

(dollars in thousands)	March 31, 2024	December 31, 2023
Total maximum borrowing capacity with the FHLB	$ 3,431,804	$ 3,474,347
Total maximum borrowing capacity with the FRB	4,082,885	3,436,000
Qualifying loans and securities serving as collateral against FHLB and FRB advances	9,339,657	8,575,137

Senior Notes and Subordinated Debt

Long-term senior notes and subordinated debt at March 31, 2024 and December 31, 2023 were as follows:

(dollars in thousands)		March 31, 2024	December 31, 2023					
Issued by	Ranking	Carrying Amount	Carrying Amount	Rate	Issued Amount	Date Issued	Maturity	Price
Customers Bancorp	Senior [1]	$ 98,963	$ 98,928	2.875 %	$ 100,000	August 2021	August 2031	100.000 %
Customers Bancorp	Senior	24,942	24,912	4.500 %	25,000	September 2019	September 2024	100.000 %
Total other borrowings		$ 123,905	$ 123,840					
Customers Bancorp	Subordinated [2][3]	$ 72,811	$ 72,766	5.375 %	$ 74,750	December 2019	December 2034	100.000 %
Customers Bank	Subordinated [2][4]	109,489	109,464	6.125 %	110,000	June 2014	June 2029	100.000 %
Total subordinated debt		$ 182,300	$ 182,230					

(1) The senior notes will bear an annual fixed rate of 2.875% until August 15, 2026. From August 15, 2026 until maturity, the notes will bear an annual interest rate equal to a benchmark rate, which is expected to be the three-month term SOFR, plus 235 basis points. Customers Bancorp has the ability to call the senior notes, in whole, or in part, at a redemption price equal to 100% of the principal balance at certain times on or after August 15, 2026.

(2) The subordinated notes qualify as Tier 2 capital for regulatory capital purposes.

(3) 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.

(4) 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. Pursuant to the Adjustable Interest Rate (LIBOR) Act enacted by Congress on March 15, 2022, Customers will substitute three-month term SOFR plus a tenor spread adjustment of 26.161 basis points for three-month LIBOR as the benchmark reference rate in order to calculate the annual interest rate after June 26, 2024. 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)	March 31, 2024	December 31, 2023	Change	% Change
Preferred stock	$ 137,794	$ 137,794	$ —	— %
Common stock	35,540	35,459	81	0.2 %
Additional paid in capital	567,490	564,538	2,952	0.5 %
Retained earnings	1,205,508	1,159,582	45,926	4.0 %
Accumulated other comprehensive income (loss), net	(132,305)	(136,569)	4,264	(3.1) %
Treasury stock	(122,410)	(122,410)	—	— %
Total shareholders' equity	$ 1,691,617	$ 1,638,394	$ 53,223	3.2 %

Shareholders' equity increased $53.2 million, or 3.2%, to $1.7 billion at March 31, 2024 when compared to shareholders' equity of $1.6 billion at December 31, 2023. The increase primarily resulted from increases of $45.9 million in retained earnings and $4.3 million in accumulated other comprehensive income (loss), net.

The increases in common stock and additional paid in capital resulted primarily from the issuance of common stock under share-based compensation arrangements for the three months ended March 31, 2024.

The increase in retained earnings resulted from net income of $49.7 million, partially offset by preferred stock dividends of $3.8 million for the three months ended March 31, 2024.

The increase in accumulated other comprehensive income (loss), net primarily resulted from a decrease of $4.5 million in unrealized losses on AFS debt securities due to changes in interest rates and credit spreads and income tax effect of $1.1 million during the three months ended March 31, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity for a financial institution is a measure of that institution's ability to meet depositors' needs for funds, to satisfy or fund loan and lease 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 that is sufficient to meet Customers' short-term and long-term needs, commitments and contractual obligations.

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 consolidated balance sheet.

With commitments to extend credit, exposure to credit loss in the event of non-performance by the other party to the financial instrument is represented by the contractual amount of those instruments. 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, these financial instruments are subject to the Bank's credit policy and other underwriting standards.

Customers recognized a provision for credit losses on unfunded lending-related commitments of $0.4 million during the three months ended March 31, 2024 resulting in an ACL of $3.3 million as of March 31, 2024. Customers had an ACL on unfunded lending-related commitments of $2.9 million as of December 31, 2023.

Customers' contractual obligations and other commitments representing required and potential cash outflows include operating leases, demand deposits, time deposits, long-term advances from FHLB, unsecured senior notes, subordinated debt, loan and other commitments as of March 31, 2024. Refer to "NOTE 8 – LEASES", "NOTE 9 – DEPOSITS" and "NOTE 10 – BORROWINGS" to Customers' unaudited consolidated financial statements for additional information.

At March 31, 2024, Customers had $3.7 billion of cash on hand and $3.6 billion of investment securities. Customers' investment portfolio, including debt securities available for sale and held to maturity provides periodic cash flows through regular maturities and amortization and can be used as collateral to secure additional funding. We maintain a strong liquidity position, with $8.9 billion of liquidity immediately available consisting of cash on hand and available borrowing capacity from the FHLB and the FRB, which covered approximately 171% of uninsured deposits and approximately 224% of uninsured deposits less collateralized and affiliate deposits at March 31, 2024. Our loan to deposit ratio was 74% at March 31, 2024. 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 and the FRB. As of March 31, 2024, Customers' borrowing capacity with the FHLB was $3.4 billion, of which $1.2 billion was utilized in borrowings and $1.1 billion of available capacity was utilized to collateralize deposits. As of December 31, 2023, Customers' borrowing capacity with the FHLB was $3.5 billion, of which $1.2 billion was utilized in borrowings and $1.1 billion of available capacity was utilized to collateralize deposits. As of March 31, 2024 and December 31, 2023, Customers' borrowing capacity with the FRB was $4.1 billion and $3.4 billion, respectively. None of this capacity was utilized as of March 31, 2024 and December 31, 2023.

Customers Bank provides blockchain-based digital payments via CBIT, which allows clients to make instant payments in U.S. dollars. CBIT may only be created or minted by, transferred to and redeemed by commercial customers of Customers Bank on the instant B2B payments platform by maintaining U.S. dollars in deposit accounts at Customers Bank. CBIT is not listed or traded on any digital currency exchange. As of March 31, 2024 and December 31, 2023, Customers Bank held $2.9 billion and $2.8 billion, respectively, of deposits from customers participating in CBIT, which are reported as deposit liabilities in the consolidated balance sheets. As of March 31, 2024, substantially all the CBIT-related deposit accounts are non-interest bearing.

The CBIT instant payments platform provides a closed-system for intrabank commercial transactions and is not intended to be a trading platform for tokens or digital assets. CBIT tokens are used only in connection with the CBIT instant payments platform and are not securities for purposes of applicable securities laws. There are no scenarios in which the transaction or redemption value of one CBIT would not be equal to one U.S. dollar. Each CBIT is minted with precisely one U.S. dollar equivalent, and those dollars are held in a non-interest bearing omnibus deposit account until the CBIT is burned or redeemed. The number of CBIT outstanding in the CBIT instant payments platform is always equal to the U.S. dollars held in the omnibus deposit account at Customers Bank and is reported as a deposit liability in the consolidated balance sheet. The deposits from customers participating in CBIT include the omnibus deposit account, which had an outstanding balance of $1.1 billion and $826.9 million at March 31, 2024 and December 31, 2023, respectively.

The table below summarizes Customers' cash flows for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
(dollars in thousands)	2024	2023	Change	% Change
Net cash provided by (used in) operating activities	$ (18,818)	$ 17,538	$ (36,356)	(207.3)%
Net cash provided by (used in) investing activities	(163,160)	804,645	(967,805)	(120.3)%
Net cash provided by (used in) financing activities	36,752	768,696	(731,944)	(95.2)%
Net increase (decrease) in cash and cash equivalents	$ (145,226)	$ 1,590,879	$ (1,736,105)	(109.1)%

Cash flows provided by (used in) operating activities

Cash used in operating activities of $18.8 million for the three months ended March 31, 2024 resulted from originations and purchases of loans held for sale of $340.5 million, a decrease in accrued interest payable and other liabilities of $55.2 million and an increase in accrued interest receivable and other assets of $10.6 million, partially offset by proceeds from the sales and repayments of loans held for sale of $322.4 million, net income of $49.7 million and net non-cash operating adjustments of $15.4 million.

Cash provided by operating activities of $17.5 million for the three months ended March 31, 2023 resulted from proceeds from the sales and repayments of loans held for sale of $106.1 million, net income of $53.7 million, net non-cash operating adjustments of $26.5 million and an increase in accrued interest payable and other liabilities of $18.1 million, partially offset by originations and purchases of loans held for sale of $185.9 million and an increase in accrued interest receivable and other assets of $0.9 million.

Cash flows provided by (used in) investing activities

Cash used in investing activities of $163.2 million for the three months ended March 31, 2024 primarily resulted from purchases of investment securities available for sale of $328.9 million, proceeds from net repayments of mortgage finance loans of $56.5 million, purchases of loans of $7.4 million and purchases of leased assets under lessor operating leases of $4.0 million, partially offset by proceeds from maturities, calls, and principal repayments of investment securities available for sale of $113.3 million and held to maturity of $72.3 million, proceeds from sales of investment securities available for sale of $22.0 million, a net increase in loans and leases, excluding mortgage finance loans of $16.6 million and net purchases of FHLB, Federal Reserve Bank, and other restricted stock of $9.5 million.

Cash provided by investing activities of $804.6 million for the three months ended March 31, 2023 primarily resulted from a net decrease in loans and leases, excluding mortgage finance loans of $736.6 million primarily from PPP loan forgiveness and guarantee payments by the SBA, proceeds from net repayments of mortgage finance loans of $91.7 million, proceeds from maturities, calls, and principal repayments of investment securities available for sale of $69.6 million and held to maturity of $44.2 million, partially offset by purchases of investment securities held to maturity of $73.1 million, net purchases of FHLB, Federal Reserve Bank, and other restricted stock of $50.5 million and purchases of loans of $12.6 million.

Cash flows provided by (used in) financing activities

Cash provided by financing activities of $36.8 million for the three months ended March 31, 2024 primarily resulted from a net increase in deposits of $41.5 million.

Cash provided by financing activities of $768.7 million for the three months ended March 31, 2023 primarily resulted from proceeds from long-term borrowed funds from the FHLB and the FRB of $2.6 billion, partially offset by repayments of long-term borrowed funds from the FHLB and FRB of $1.0 billion, a net decrease in deposits of $435.8 million, a net decrease in short-term borrowed funds from the FHLB of $300.0 million and purchases of treasury stock of $39.8 million.

CAPITAL ADEQUACY

The Bank and the Bancorp are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet 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 the 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.

In first quarter 2020, the U.S federal banking regulatory agencies permitted banking organizations 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. As part of its response to the impact of COVID-19, on March 31, 2020, the U.S. federal banking regulatory agencies issued an interim final rule that provided the option to temporarily delay certain effects of CECL on regulatory capital for two years, followed by a three-year transition period. The interim final rule allows banking organizations to delay for two years 100% of the day-one impact of adopting CECL and 25% of the cumulative change in the reported allowance for credit losses since adopting CECL. Customers has elected to adopt the interim final rule, which is reflected in the regulatory capital data presented below. The cumulative CECL capital transition impact as of December 31, 2021 which amounted to $61.6 million will be phased in at 25% per year beginning on January 1, 2022 through December 31, 2024. As of March 31, 2024, our regulatory capital ratios reflected 25%, or $15.4 million, benefit associated with the CECL transition provisions.

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 March 31, 2024 and December 31, 2023, the Bank and the Bancorp met all capital adequacy 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	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2024:								
Common equity Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,695,246	12.622 %	$ 604,410	4.500 %	N/A	N/A	$ 940,193	7.000 %
Customers Bank	$ 1,898,686	14.155 %	$ 603,597	4.500 %	$ 871,863	6.500 %	$ 938,929	7.000 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,833,039	13.648 %	$ 805,880	6.000 %	N/A	N/A	$ 1,141,663	8.500 %
Customers Bank	$ 1,898,686	14.155 %	$ 804,797	6.000 %	$ 1,073,062	8.000 %	$ 1,140,128	8.500 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 2,129,343	15.854 %	$ 1,074,506	8.000 %	N/A	N/A	$ 1,410,290	10.500 %
Customers Bank	$ 2,122,179	15.822 %	$ 1,073,062	8.000 %	$ 1,341,328	10.000 %	$ 1,408,394	10.500 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 1,833,039	8.512 %	$ 861,350	4.000 %	N/A	N/A	$ 861,350	4.000 %
Customers Bank	$ 1,898,686	8.824 %	$ 860,686	4.000 %	$ 1,075,857	5.000 %	$ 860,686	4.000 %
As of December 31, 2023:								
Common equity Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,661,149	12.230 %	$ 611,200	4.500 %	N/A	N/A	$ 950,755	7.000 %
Customers Bank	$ 1,868,360	13.773 %	$ 610,453	4.500 %	$ 881,765	6.500 %	$ 949,594	7.000 %
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 1,798,942	13.245 %	$ 814,933	6.000 %	N/A	N/A	$ 1,154,489	8.500 %
Customers Bank	$ 1,868,360	13.773 %	$ 813,937	6.000 %	$ 1,085,250	8.000 %	$ 1,153,078	8.500 %
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$ 2,076,550	15.289 %	$ 1,086,578	8.000 %	N/A	N/A	$ 1,426,133	10.500 %
Customers Bank	$ 2,073,202	15.283 %	$ 1,085,250	8.000 %	$ 1,356,562	10.000 %	$ 1,424,390	10.500 %
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$ 1,798,942	8.375 %	$ 859,189	4.000 %	N/A	N/A	$ 859,189	4.000 %
Customers Bank	$ 1,868,360	8.708 %	$ 858,225	4.000 %	$ 1,072,782	5.000 %	$ 858,225	4.000 %

The Basel III Capital Rules require that we maintain a 2.500% capital conservation buffer with respect to each of common equity Tier 1, Tier 1 and total capital to risk-weighted assets, which provides for capital levels that exceed the minimum risk-based capital adequacy requirements. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers. As of March 31, 2024, the Bank and the Bancorp were in compliance with the Basel III requirements.

Effect of Government Monetary Policies

Our earnings are and will be affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. An important function of the Federal Reserve Board is to regulate the money supply and interest rates. Among the instruments used to implement those objectives are open market operations in United States government securities and changes in reserve requirements against member bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of bank loans and leases, investments, and deposits, and their use may also affect rates charged on loans and leases or paid for deposits.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

The largest part 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 goals of management is to optimize 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 looks to monitor and control the economic impact of changes in interest rates on the mix of interest rate sensitive assets and interest rate sensitive liabilities.

Customers uses two complementary methods to effectively measure and manage interest rate risk. The two types of simulation analysis used to determine the impact of changes in interest rates under various hypothetical interest rate scenarios are income scenario modeling and estimates of economic value (EVE). The combination of these two methods supplies a reasonably comprehensive summary of the levels of interest rate risk of Customers' exposure to time factors and changes in interest rate environments.

Income scenario modeling is used to measure interest rate sensitivity and manage interest rate risk over a near term horizon. Income scenario 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 scenario modeling, Customers has estimated the net interest income for the twelve months ending March 31, 2025 and December 31, 2024, based upon the assets, liabilities and off-balance sheet financial instruments including derivatives in existence at March 31, 2024 and December 31, 2023.

Customers has also estimated changes to that projected twelve-month net interest income based upon interest rates rising or falling immediately ("rate shocks"). For upward rate shocks modeling a rising rate environment at March 31, 2024 and December 31, 2023, Customers used a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately increased by 100, 200, and 300 basis points. For downward rate shocks modeling a falling rate environment at March 31, 2024 and December 31, 2023, Customers used a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately decreased by 100, 200 and 300 basis points. The following table reflects the estimated percentage change in projected twelve-month net interest income under the rate shocks versus the base projected net interest income for the twelve months ending March 31, 2025 and December 31, 2024, resulting from changes in interest rates.

Net change in net interest income

	% Change	
Rate Shocks	March 31, 2024	December 31, 2023
Up 3%	10.9%	9.9%
Up 2%	7.6%	6.6%
Up 1%	4.0%	3.6%
Down 1%	(4.2)%	(3.5)%
Down 2%	(8.9)%	(7.2)%
Down 3%	(13.9)%	(11.2)%

EVE considers a longer-term horizon and estimates the hypothetical discounted net 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 sensitivity of EVE in relation to a constant rate environment. For upward rate shocks modeling a rising rate environment at March 31, 2024 and December 31, 2023, current market interest rates were shocked by a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately increased by 100, 200, and 300 basis points. For downward rate shocks modeling a falling rate environment at March 31, 2024 and December 31, 2023, current market interest rates were shocked by a parallel and sustained shift in interest rates, in which the base market interest rate forecast was immediately decreased by 100, 200 and 300 basis points. This method of measurement primarily evaluates the longer term repricing risks and embedded options in Customers Bank's balance sheet. The following table reflects the estimated change in EVE at March 31, 2024 and December 31, 2023, resulting from shocks to interest rates.

Rate Shocks	From Base March 31, 2024	December 31, 2023
Up 3%	(0.1)%	(6.2)%
Up 2%	2.6%	(3.0)%
Up 1%	2.6%	0.3%
Down 1%	(6.4)%	(5.4)%
Down 2%	(15.5)%	(13.2)%
Down 3%	(27.5)%	(23.1)%

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

Item 4. Controls and Procedures

(a) Management’s Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, 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). Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Customers Bancorp’s disclosure controls and procedures were effective as of March 31, 2024.

(b) Changes in Internal Control Over Financial Reporting. During the quarter ended March 31, 2024, there have been no changes in Customers Bancorp’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Customers Bancorp’s internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

For information on Customers' legal proceedings, refer to "NOTE 15 – LOSS CONTINGENCIES" to the unaudited consolidated financial statements.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in "Risk Factors" included within the 2023 Form 10-K. There are no material changes from the risk factors included within the 2023 Form 10-K, except as further discussed below. The risks described within the 2023 Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial also may materially adversely affect our business, financial condition and/or operating results. Refer to "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Forward-Looking Statements."

Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business.

On March 6, 2024, the SEC adopted a final rule to require registrants to disclose certain climate-related information in their registration statements and annual reports. Subsequent to adoption, a number of businesses and business groups filed petitions seeking a judicial review of the final rule, asserting that the SEC does not have the authority to promulgate it. On April 4, 2024, the SEC exercised its discretion to stay the final rule pending completion of the judicial review of certain petitions consolidated in the U.S. Court of Appeals for the Eighth Circuit. The SEC's final rule regarding the disclosure of certain climate-related information may result in the implementation of significant operational changes and new reporting obligations, each of which may require Customers to incur compliance costs. We will continue to monitor the outcome of this judicial review.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the first quarter of 2024, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated any “Rule 10b5-1 trading arrangements” or “non-Rule 10b5-1 trading arrangements,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Customers Bancorp, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on April 30, 2012
3.2	Amended and Restated Bylaws of Customers Bancorp, incorporated by reference to Exhibit 3.2 to the Customers Bancorp Form 8-K filed with the SEC on April 30, 2012
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Customers Bancorp, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on July 2, 2012
3.4	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'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 E, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on April 28, 2016
3.7	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
10.1	Form of Split Dollar Life Insurance Agreement
10.2	Agreement and Mutual General Release, dated April 25, 2024, by and between Customers Bancorp, Inc. and Carla A. Leibold
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule15d-14(a)
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule15d-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 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 Sarbanes-Oxley Act of 2002
101	The following financial statements from the Customers' Quarterly Report on Form 10-Q as of and for the quarterly period ended March 31, 2024, formatted in Inline XBRL include: (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
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements 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.

May 9, 2024	By:	/s/ Jay S. Sidhu
	Name:	Jay S. Sidhu
	Title:	Chairman and Chief Executive Officer (Principal Executive Officer)
May 9, 2024	By:	/s/ Philip Watkins
	Name:	Philip Watkins
	Title:	Chief Financial Officer (Principal Financial Officer)

AGREEMENT AND MUTUAL GENERAL RELEASE

This Agreement and Mutual General Release ("Agreement") is made and entered into by and between Customers Bancorp, Inc. (the "Company") and Carla Leibold ("Leibold") (the "Company" and "Leibold" are collectively referred to as the "Parties").

WHEREAS, Leibold was employed by the Company in the role of Chief Financial Officer;

WHEREAS, Leibold's employment with the Company ended, effective April 10, 2024 ("Separation Date");

WHEREAS, as a condition of Leibold's receipt of post-employment compensation and the terms and conditions contained in this Agreement, Leibold has agreed to execute a general release of all claims, charges, complaints, grievances, known or unknown, against the Company and the Released Parties, as defined herein;

NOW THEREFORE, in consideration of the promises, agreements and general releases contained in this Agreement, the sufficiency of which are hereby acknowledged by the Parties, and intending to be legally bound, Leibold and the Company agree as follows:

1. **Company's Obligations.**

(a) **Consideration.** In exchange for Leibold's general release as set forth in Paragraph 2 and Leibold's compliance with her obligations set forth in this Agreement, the Company agrees to pay Leibold a total of Two Million Five Hundred Thousand Dollars ($2,500,000) ("Post-Employment Payment"), Five Hundred Dollars ($500.000) of which is expressly allocated as consideration for Leibold's release of any ADEA claims as described in Paragraph 16 below. The Post-Employment Payment shall be payable in equal installments according to the Company's regular payroll schedule for the two (2)-year period following the Separation Date; except that any payments otherwise due during the six (6)-month period following the Separation Date shall be suspended and paid in a lump sum within ten (10) days following the last day of such six (6)-month period, at which time the balance of the payments shall commence in substantially equal installments paid according to the Company's regular payroll schedule until the end of the two (2)-year period following the Separation Date. All Post-Employment Payment installments will be paid by direct deposit into Leibold's personal checking account and will be subject to applicable taxes, legally required withholdings, and/or payroll deductions. The Company will issue Leibold an IRS Form W-2 in the regular course of business for these payments. Leibold understands and acknowledges that she is not entitled to any Post-Employment Payment unless she executes and delivers this Agreement and does not revoke it, and provides an executed IRS Form W-4 to counsel for the Company.

(b) **Company Non-Disparagement.** The Company agrees to instruct its officers and directors not to directly or indirectly, in any form or medium, including but not limited to social media platforms such as Glassdoor, Indeed, LinkedIn, Facebook, Twitter, Instagram, Snapchat, TikTok, YouTube, blogs, or other public forums, disparage Leibold in any way. For purposes of this Paragraph, a disparaging statement is any intentionally false or misleading statement or communication, which, if publicized to another, would cause or tend to cause the recipient of the communication to question the integrity or competence of Leibold. It further includes statements that are maliciously untrue, such that they are made with knowledge of their falsity or with reckless disregard for their truth and falsity.

(c) **Unemployment.** The Company agrees not to contest any claim for unemployment compensation that Leibold makes for any period of unemployment, should she choose to file for it. The Company agrees to answer any required questions from the Pennsylvania Office of Unemployment Compensation or other applicable regulatory agency truthfully.

(d) **Business Expense Reimbursements.** The Company agrees to reimburse Leibold for normal business-related expenses that were incurred during her employment with the Company in accordance with the Company's policies concerning such reimbursement. All requests for reimbursement must be submitted, along with all required supporting documentation, to the Company's General Counsel within three (3) weeks after executing the Agreement.

(e) **Indemnification.** Notwithstanding anything to the contrary, this Agreement shall not release or be construed to release claims that Leibold, her heirs, estates, executors, administrators or assigns may have for indemnification and defense in connection with Leibold's former position as an officer of the Company and in the event Leibold is made, or threatened to be made, a party to any legal action or proceeding, whether civil or criminal, including any governmental or regulatory proceedings or investigations, by reason of the fact that Leibold was serving as Chief Financial Officer of the Company, Leibold shall be indemnified by the Company to the fullest extent permitted by applicable law and the Company's articles of incorporation and bylaws. The Company agrees that Leibold will continue to be covered by the Company's directors and officers liability insurance policy, for her covered acts or omissions occurring during her employment, in accordance with the terms of such policy for actions or omissions of former directors or officers.

(f) Provided she properly elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), relating to the continuation of health benefits, Leibold may continue her health insurance to the extent permitted by COBRA at her sole expense. Leibold's current health benefits will remain in effect through April 30, 2024. The Company will provide Leibold with additional information regarding her COBRA rights by separate letter.

(g) On April 25, 2024, the Company will promptly file a Form 8-K/A amending the Company's Current Report on Form 8-K filed April 12, 2024 stating that the termination of Leibold's employment with the Company was a separation by mutual agreement.

2. **Mutual General Release.**

(a) **Leibold Release.** By executing this Agreement, to the fullest extent permitted by law, Leibold, on her own behalf and on behalf of her heirs, estates, executors, administrators, representatives and assigns (collectively, "Releasing Parties"), unconditionally, irrevocably, and absolutely releases and discharges the Company, along with the Company's parents, subsidiaries, divisions, affiliated corporations, partnerships or other affiliated entities, past and present, as well as each of their employees, officers, directors, agents, representatives, insurers, attorneys, successors, and assigns (collectively "Released Parties"), for any and all known and unknown claims of any kind, relating to anything that has happened up to the Effective Date of this Agreement. Without limiting the scope of the foregoing provision in any way, the Releasing Parties specifically release all claims relating to or arising out of any aspect of Leibold's employment with the Company or her separation therefrom including, but not limited to, all releasable claims under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991 and the laws amended thereby, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, Section 1981 of the Civil Right Act of 1866, as amended (42 U.S.C. §1981); any claims arising under Pennsylvania law, including, but not limited to, the Pennsylvania Human Relations Act, the Pennsylvania Minimum Wage Act, the Pennsylvania Wage Payment and Collection Law; the Pennsylvania Whistleblower Law; the Pennsylvania Medical Marijuana Act; and all other state, federal and local laws and regulations; and any state, civil, or statutory laws, including any and all human rights laws and laws against discrimination, and other federal, state, or local fair employment statute, code, or ordinance, common law, including, but not limited to, claims for breach of contract, intentional or negligent infliction of emotional distress, negligence, wrongful or retaliatory discharge, public policy violations, interference with contract, pain and suffering, compensatory or punitive damages, service letters, costs, interest, attorneys' fees and expenses, reinstatement, or reemployment. While this provision does not preclude Leibold from filing a charge or complaint with a government agency, Leibold agrees that she waives all rights to any financial recovery associated with any such filing.

(b) **Company Release.** By executing this Agreement, to the fullest extent permitted by law, the Company, on behalf of the Company and each of its past and current parents, subsidiaries and affiliates, unconditionally, irrevocably, and absolutely releases and discharges Leibold, her heirs, executors, administrators and assigns, for any and all known and unknown claims of any kind, relating to anything that has happened up to the Effective Date of this Agreement. Without limiting the scope of the foregoing provision in any way, the Company specifically releases all claims relating to or arising out of any aspect of Leibold's employment with the Company or her separation therefrom; provided that notwithstanding the foregoing in this Paragraph 2(b), nothing contained in this Agreement constitutes a release or waiver by the Company or any Executive Releasee, or prevents the Company or any Executive Releasee from making or asserting any claims the Company or an Executive Releasee may have against Leibold, relating to any felony, fraud, or embezzlement.

3. **Leibold's Obligations.** In exchange for the consideration set forth in Paragraph 1, Leibold agrees as follows:

(a) **Return of Company Documents and Property.** Leibold will as soon as practicable return and surrender to Released Parties all documents, including originals and copies, and/or property belonging to Released Parties, created, purchased or obtained by Leibold as a result of or in the course of employment. Leibold acknowledges and agrees that all such materials are, and will always remain, the exclusive property of Released Parties.

(b) **Leibold Non-Disparagement.** Leibold agrees not to directly or indirectly, in any form or medium, including but not limited to social media platforms such as Glassdoor, Indeed, LinkedIn, Facebook, Twitter, Instagram, Snapchat, TikTok, YouTube, blogs, or other public forums, disparage the Company in any way. For purposes of this Paragraph, a disparaging statement is any intentionally false or misleading statement or communication, which, if publicized to another, would cause or tend to cause the recipient of the communication to question the business condition, integrity, or competence of the Company or Released Parties. It further includes statements that are maliciously untrue, such that they are made with knowledge of their falsity or with reckless disregard for their truth and falsity. Such would also include statements concerning the Company's businesses, services, or any of its employees, officers, trustees or directors existing and prospective otherwise associated third parties. Additionally, Leibold agrees not to imply on any personal webpage or other social media platform that she is employed by the Company.

(c) **Permissible Disclosure.** Nothing in this Agreement prohibits or limits Leibold or the Company from (i) providing information in response to valid and enforceable subpoenas or as otherwise required by law or regulation; (ii) providing information necessary for preparation and filing of any income tax return; or (iii) using this Agreement to enforce its terms. Further, nothing in this Agreement prohibits or limits Leibold or the Company from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before, the U.S. Securities and Exchange Commission (SEC), the Department of Justice, Financial Industry Regulatory Authority, Inc., the Equal Employment Opportunity Commission, the National Labor Relations Board, any other self-regulatory organization or any other governmental, law enforcement, or regulatory authority, in connection with any reporting of, investigation into, or proceeding regarding suspected violations of law, and neither Party is required to advise or seek permission from the other Party before engaging in any such activity.

(c) **Cooperation.** Leibold agrees that upon reasonable notice by the Company, she shall cooperate with the Company and its counsel (including, if necessary, preparation for and appearance at depositions, hearings, trials or other proceedings) with regard to any past, present or future legal or regulatory matters that relate to or arise out of matters she has knowledge about or has been involved with during her employment with the Company. In the event that such cooperation is required, she will be reimbursed for reasonable expenses incurred in connection therewith, including her own attorneys' fees, and for any such cooperation assistance following the two (2)-year period set forth in Paragraph 1, the Company will pay Leibold an hourly rate of $500.

(d) **Benefits.** Ms. Leibold acknowledges and agrees that Leibold is not vested in any benefits under the Supplemental Executive Retirement Plan between Leibold and the Company, effective May 2, 2021 (the "SERP"), or the Split Dollar Life Insurance Agreement between Leibold and the Company, effective May 2, 2021 ("Split Dollar Agreement"), and hereby agrees that the SERP and the Split Dollar Agreement are hereby terminated, are of no force and effect as of the Separation Date and Leibold is not entitled to any benefits with respect thereto. For the avoidance of doubt, Leibold agrees that she forfeited all of her unvested equity awards as of the Separation Date, which included 25,000 stock options, 20,685 performance stock units and 29,981 restricted stock units.

4. **Representations and Warranties of the Parties.** Leibold represents and warrants that as of the Effective Date, she: (i) has not suffered a work-related injury that she has not properly disclosed to Released Parties or their parent, subsidiary and/or affiliate companies; (ii) has been paid in full for all wages due and owing to her for any and all work performed for Released Parties; (iii) has not exercised any actual or apparent authority by or on behalf of Released Parties that she has not otherwise specifically disclosed to Released Parties; (iv) has not entered into any agreements, whether written or otherwise, with any third parties or any current or former employees of Released Parties or their parent, subsidiary and/or affiliate companies that could legally bind Released Parties or their parent, subsidiary and/or affiliate companies; (v) has disclosed to Released Parties all material facts within her knowledge regarding her employment with Released Parties, including, but not limited to, any and all material acts in which she has engaged as an agent of Released Parties, whether acting within the course and scope of that agency and/or her employment, and, she is not aware of any action/inaction she took/failed to take during her employment with Released Parties that could give rise to a claim against any of the Released Parties, and/or any other third party; and (vi) is not aware of any facts that constitute or might constitute violations of the Released Parties' legal or regulatory obligations, including any facts or representations that may give rise to a claim of fraud or misrepresentation in connection with a public disclosure.

5. **Relationship of the Parties.** Leibold hereby agrees and recognizes that her employment with Released Parties is permanently and irrevocably severed and that neither Released Parties, nor any of their parents, subsidiaries and/or affiliates, have any obligation, contractual or otherwise, to hire, rehire or reemploy her, directly or indirectly, in the future. Leibold hereby agrees not to seek employment with Released Parties or any of their parents, subsidiaries and/or affiliates, directly or indirectly, and waives any right that she may have to be considered for employment or retained in employment. Leibold further agrees that this Agreement constitutes a legitimate, non-discriminatory, non-retaliatory reason for Released Parties or any of their parents, subsidiaries and/or affiliates to refuse to hire or rehire her in the future and/or to terminate any subsequent employment of Leibold by them.

6. **Tax Issues.** Leibold expressly acknowledges that no oral or written representation of fact or opinion has been made to her by Released Parties or their attorneys regarding the tax treatment or consequences of any payment made by the Company to Leibold under this Agreement. It is expressly understood that to the extent any additional liability or responsibility exists for Leibold's federal, state and local income or other taxes, other than the employer portion of any tax withholding, such liability or responsibility rests solely with Leibold. Leibold further agrees to indemnify and hold harmless the Released Parties, in connection with any additional liability incurred by any of the Released Parties, in connection with any tax or taxes for which Leibold is responsible. The Company agrees it is solely responsible for any employer portion of any tax liability.

7. **Medicare Certification.** The Parties have considered Medicare's interest in this matter, if any, and Leibold attests that the claims made and released herein are not related to any illness or injury for which she would apply or receive Medicare benefits. Leibold understands that she is required by law to disclose this information to the Company and its attorneys in connection with this Agreement. Leibold understands that failure to do so may result in penalties being assessed against her, the Parties, and attorneys. Leibold declares and warrants that she is aware of

the requirements of the Medicare Secondary Payer Act ("MSPA"). She understands that Medicare has an interest in recovering any benefits paid when it is used as a source of secondary payment. Leibold therefore agrees to release, hold harmless, and indemnify Released Parties and their attorneys from any remedies, reprisals, or penalties that result from her failure to disclose or release her status as a Medicare beneficiary. In the event that any of the above information provided by Leibold is false or in any way incorrect, Leibold shall be solely liable for any and all actions, causes of action, penalties, claims, costs, services, compensation or the like resulting from these inaccuracies. Leibold acknowledges that Medicare may require her to exhaust the entire settlement proceeds on Medicare covered expenses should she become Medicare eligible within thirty (30) months as to the claims made and released herein. Leibold waives any claims for damages, including a private cause of action provided in the MSPA, 42 U.S.C. Section 1395y(b)(3)(A), should Medicare deny coverage for any reason, including the failure to establish a set aside allocation to protect Medicare's interest.

8. **Voluntary Nature of Agreement.** Leibold acknowledges and agrees that she has read this Agreement and understands its terms and conditions, has had a reasonable period of time in which to consider the Agreement and to consult with counsel regarding its contents and obligations, has consulted with counsel, and signs it voluntarily, of her own free will, without coercion or duress, and with full understanding of the significance and binding effect of the Agreement.

9. **No Admission.** The execution of this Agreement does not and shall not constitute an admission by any Party of any liability to any other Party. The Parties specifically deny that any of them have violated any other Party's rights under any federal, state, or local constitution, statute, law, or common law, including any rights in connection with Leibold's employment with the Company, including the termination of her employment with the Company.

10. **Section 409A.** This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations, or an exemption thereto, and payments may only be made under this Agreement upon an event and in a manner permitted by Section 409A of the Code, to the extent applicable. Leibold's termination on the Separation Date constitutes a "separation from service" as defined under Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. For purposes of Section 409A of the Code, each payment hereunder shall be treated as a separate payment, and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. In no event may Leibold, directly or indirectly, designate the calendar year of a payment.

11. **Entire Agreement.** Except for the "Non-Disclosure," "Non-Solicitation," and "Noncompete Agreement" and related enforcement and indemnification provisions of Leibold's Employment Agreement, dated October 23, 2019 ("Employment Agreement"), that are contained in Sections 6, 7, 8, 9, 10.2, 10.3, 10.4 and 10.5 and 19 of the Employment Agreement, this Agreement contains the entire agreement between and among the Parties and may not be modified or amended in any respect except pursuant to a writing signed by both Parties hereto. This Agreement fully sets forth any and all rights and benefits to which Leibold is entitled and all agreements between the Parties, and except as provided herein explicitly, supersedes and replaces

all other negotiations, discussions, or contemporaneous agreements between the Parties, either oral or written, with respect to Leibold's employment by Company.

12. **Severability.** It is expressly understood to be the intent of the Parties hereto that, except for the General Release in Paragraph 2, the terms and provisions of this Agreement are severable and if, at any time in the future or for any reasons, any term or provision in this Agreement is declared unenforceable, void, voidable, or otherwise invalid, the remaining terms and provisions shall remain valid and enforceable as written.

13. **Governing Law.** The terms and provisions of this Agreement shall be interpreted and enforced under the substantive law of the Commonwealth of Pennsylvania, to the extent state law applies, and under federal law, to the extent federal law applies. For purposes of any action or proceeding, the Parties irrevocably submit to the exclusive jurisdiction of: (1) the United States District Court for the Eastern District of Pennsylvania; or (2) any Pennsylvania Court of Common Pleas of competent jurisdiction and venue for the purpose of any judicial proceeding arising out of or relating to this Agreement or otherwise. The Parties expressly agree that in the event of a dispute arising from this Release Agreement, each of the Parties hereto waives any right to a trial by jury. Leibold irrevocably agrees to service of process by certified mail, return receipt requested, to Leibold at the address listed in the records of the Company and by email at hamburgnj@hamburglawgroup.com. The Company irrevocably agrees to service of process by certified mail, return receipt requested to the Company at its corporate headquarters, c/o the Chairman, **provided that** a copy is also served by email on the Company's counsel Kimberley Lunetta, Morgan, Lewis & Bockius LLP, at kimberley.lunetta@morganlewis.com.

14. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute together one and the same Agreement. Any party to this Agreement may execute this Agreement by signing any such counterpart.

15. **Headings.** The headings to this Agreement are for convenience only, and are not to be used in the interpretation of the terms hereof.

16. **ADEA Compliance.** As to any and all claims, demands, actions, causes of action, suits, damages, losses and expenses, *known or unknown*, that Leibold may have pursuant to the Age Discrimination in Employment Act, 29 U.S.C. §621 *et seq.* ("ADEA"), Leibold acknowledges that she has twenty-one (21) days from the time she receives this Agreement to consider whether to sign it. Leibold affirms that if she has signed the Agreement before the end of those twenty-one (21) days, it is because she freely chose to do so after carefully considering the terms of this Agreement as to her ADEA claims and after consultation with an attorney of her choosing. Leibold agrees that any modifications, material or otherwise, made to this Agreement do not restart or extend the twenty-one (21) day consideration period.

(a) Leibold further understands and acknowledges that once she signs this Agreement, she will then have seven (7) calendar days, if she so chooses, to revoke the Release *solely* as to any claims arising under the ADEA.

(b) To cancel the Agreement as to any ADEA claims or to provide any notice under this Agreement, Leibold must notify counsel for the Company in writing by email to Kimberley Lunetta, Morgan, Lewis & Bockius LLP, kimberley.lunetta@morganlewis.com.

(c) To provide any notice to Leibold under this Agreement, the Company must notify counsel for Leibold in writing by email to Neil J. Hamburg, Hamburg Law Group, PLLC, hamburgnj@hamburglawgroup.com with a copy to Carla Leibold at gcpar@ptd.net.

(d) The Parties acknowledge that once Leibold signs it, this Agreement is immediately effective and enforceable as to any and all claims (the "Effective Date"), except that this Agreement will not be effective or enforceable as to any claim under the ADEA until the seven (7) calendar day revocation period expires without any revocation by Leibold.

17. **Agreement is Binding on Assigns.** In the event of a change of control of the Company, the Company will assign any surviving obligations in this Agreement to the appropriate entity to the extent permitted by law. This Agreement shall inure to the benefit of the Company and permitted successors and assigns. The personal obligations of Leibold contained in this Agreement are not assignable.

[Signature Page Follows]

Customers Bancorp, Inc.

By: Jay Sidhu

Title: CEO and Chairman

Date: April 25, 2024

Carla Leibold

Carla Leibold

Date: April 25, 2024

[Signature Page to C. Leibold Agreement (April 2024)]

SPLIT DOLLAR LIFE INSURANCE AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into this ___ day of ______, 20xx, by and between CUSTOMERS BANK, located in Phoenixville, PA (the "Bank"), and , a current employee of the Bank (hereinafter referred to as the "Employee").

INTRODUCTION

WHEREAS, Employee is an officer or other highly paid employee of the Bank;

WHEREAS, the Bank is purchasing insurance policies (hereinafter referred to as the "Insurance Policy(ies)"), with MassMutual, Midland National, Northwestern Mutual and Protective Life (collectively referred to as the "Insurer"), on the life of the Employee;

WHEREAS, the Bank desires to induce Employee to continue to utilize Employee's best efforts on behalf of the Bank by its payment of premiums due on the Insurance Policy(ies); and

WHEREAS, the Bank is the sole owner of the Insurance Policy(ies) and elects to endorse a portion of the death benefit of the Insurance Policy(ies) to Employee for the benefit of his or her designated beneficiary.

NOW, THEREFORE, in consideration of the mutual undertakings set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Bank and the Employee agree as follows:

1. Ownership

1.1. Ownership of Insurance Policy. The Bank is the sole owner of the Insurance Policy(ies) and shall have the right to exercise all incidents of ownership. The Bank shall be the beneficiary of the remaining death proceeds of the Insurance Policy(ies) after payment of the Employee Death Benefit as defined and provided for in this Agreement. The Bank shall at all times be entitled to the Policy(ies) cash surrender value, as that term is defined in the Insurance Policy(ies), less any Insurance Policy loans and unpaid interest or cash withdrawals previously incurred by the Bank and any applicable Insurance Policy surrender charges. The cash surrender value shall be determined as of the date of the surrender of the Insurance Policy or death of the Employee, as the case may be.

1.2. Right to Insurance Policy. Notwithstanding any provision hereof to the contrary, the Bank shall have the right to sell or surrender the Insurance Policy(ies) without terminating this Agreement, provided (i) the Bank replaces the Insurance Policy(ies) with a comparable life insurance policy or arrangement that provides the benefit provided under this Agreement and (ii) the Bank and the Employee (who will not unreasonably withhold his signature) execute a new Split Dollar Policy Endorsement for said comparable coverage arrangement, at which time all references to "Insurance Policy" hereunder shall refer to such replacement coverage arrangement. Without limitation, the Insurance Policy(ies) at all times shall be the exclusive property of the Bank, and shall be subject to the claims of the Bank's creditors.

2. Premiums. The Bank shall pay each premium on the Insurance Policy(ies) to the Insurer on or before the due date of such premium or within the grace period allowed by the Insurance Policy(ies) for the payment of such premium.

3. Economic Benefit. The Bank shall determine the economic benefit attributable to the Employee based on the life insurance premium factor for the Employee's age multiplied by the amount of current life insurance protection payable to the Employee's beneficiary. The "life insurance premium factor" is the minimum amount required to be imputed under Treasury Regulation §1.61-22(d)(3)(ii), or any subsequent applicable authority. The Bank shall impute the economic benefit to the Employee on an annual basis by adding the economic benefit to the Employee's ordinary income utilizing the appropriate tax form.

4. Death Benefits.

4.1. **Employee's Benefit**. Upon the death of Employee, the Beneficiary shall be entitled to receive an amount of death benefit equal to the amount shown on Exhibit A, attached hereto. The receipt of this amount by the Beneficiary shall constitute satisfaction of the Employee's rights under this Agreement.

4.2. **Bank's Benefit**. Upon the death of Employee, the Bank shall be entitled to receive an amount equal to all death benefits due under the Insurance Policy less the Employee's Benefit as provided in paragraph 4.1. The Bank's Benefit shall also be reduced by any amount borrowed against the Insurance Policy by the Bank. The receipt of this amount by the Bank shall constitute satisfaction of the Bank's rights under this Agreement.

4.3. Benefit Paid by Insurance Carrier. The benefit payable to Employee's Beneficiaries shall be paid solely by the Insurer from the proceeds of the Insurance Policy(ies) on the life of the insured. In no event shall the Bank be obligated to pay a death benefit under this Agreement from its general funds. Should an Insurer refuse or be unable to pay death proceeds endorsed to insured under the express terms of this Agreement, or should the Bank cancel the Insurance Policy(ies) for any reason, neither Employee nor any Beneficiary shall be entitled to a death benefit.

4.4. Suicide or Misstatement. The amount of the benefit payable to Employee's Beneficiaries may be reduced or eliminated if Employee fails or refuses to take a physical examination, to truthfully and completely supply such information or complete any forms as may be required by the Bank or the Insurer, or otherwise fails to cooperate with the requests of the Bank or the Insurer, or if Employee dies under circumstances such that the Insurance Policy(ies) does not pay a full death benefit, e.g., in the case of suicide within two years after a respective Insurance Policy date.

5. Beneficiary

5.1. Beneficiary Designation. The Employee shall have the limited right during the term of this Agreement to designate and change the primary and contingent beneficiaries (collectively, the "Beneficiary") of the Employee portion of the death benefits of the Insurance Policy. The

Employee's Beneficiary designation shall be made in writing and delivered to the Bank in a form acceptable to the Insurer and Bank. Upon the acceptance by the Bank of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Bank shall be entitled to rely on the last Beneficiary Designation Form filed by the Employee and accepted by the Bank prior to the Employee's death.

5.2. Beneficiary Acknowledgement. No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Bank or its designated agent.

5.3. Facility of Payment. If the Bank determines in its discretion that a benefit is to be paid to a minor, to a person incapable of handling the disposition of that person's property, the Bank may direct payment of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Bank may require proof of incompetence, minority or guardianship as it may deep appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Employee and the Employee's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such payment amount.

5.4. No Beneficiary Designation. If the Employee dies without a valid designation of Beneficiary, or if all designated Beneficiaries predecease the Employee, then the Employee's surviving spouse shall be the designated Beneficiary. If the Employee has no surviving spouse, the benefits shall be made payable to the personal representative of the Employee's estate.

6. Termination or Amendment of Agreement.

6.1. Termination Event. Prior to the death of the Employee, this Agreement shall automatically terminate upon bankruptcy, receivership or dissolution of the Bank. Upon termination of the Agreement, the Employee shall forfeit all rights hereunder, including the right to designate a Beneficiary, and Bank at its sole discretion may retain or terminate the Insurance Policy(ies).

6.2. Amendments. This Agreement may be amended by the Bank only upon written consent of the Employee. This Agreement may not be amended after the date of the Employee's death.

7. Insurance Company Not a Party. The Insurer shall not be deemed a party to this Agreement for any purpose nor in any way responsible for its validity; shall not be obligated to inquire as to the distribution of any monies payable or paid by it under the Insurance Policy(ies); and shall be fully discharged from any and all liability under the terms of the Insurance Policy(ies) upon payment or other performance of its obligations in accordance with the terms of the Insurance Policy(ies). The Insurer shall not be bound by or be deemed to have notice of the provisions of this Agreement.

8. Administration

8.1. Plan Administrator. This Split Dollar Agreement shall be administered by a Plan Administrator, which shall consist of the Bank's board of directors or such committee as the board shall appoint. The Employee may be a member of the Administrator.

8.2. Plan Administrator Duties. The Plan Administrator shall have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Agreement and (ii) decide or resolve any and all questions, including interpretations of this Agreement, as may arise in connection with this Agreement.

8.3. Binding Effect of Decisions. Any decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation, and application of this Agreement and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in this Agreement.

8.4. Indemnity of Plan Administrator. The Bank shall indemnify and hold harmless the members of the Plan Administrator, and those to whom management and operation responsibilities of the plan have been delegated, against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Split Dollar Agreement, except in the case of willful misconduct by the Plan Administrator or any of its members.

8.5. Information. To enable the Administrator to perform its functions, the Bank shall supply full and timely information to the Administrator on all matters relating to the date and circumstances of the retirement, death, or termination of employment of the Employee and such other pertinent information as the Administrator may reasonably require.

9. Claims and Review Procedure

9.1. Written Claim. A person who believes that he or she being denied a benefit to which he or she is entitled under this Agreement (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Plan Administrator, setting forth his or her claim. The request must be addressed to the Bank at its then principal place of business.

9.2. Timing of Response. Upon receipt of a claim, the Plan Administrator shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Plan Administrator may, however, extend the reply period for an additional ninety (90) days for reasonable cause. If the claim is denied in whole or in part, the Plan Administrator shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth:

(a) The specific reason or reasons for such denial;

(b) The specific reference to pertinent provisions of this Agreement on which such denial is based;

(c) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary;

(d) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and

(e) The time limits for requesting a review under Section 10.3 and for review under Section 10.4 hereof.

9.3. Request for Review. With sixty (60) days after the receipt by the Claimant of the written opinion described in Section 10.2, the Claimant may request in writing that the determination of the Plan Administrator be reviewed. Such request must be addressed to the Bank at its then principal place of business. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Plan Administrator. If the Claimant does not request a review of the Plan Administrator's determination within such sixty (60) day period, he or she shall be barred and estopped from challenging the Plan Administrator's determination.

9.4. Review of Decision. The Plan Administrator will review its determination within sixty (60) days after receipt of a request for review. After considering all materials presented by the Claimant, the Plan Administrator will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Plan Administrator will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

10. Binding Effect. This Agreement shall bind the Employee and the Bank and their respective heirs, beneficiaries, survivors, executors, administrators, representatives, successors, transferees and assigns, and any Insurance Policy Beneficiary.

11. No Guarantee of Employment. This Agreement is not an employment policy or contract. It does not give the Employee the right to remain an employee of the Bank, nor does it interfere with the Bank's right to discharge the Employee. It also does not require the Employee to remain an employee nor interfere with the Employee's right to terminate employment at any time.

12. Waiver of Jury Trial. to the fullest extent permitted by applicable law, bank and employee hereby irrevocably and expressly waive all right to a trial by jury in any action, proceeding, or counterclaim (whether based upon contract, tort, or otherwise) arising out of or relating to this agreement or the transactions contemplated herein or the actions of the bank in the negotiation, administration, or enforcement thereof. each party hereto (a) certifies that no representative, agent or attorney of any other person has represented, expressly or otherwise, that such other person would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this agreement by, among other things, the mutual waivers and certifications in this section.

13. Entire Agreement; Oral Agreements Ineffective. This Agreement constitutes the entire and final agreement between the Bank and Employee as to the subject matter hereof and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

14. No Third Party Beneficiaries. The benefits of this Agreement shall not inure to any third party. This Agreement shall not be construed as creating any rights, claims, or causes of action against Bank or any of its officers, directors, agents, or employees in favor of any person or entity other than Employee.

15. Severability. If any one or more of the provisions hereof is declared invalid, illegal, or unenforceable in any jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired, and that invalidity, illegality, or unenforceability in one jurisdiction shall not affect the validity, legality, or enforceability of the remaining provisions hereof.

16. Governing Law; Venue; Service of Process. This agreement shall be governed by and construed in accordance with the laws of the state of Pennsylvania. This agreement has been entered into in _______________ county, Pennsylvania, and is performable for all purposes in _______________ county, Pennsylvania. the parties hereby agree that any lawsuit, action, or proceeding that is brought (whether in contract, tort, or otherwise) arising out of or relating to this agreement, the transactions contemplated thereby, or the actions of the bank in the negotiation, administration, or enforcement of any of this agreement shall be brought in a state or federal court of competent jurisdiction located in _______________ county, Pennsylvania. Employee hereby irrevocably and unconditionally (a) submits to the exclusive jurisdiction of such courts, (b) waives any objection it may now or hereafter have as to the venue of any such lawsuit, action, or proceeding brought in any such court, and (c) further waives any claim that it may now or hereafter have that any such court is an inconvenient forum. Each of the parties hereto agree that service of process upon it may be made by certified or registered mail, return receipt requested at the address for notices contained in the signature page of this agreement.

17. Notices. Any notice, consent or demand required or permitted to be given under the provisions of this Agreement by one party to another shall be in writing, shall be signed by the party giving or making the same, and may be given either by delivering the same to such other party personally, or by mailing the same, by United States certified mail, postage prepaid, to such party, addressed to his or her last known address as shown on the records of the Bank. The date of such mailing shall be deemed the date of such mailed notice, consent or demand.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above

CUSTOMERS BANK:	EMPLOYEE:
By:___________________________________	By:___________________________________
Print Name:_____________________________	Print Name:
Title:__________________________________	Address:______________________________
	______________________________________

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 quarterly report on Form 10-Q of Customers Bancorp, Inc. for the period ended March 31, 2024;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-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 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: May 9, 2024

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) / 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Philip Watkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Customers Bancorp, Inc. for the period ended March 31, 2024;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-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 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/ Philip Watkins

Philip Watkins
Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2024

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 quarterly report of Customers Bancorp, Inc. (the “Corporation”) on Form 10-Q for the period ended March 31, 2024, 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: May 9, 2024

/s/ Jay S. Sidhu

Jay S. Sidhu, Chairman and Chief Executive Officer
(Principal Executive Officer)

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

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 quarterly report of Customers Bancorp, Inc. (the "Corporation") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip Watkins, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 9, 2024

/s/ Philip Watkins

Philip Watkins, Chief Financial Officer
(Principal Financial Officer)

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.