ARTS WAY MANUFACTURING CO INC
Form 4
May 01, 2014

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Dancy Joseph R

(Last) (First) (Middle)

1007 BEAVER CREEK DRIVE

(Street)

DUNCANVILLE, TX 75137

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ARTS WAY MANUFACTURING CO INC [ARTW]

3. Date of Earliest Transaction (Month/Day/Year)
04/29/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								58,000	D	
Common Stock								63,000	I	As sole owner of general partner of LSGI Technology Venture Fund, L.P. (1)
Common Stock								33,000	I	Joseph R. Dancy IRA

Common Stock	53,000	I	By Spouse [(1)](#)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (Right to Buy)	$ 6.75							04/26/2012	04/26/2022	Common Stock	2,000	
Stock Option (Right to Buy)	$ 6.4							04/25/2013	04/25/2023	Common Stock	2,000	
Stock Option (Right to Buy)	$ 6.15	04/29/2014		A		2,000		04/29/2014	04/29/2024	Common Stock	2,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Dancy Joseph R 1007 BEAVER CREEK DRIVE DUNCANVILLE, TX 75137	X			

Signatures

/s/ Elizabeth M. Dunshee as attorney-in-fact for Joseph R. Dancy pursuant to power of attorney previously filed.	05/01/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person disclaims beneficial ownership of the reported securities except to the extent of his pecuniary interest therin.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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

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

At December 31, 2018 and 2017, Customers had no ASC 740-10 unrecognized tax benefits. Customers does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. Customers recognizes interest and penalties on unrecognized tax benefits in other expense.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carry-back period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income and the projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance was necessary at December 31, 2018 and 2017.

On December 22, 2017, H.R.1, commonly known as the Tax Cuts and Jobs Act, was signed into law. The Tax Act includes many provisions that affected Customers' income tax expenses, including reducing its corporate federal tax rate from 35% to 21% effective January 1, 2018. As a result of the rate reduction, Customers was required to re-measure, through income tax expense in the period of enactment, its deferred tax assets and liabilities using the enacted rate at which Customers expected them to be recovered or settled. The re-measurement of the net deferred tax asset resulted in additional income tax expense of $5.5 million during fourth quarter 2017.

Also on December 22, 2017, the SEC released SAB 118 to address any uncertainty or diversity of views in practice in accounting for the income tax effects of the Tax Act in situations where a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete this accounting in the reporting period that includes the enactment date. SAB 118 allowed for a measurement period not to extend beyond one year from the Tax Act’s enactment date to complete the necessary accounting.

Customers recorded provisional amounts of deferred income taxes using reasonable estimates in three areas where information necessary to complete the accounting was not available, prepared or analyzed as follows: (i) the deferred tax liability for temporary differences between the tax and financial reporting bases of fixed assets principally due to the accelerated depreciation under the Tax Act which allowed for full expensing of qualified property purchased and placed in service after September 27, 2017; (ii) the deferred tax asset for temporary differences associated with accrued compensation was awaiting final determinations of amounts that were paid and deducted on the 2017 income tax returns and (iii) the deferred tax liability for temporary differences associated with equity investments in partnerships were awaiting receipt of Schedules K-1 from outside preparers, which was necessary to determine the 2017 tax impact from these investments.

In a fourth area, Customers made no adjustments to deferred tax assets representing future deductions for accrued compensation that were subject to new limitations under Internal Revenue Code Section 162(m) which, generally, limits the annual deduction for certain compensation paid to certain team members to $1 million. There was uncertainty in applying the newly enacted rules to existing contracts, and Customers was seeking further clarifications

before completing its analysis.
Customers completed the calculations for the provisional items with the completion of the 2017 tax returns and completed the analysis of the Section 162(m) rules after further guidance was issued. The impact of the completed calculations to the re-measurement of the deferred taxes resulted in an immaterial change and the analysis of the 162(m) rules resulted in no adjustment.

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Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for tax reporting and financial statement purposes, principally because certain items are recognized in different periods for financial reporting and tax return purposes. The following represents Customers' deferred tax asset and liabilities as December 31, 2018 and 2017:

	December 31,	
	2018	2017
(amounts in thousands)		
Deferred tax assets		
Allowance for loan losses	$10,449	$9,738
Net unrealized losses on securities	7,639	512
OREO write-downs	91	748
Non-accrual interest	539	515
Net operating losses	1,212	1,199
Deferred compensation	1,129	1,181
Equity-based compensation	4,049	2,748
Cash flow hedge	324	84
Incentive compensation	1,056	634
Net deferred loan fees	671	47
Other	3,028	2,215
Total deferred tax assets	30,187	19,621
Deferred tax liabilities		
Fair value adjustments on acquisitions	(569)	(618)
Bank premises and equipment	(884)	(986)
Lease adjustments	(17,786)	(4,899)
Other	(746)	(980)
Total deferred tax liabilities	(19,985)	(7,483)
Net deferred tax asset	$10,202	$12,138

Customers had approximately $5.2 million of federal and state net operating loss carryovers subject to the annual limitation under Internal Revenue code Section 382 at December 31, 2018, that begin to expire in 2027. Customers also has state net operating loss carryovers for some states that begin to expire in 2037.

Customers is subject to U.S. federal income tax as well as income tax in various state and local taxing jurisdictions. Generally, Customers is no longer subject to examination by federal, state, and local taxing authorities for years prior to the year ended December 31, 2015.

NOTE 15 – TRANSACTIONS WITH EXECUTIVE OFFICERS, DIRECTORS AND PRINCIPAL SHAREHOLDERS

Customers has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families and affiliated companies (commonly referred to as related parties). The activity relating to loans to such persons was as follows:

	For the Years Ended December 31,		
	2018	2017	2016
(amounts in thousands)			
Balance as of December 31,	$—	$238	$220
Additions	27	99	1,160
Repayments	(22)	(337)	(1,142)
Balance as of December 31,	$5	$—	$238

As of December 31, 2018 and 2017, Customers Bank had an outstanding commitment to a related party to provide a letter of credit in the amount of $0.5 million. As of December 31, 2017, Customers Bank had an outstanding commitment to one of its related parties to provide short-term commercial real estate financing, subject to certain terms and conditions, not to exceed $8.0 million.

Some current directors, nominees for director and executive officers of Customers and entities or organizations in which they were executive officers or the equivalent or owners of more than 10% of the equity, were customers of and had transactions with or involving Customers in the ordinary course of business during the fiscal year ended December 31, 2018. None of these transactions involved amounts in excess of 5% of Customers' gross revenues during 2018, nor was Customers indebted to any

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of the foregoing persons or entities in an aggregate amount in excess of 5% of Customers' total assets at December 31, 2018. Additional transactions with such persons and entities may be expected to take place in the ordinary course of business in the future.

At December 31, 2018 and 2017, Customers had approximately $15.3 million and $10.6 million, respectively, in deposits from related parties, including directors and certain executive officers.

NOTE 16 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

As of December 31, 2018 and 2017, the following off-balance sheet commitments, financial instruments and other arrangements were outstanding:

	December 31,	
	2018	2017
(amounts in thousands)		
Commitments to fund loans	$345,608	$333,874
Unfunded commitments to fund mortgage warehouse loans	1,537,900	1,567,139
Unfunded commitments under lines of credit and credit cards	867,131	485,345
Letters of credit	55,659	39,890
Other unused commitments	4,822	6,679

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

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

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

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Letters of credit may obligate the Bank to fund draws under those letters of credit whether or not a customer continues to meet the conditions of the extension of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The current amount of the liabilities as of December 31, 2018 and 2017 for guarantees under standby letters of credit issued was not material.

NOTE 17 – REGULATORY MATTERS

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

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank and the Bancorp to maintain minimum amounts and ratios (set forth in the following table) of common equity Tier 1, Tier 1, and total capital to risk-weighted assets, and Tier 1 capital to average assets (as defined in the regulations). At December 31, 2018 and 2017, the Bank and the Bancorp satisfied all capital requirements to which they were subject.

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

			Minimum Capital Levels to be Classified as:					
	Actual		Adequately Capitalized		Well Capitalized		Basel III Compliant	
(amounts in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018								
Common equity Tier 1 (to risk-weighted assets)								
Customers Bancorp, Inc.	$745,795	8.964 %	$374,388	4.500%	N/A	N/A	$530,384	6.375%
Customers Bank	$1,066,121	12.822%	$374,160	4.500%	$540,453	6.500 %	$530,059	6.375%
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$963,266	11.578%	$499,185	6.000%	N/A	N/A	$655,180	7.875%
Customers Bank	$1,066,121	12.822%	$498,879	6.000%	$665,173	8.000 %	$654,779	7.875%
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$1,081,962	13.005%	$665,580	8.000%	N/A	N/A	$821,575	9.875%
Customers Bank	$1,215,522	14.619%	$665,173	8.000%	$831,466	10.000%	$821,072	9.875%
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$963,266	9.665 %	$398,668	4.000%	N/A	N/A	$398,668	4.000%
Customers Bank	$1,066,121	10.699%	$398,570	4.000%	$498,212	5.000 %	$398,570	4.000%
December 31, 2017								
Common equity Tier 1 (to risk-weighted assets)								
Customers Bancorp, Inc.	$689,494	8.805 %	$352,368	4.500%	N/A	N/A	$450,248	5.750%
Customers Bank	$1,023,564	13.081%	$352,122	4.500%	$508,621	6.500 %	$449,934	5.750%
Tier 1 capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$906,963	11.583%	$469,824	6.000%	N/A	N/A	$567,704	7.250%
Customers Bank	$1,023,564	13.081%	$469,496	6.000%	$625,994	8.000 %	$567,307	7.250%
Total capital (to risk-weighted assets)								
Customers Bancorp, Inc.	$1,021,601	13.047%	$626,432	8.000%	N/A	N/A	$724,313	9.250%
Customers Bank	$1,170,666	14.961%	$625,994	8.000%	$782,493	10.000%	$723,806	9.250%
Tier 1 capital (to average assets)								
Customers Bancorp, Inc.	$906,963	8.937 %	$405,949	4.000%	N/A	N/A	$405,949	4.000%

Customers Bank	$1,023,564	10.092%	$405,701	4.000%	$507,126	5.000 %	$405,701	4.000%

The Basel III risk-based capital rules adopted effective January 1, 2015, require that banks and holding companies maintain a "capital conservation buffer" of 250 basis points in excess of the "minimum capital ratio" or certain elective distributions would be limited. The minimum capital ratio is equal to the prompt corrective action adequately capitalized threshold ratio. The capital conservation buffer is being phased in over four years beginning on January 1, 2016, with a maximum buffer of 0.625% of risk-weighted assets for 2016, 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter.

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Effective January 1, 2018, the capital level required to avoid limitation on elective distributions applicable to the Bancorp and the Bank were as follows:
(i) a common equity Tier 1 risk-based capital ratio of 6.375%;
(ii) a Tier 1 risk-based capital ratio of 7.875% and
(iii) a Total risk-based capital ratio of 9.875%.
Failure to maintain the required capital conservation buffer will result in limitations on elective distributions, including capital distributions and discretionary bonuses to executive officers.

NOTE 18 – 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. FASB ASC Topic 825, Financial Instruments, requires disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For Customers, as for most financial institutions, the majority of its assets and liabilities are considered to be financial instruments. However, many of these instruments lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction. For fair value disclosure purposes, Customers utilized certain fair value measurement criteria under the FASB ASC 820, Fair Value Measurements and Disclosures, as explained below.

In accordance with ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for Customers' various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, focusing on an exit price in an orderly transaction (i.e., not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The fair value guidance also establishes a fair value hierarchy and describes the following three levels used to classify fair value measurements:

Level 1:	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2:	Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
Level 3:	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair values of Customers' financial instruments as of December 31, 2018 and 2017:

Financial Instruments Recorded at Fair Value on a Recurring Basis

Investment securities:

The fair values of equity securities and available-for-sale debt securities are determined by obtaining quoted market prices on nationally recognized and foreign securities exchanges (Level 1), 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

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securities, but rather by relying on the securities' relationship to other benchmark quoted prices, or externally developed models that use unobservable inputs due to limited or no market activity of the instrument (Level 3). These assets are classified as Level 1, 2 or 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans held for sale - Consumer residential mortgage loans (fair value option):

Customers generally estimates the fair values of residential mortgage loans held for sale based on commitments on hand from investors within the secondary market for loans with similar characteristics. These assets are classified as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Loans receivable - Commercial mortgage warehouse loans (fair value option):

The fair value of commercial mortgage warehouse loans is the amount of cash initially advanced to fund the mortgage, plus accrued interest and fees, as specified in the respective agreements. The loan is used by mortgage companies as short-term bridge financing between the funding of mortgage loans and the finalization of the sale of the loans to an investor. Changes in fair value are not expected to be recognized since at inception of the transaction the underlying 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 23 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 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 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 the Bank and its counterparties. These assets and liabilities are classified as Level 2 fair values, based upon the lowest level of input that is significant to the fair value measurements.

The fair values of the residential mortgage loan commitments are derived from the estimated fair values that can be generated when the underlying mortgage loan is sold in the secondary market. The Bank generally uses commitments on hand from third-party investors to estimate an exit price and adjusts for the probability of the commitment being exercised based on the Bank's internal experience (i.e., pull-through rate). These assets and liabilities are classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

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

The following information should not be interpreted as an estimate of Customers' fair value in its entirety because fair value calculations are only provided for a limited portion of Customers' assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making these estimates, comparisons between Customers' disclosures and those of other companies may not be meaningful.

Financial Instruments Recorded at Fair Value on a Nonrecurring Basis

Impaired loans:

Impaired loans are those loans that are accounted for under ASC 310, Receivables, in which the Bank has measured impairment generally based on the fair value of the loan's collateral or discounted cash flow analysis. Fair value is generally determined based upon independent third-party appraisals of the properties that collateralize the loans or discounted cash flows based upon the expected proceeds. These assets are generally classified as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

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The estimated fair values of Customers’ financial instruments at December 31, 2018 and 2017 were as follows:

			Fair Value Measurements at December 31, 2018		
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(amounts in thousands)					
Assets					
Cash and cash equivalents	$62,135	$62,135	$ 62,135	$ —	$ —
Debt securities, available for sale	663,294	663,294	—	663,294	—
Equity securities	1,718	1,718	1,718	—	—
Loans held for sale	1,507	1,507	—	1,507	—
Total loans receivable, net of allowance for loan losses	8,503,522	8,481,128	—	1,405,420	7,075,708
FHLB, Federal Reserve Bank and other restricted stock	89,685	89,685	—	89,685	—
Derivatives	14,693	14,693	—	14,624	69
Liabilities					
Deposits	$7,142,236	$7,136,009	$ 5,408,055	$ 1,727,954	$ —
Federal funds purchased	187,000	187,000	187,000	—	—
FHLB advances	1,248,070	1,248,046	998,070	249,976	—
Other borrowings	123,871	121,718	—	121,718	—
Subordinated debt	108,977	110,550	—	110,550	—
Derivatives	16,286	16,286	—	16,286	—

			Fair Value Measurements at December 31, 2017		
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(amounts in thousands)					
Assets					
Cash and cash equivalents	$146,323	$146,323	$ 146,323	$ —	$ —
Investment securities, available for sale	471,371	471,371	3,352	468,019	—
Loans held for sale	146,077	146,251	—	1,886	144,365
Total loans receivable, net of allowance for loan losses	8,523,651	8,470,171	—	1,793,408	6,676,763
FHLB, Federal Reserve Bank, and other restricted stock	105,918	105,918	—	105,918	—
Derivatives	9,752	9,752	—	9,692	60
Liabilities					
Deposits	$6,800,142	$6,796,095	$ 4,894,449	$ 1,901,646	$ —
Federal funds purchased	155,000	155,000	155,000	—	—
FHLB advances	1,611,860	1,611,603	881,860	729,743	—
Other borrowings	186,497	193,557	65,072	128,485	—

Subordinated debt	108,880	115,775	—	115,775	—
Derivatives	10,074	10,074	—	10,074	—

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For financial assets and liabilities measured at fair value on a recurring and non-recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2018 and 2017, were as follows:

	December 31, 2018 Fair Value Measurements at the End of the Reporting Period Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(amounts in thousands)				
Measured at Fair Value on a Recurring Basis				
Assets				
Available-for-sale securities				
Agency-guaranteed residential mortgage-backed securities	$—	$305,374	$ —	$305,374
Corporate notes	—	357,920	—	357,920
Equity securities	1,718	—	—	1,718
Derivatives	—	14,624	69	14,693
Loans held for sale – fair value option	—	1,507	—	1,507
Loans receivable, mortgage warehouse – fair value option	—	1,405,420	—	1,405,420
Total assets - recurring fair value measurements	$1,718	$2,084,845	$ 69	$2,086,632
Liabilities				
Derivatives	$—	$16,286	$ —	$16,286
Measured at Fair Value on a Nonrecurring Basis				
Assets				
Impaired loans, net of specific reserves of $845	$—	$—	$ 10,876	$10,876
Other real estate owned	—	—	621	621
Total assets - nonrecurring fair value measurements	$—	$—	$ 11,497	$11,497

	December 31, 2017 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
(amounts in thousands)				
Measured at Fair Value on a Recurring Basis				
Assets				
Available-for-sale securities:				
Agency-guaranteed residential mortgage-backed securities	$—	$183,458	$ —	$183,458

Agency-guaranteed commercial mortgage-backed securities	—	238,472	—	238,472
Corporate notes	—	46,089	—	46,089
Equity securities	3,352	—	—	3,352
Derivatives	—	9,692	60	9,752
Loans held for sale – fair value option	—	1,886	—	1,886
Loans receivable, mortgage warehouse – fair value option	—	1,793,408	—	1,793,408
Total assets - recurring fair value measurements	$3,352	$2,273,005	$ 60	$2,276,417
Liabilities				
Derivatives	$—	$10,074	$ —	$10,074
Measured at Fair Value on a Nonrecurring Basis				
Assets				
Impaired loans, net of specific reserves of $1,451	$—	$—	$ 13,902	$13,902
Other real estate owned	—	—	1,449	1,449
Total assets - nonrecurring fair value measurements	$—	$—	$ 15,351	$15,351

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at December 31, 2018 and 2017, are summarized as follows in the tables below. Additional information about residential mortgage loan commitments can be found in NOTE 19 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES.

	For the Years Ended December 31,	
	2018	2017
	Residential Mortgage Loan Commitments	
(amounts in thousands)		
Balance at December 31,	$ 60	$ 45
Issuances	407	360
Settlements	(398)	(345)
Balance at December 31,	$ 69	$ 60

There were no transfers between levels during the years ended December 31, 2018 and 2017.

The following table summarizes financial assets and financial liabilities measured at fair value as of December 31, 2018 and 2017 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			
December 31, 2018	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average) (4)
(dollars in thousands)				
Impaired loans - real estate	$10,260	Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Impaired loans - Commercial & Industrial	616	Business asset valuation(3)	Business asset valuation adjustments (4)	8% - 50% (26%)
Other real estate owned	621	Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Residential mortgage loan commitments	69	Adjusted market bid	Pull-through rate	90% - 90% (90%)

	Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2017	Fair Value Estimate	Valuation Technique	Unobservable Input	Range (Weighted Average) (4)
(dollars in thousands)				
Impaired loans	$13,902	Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Other real estate owned	1,449	Collateral appraisal (1)	Liquidation expenses (2)	8% - 8% (8%)
Residential mortgage loan commitments	60	Adjusted market bid	Pull-through rate	90% - 90% (90%)

(1) Obtained from approved independent appraisers. Appraisals are current and in compliance with credit policy. The Bank does not generally discount appraisals.

(2) Appraisals are adjusted by management for liquidation expenses. The range and weighted average of liquidation expense adjustments are presented as a percentage of the appraisal.

(3) Business asset valuation obtained from independent party.

(4)

Business asset valuations may be adjusted by management for qualitative factors including economic conditions and the condition of the business assets. The range and weighted average of the business asset adjustments are presented as a percent of the business asset valuation.

NOTE 19 — 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

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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. Customers also has interest-rate derivatives resulting from a service provided to certain qualifying customers, and therefore, they are not used to manage Customers' interest-rate risk in assets or liabilities. Customers manages a matched book with respect to its derivative instruments used in this customer service in order to minimize its net risk exposure resulting from such transactions.

Cash Flow Hedges of Interest-Rate Risk

Customers' objectives in using interest-rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, Customers sometimes uses interest rate swaps as part of its interest-rate-risk management strategy. Interest-rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for Customers making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The changes in the fair value of derivatives designated and qualifying as cash flow hedges are recorded in AOCI and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. To date, such derivatives were used to hedge the variable cash flows associated with the forecasted issuances of debt.

Customers discontinues cash flow hedge accounting if it is probable the forecasted hedged transactions will not occur in the initially identified time period. At such time, the associated gains and losses deferred in AOCI are reclassified immediately into earnings and any subsequent changes in the fair value of such derivatives are recognized directly in earnings. During the year ended December 31, 2018, Customers recognized gains of $4.8 million in other non-interest income on discontinued cash flow hedge accounting for and subsequent termination of three interest rate swaps with notional amounts totaling $500 million.

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on Customers' variable-rate debt. Customers expects to reclassify $0.2 million from AOCI as a reduction to interest expense during the next 12 months.

Customers is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 30 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments).

At December 31, 2018, Customers had six outstanding interest rate derivatives with notional amounts totaling $750.0 million that were designated as cash flow hedges of interest-rate risk. At December 31, 2017, Customers had nine outstanding interest rate derivatives with notional amounts totaling $550.0 million that were designated as cash flow hedges of interest-rate risk. The hedges expire between January 2019 and July 2021.

Derivatives Not Designated as Hedging Instruments

Customers executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies (typically the loan customers will swap a floating-rate loan for a fixed-rate loan). The customer interest rate swaps are simultaneously offset by interest rate swaps that Customers executes with a third party in order to minimize interest-rate risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting third-party market swaps are recognized directly in earnings. At December 31, 2018, Customers had 98 interest rate swaps with an aggregate notional amount of $1.0 billion related to this program. At December 31, 2017, Customers had 76 interest rate swaps with an aggregate notional amount of $800.5 million related to this program.

Customers enters into residential mortgage loan commitments in connection with its consumer mortgage banking activities to fund mortgage loans at specified rates and times in the future. These commitments are short-term in nature and generally expire in 30 to 60 days. The residential mortgage loan commitments that relate to the origination of mortgage loans that will be held for sale are considered derivative instruments under applicable accounting guidance and are reported at fair value, with changes in fair value recorded directly in earnings. At December 31, 2018 and 2017, Customers had an outstanding notional balance of residential mortgage loan commitments of $3.6 million and $2.7 million, respectively.

Customers has also purchased and sold credit derivatives to either hedge or participate in the performance risk associated with some of its counterparties. These derivatives are not designated as hedging instruments and are reported at fair value, with changes in fair value reported directly in earnings. At December 31, 2018 and 2017, Customers had outstanding notional balances of credit derivatives of $94.9 million and $80.5 million, respectively.

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Fair Value of Derivative Instruments on the Balance Sheet

The following table presents the fair value of Customers' derivative financial instruments as well as their presentation on the consolidated balance sheets at December 31, 2018 and 2017.

	December 31, 2018			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
(amounts in thousands)				
Derivatives designated as cash flow hedges				
Interest rate swaps	Other assets	$256	Other liabilities	$1,502
Total		$256		$1,502
Derivatives not designated as hedging instruments				
Interest rate swaps	Other assets	$14,300	Other liabilities	$14,730
Credit contracts	Other assets	68	Other liabilities	54
Residential mortgage loan commitments	Other assets	69	Other liabilities	—
Total		$14,437		$14,784

	December 31, 2017			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
(amounts in thousands)				
Derivatives designated as cash flow hedges				
Interest rate swaps	Other assets	$ 816	Other liabilities	$ 1,140
Total		$ 816		$ 1,140
Derivatives not designated as hedging instruments				
Interest rate swaps	Other assets	$ 8,776	Other liabilities	$ 8,897
Credit contracts	Other assets	100	Other liabilities	37
Residential mortgage loan commitments	Other assets	60	Other liabilities	—
Total		$ 8,936		$ 8,934

Effect of Derivative Instruments on Comprehensive Income

The following table presents the effect of Customers' derivative financial instruments on comprehensive income for the years ended December 31, 2018, 2017 and 2016.

	For the Year Ended December 31, 2018	
	Income Statement Location	Amount of Income Recognized in Earnings
(amounts in thousands)		
Derivatives not designated as hedging instruments		
Interest rate swaps (1)	Other non-interest income	$ 3,409
Credit contracts	Other non-interest income	127
Residential mortgage loan commitments	Mortgage banking income	9
Total		$ 3,545

(1) Includes income recognized from the termination of interest rate swaps.

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	For the Year Ended December 31, 2017	
	Income Statement Location	Amount of Income Recognized in Earnings
(amounts in thousands)		
Derivatives not designated as hedging instruments		
Interest rate swaps	Other non-interest income	$ 604
Credit contracts	Other non-interest income	171
Residential mortgage loan commitments	Mortgage banking income	15
Total		$ 790

	For the Year Ended December 31, 2016	
	Income Statement Location	Amount of Income Recognized in Earnings
(amounts in thousands)		
Derivatives not designated as hedging instruments		
Interest rate swaps	Other non-interest income	$ 2,955
Credit contracts	Other non-interest income	163
Residential mortgage loan commitments	Mortgage banking income	—
Total		$ 3,118

	For the Year Ended December 31, 2018		
	Amount of Gain (Loss) Recognized in OCI on Derivatives (1)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income
(amounts in thousands)			
Derivatives in cash flow hedging relationships:			
Interest rate swaps	$1,477	Interest expense	$ 95
		Other non-interest income (2)	2,822
			$ 2,917

(1) Amounts presented are net of taxes. See Note 4 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) for the total effect on other comprehensive income (loss) from derivatives designated as cash flow hedges.
(2) Includes income recognized from the termination of interest rate swaps.

For the Year Ended December 31, 2017		
	Location of Gain	Amount of Gain (Loss)
Amount of Gain (Loss)	(Loss) Reclassified	Reclassified from

	Recognized in OCI on Derivatives (1)	from Accumulated OCI into Income	Accumulated OCI into Income
(amounts in thousands)			
Derivative in cash flow hedging relationship:			
Interest rate swaps	$ 406	Interest expense	$ (2,634)

(1) Amounts presented are net of taxes. See Note 4 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) for the total effect on other comprehensive income (loss) from derivatives designated as cash flow hedges.

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(amounts in thousands)	For the Year Ended December 31, 2016		
	Amount of Gain (Loss) Recognized in OCI on Derivatives (1)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income
Derivative in cash flow hedging relationship:			
Interest rate swaps	$ (629)	Interest expense	$ (1,946)

(1) Amounts presented are net of taxes. See Note 4 - CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) for the total effect on other comprehensive income (loss) from derivatives designated as cash flow hedges.

Credit-risk-related Contingent Features

By entering into derivative contracts, Customers is exposed to credit risk. The credit risk associated with derivatives executed with customers is the same as that involved in extending the related loans and is subject to the same standard credit policies. To mitigate the credit-risk exposure to major derivative dealer counterparties, Customers only enters into agreements with those counterparties that maintain credit ratings of high quality.

Agreements with major derivative dealer counterparties contain provisions whereby default on any of Customers' indebtedness would be considered a default on its derivative obligations. Customers also has entered into agreements that contain provisions under which the counterparty could require Customers to settle its obligations if Customers fails to maintain its status as a well/adequately capitalized institution. As of December 31, 2018, the fair value of derivatives in a net liability position (which includes accrued interest but excludes any adjustment for nonperformance-risk) related to these agreements was $2.6 million. In addition, Customers has collateral posting thresholds with certain of these counterparties and at December 31, 2018, had posted $0.7 million of cash as collateral. Customers records cash posted as collateral as a reduction in the outstanding balance of cash and cash equivalents and an increase in the balance of other assets.

Disclosures about Offsetting Assets and Liabilities

The following tables present derivative instruments that are subject to enforceable master netting arrangements. Customers' interest rate swaps with institutional counterparties are subject to master netting arrangements and are included in the table below. Interest rate swaps with commercial banking customers and residential mortgage loan commitments are not subject to master netting arrangements and are excluded from the table below. Customers has not made a policy election to offset its derivative positions.

	Offsetting of Financial Assets and Derivative Assets at December 31, 2018					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount of	Gross Amounts Offset in the	Net Amounts of Assets Presented in	Financial Instruments	Cash Collateral Received	Net Amount

	Recognized Assets	Consolidated Balance Sheet	the Consolidated Balance Sheet			
(amounts in thousands)						
Description						
Interest rate swap derivatives with institutional counterparties	$7,529	$ —	$ 7,529	$ —	$ 1,860	$ 5,669

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Offsetting of Financial Assets and Derivative Assets at December 31, 2017

(amounts in thousands) Description	Gross Amount of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral Received	Net Amount
Interest rate swap derivatives with institutional counterparties	$5,930	$ —	$ 5,930	$ —	$ 5,070	$ 860

Offsetting of Financial Liabilities and Derivative Liabilities at December 31, 2018

(amounts in thousands) Description	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral Pledged	Net Amount
Interest rate swap derivatives with institutional counterparties	$9,077	$ —	$ 9,077	$ —	$ 702	$ 8,375

Offsetting of Financial Liabilities and Derivative Liabilities at December 31, 2017

(amounts in thousands) Description	Gross Amount of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
	$5,058	$ —	$ 5,058	$ —	$ 4,872	$ 186

Interest rate swap derivatives with institutional counterparties

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NOTE 20 – CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

The following tables present the condensed financial statements for Customers Bancorp, Inc. (parent company only) as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016.

Balance Sheets

	December 31,	
	2018	2017
(amounts in thousands)		
Assets		
Cash in subsidiary bank	$16,684	$67,231
Investments in and receivables due from subsidiaries	1,061,389	1,039,883
Other assets	3,417	3,160
Total assets	$1,081,490	$1,110,274
Liabilities and Shareholders' equity		
Borrowings	$123,871	$186,497
Other liabilities	803	2,813
Total liabilities	124,674	189,310
Shareholders' equity	956,816	920,964
Total Liabilities and Shareholders' Equity	$1,081,490	$1,110,274

Income and Comprehensive Income Statements

	For the Years Ended December 31,		
	2018	2017	2016
(amounts in thousands)			
Operating income:			
Other, including dividends from Bank	$45,422	$38,200	$25,400
Total operating income	45,422	38,200	25,400
Operating expense:			
Interest	8,178	7,984	5,854
Other	1,722	1,742	4,570
Total operating expense	9,900	9,726	10,424
Income before taxes and undistributed income of subsidiaries	35,522	28,474	14,976
Income tax benefit	2,335	3,620	3,961
Income before undistributed income of subsidiaries	37,857	32,094	18,937
Equity in undistributed income of subsidiaries	33,838	46,743	59,765
Net income	71,695	78,837	78,702
Preferred stock dividends	14,459	14,459	9,515
Net income available to common shareholders	57,236	64,378	69,187
Comprehensive income	$50,730	$83,370	$81,794

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Statements of Cash Flows

(amounts in thousands)	For the Years Ended December 31, 2018	2017	2016
Cash Flows from Operating Activities:			
Net income	$71,695	$78,837	$78,702
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries, net of dividends received from Bank	(33,838)	(46,743)	(59,765)
Loss on sale of available for sale investment securities	—	—	1
(Increase) decrease in other assets	(256)	7,624	(7,721)
(Decrease) increase in other liabilities	(251)	(1,322)	54
Net Cash Provided By Operating Activities	37,350	38,396	11,271
Cash Flows from Investing Activities:			
Proceeds from sales of investment securities available for sale	—	—	4
Payments for investments in and advances to subsidiaries	(29)	(98,725)	(230,872)
Net Cash Used in Investing Activities	(29)	(98,725)	(230,868)
Cash Flows from Financing Activities:			
Proceeds from issuance of common stock	3,585	2,716	70,985
Proceeds from issuance of preferred stock	—	—	161,902
(Repayment of) proceeds from issuance of long-term debt	(63,250)	98,564	—
Exercise and redemption of warrants	112	1,059	1,532
Purchase of common stock - repurchase program	(12,976)	—	—
Payments of employee taxes withheld from share-based awards	(880)	(14,761)	(5,897)
Preferred stock dividends paid	(14,459)	(14,459)	(9,051)
Net Cash (Used in) Provided by Financing Activities	(87,868)	73,119	219,471
Net (Decrease) Increase in Cash and Cash Equivalents	(50,547)	12,790	(126)
Cash and Cash Equivalents - Beginning	67,231	54,441	54,567
Cash and Cash Equivalents - Ending	$16,684	$67,231	$54,441

NOTE 21 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly data for the years ended December 31, 2018 and 2017.

Quarter Ended	2018 December 31	September 30	June 30	March 31
(amounts in thousands, except per share data)				
Interest income	$103,303	$ 110,045	$107,639	$ 96,964
Interest expense	41,779	46,044	40,317	31,933
Net interest income	61,524	64,001	67,322	65,031
Provision for loan losses	1,385	2,924	(784)	2,117
Non-interest income (1)	19,877	2,084	16,127	20,910
Non-interest expenses	57,045	57,104	53,750	52,280
Income before income taxes	22,971	6,057	30,483	31,544
Provision for income taxes	5,109	28	6,820	7,402
Net income	17,862	6,029	23,663	24,142
Preferred stock dividends	3,615	3,615	3,615	3,615
Net income available to common shareholders	$14,247	$ 2,414	$20,048	$ 20,527
Earnings per common share:				
Basic earnings per common share	$0.45	$ 0.08	$0.64	$ 0.65
Diluted earnings per common share	$0.44	$ 0.07	$0.62	$ 0.64

(1) The quarter ended September 30, 2018 included an $18.7 million loss on sale of investment securities.

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	2017			
Quarter Ended	December 31	September 30	June 30	March 31
(amounts in thousands, except per share data)				
Interest income	$97,619	$ 98,285	$93,852	$ 83,094
Interest expense	29,319	30,266	25,246	20,676
Net interest income	68,300	68,019	68,606	62,418
Provision for loan losses	831	2,352	535	3,050
Non-interest income	19,740	18,026	18,391	22,754
Non-interest expenses	54,788	61,040	50,413	49,366
Income before income taxes	32,421	22,653	36,049	32,756
Provision for income taxes	10,806	14,899	12,327	7,009
Net income	21,615	7,754	23,722	25,747
Preferred stock dividends	3,615	3,615	3,615	3,615
Net income available to common shareholders	$18,000	$ 4,139	$20,107	$ 22,132
Earnings per common share:				
Basic earnings per common share	$0.58	$ 0.13	$0.66	$ 0.73
Diluted earnings per common share	$0.55	$ 0.13	$0.62	$ 0.67

NOTE 22 – BUSINESS SEGMENTS

Customers' segment financial reporting reflects the manner in which its chief operating decision makers allocate resources and assess performance. Management has determined that Customers' operations consist of two reportable segments - Customers Bank Business Banking and BankMobile. Each segment generates revenues, manages risk and offers distinct products and services to targeted customers through different delivery channels. The strategy, marketing and analysis of these segments vary considerably.

The Customers Bank Business Banking segment is delivered predominately to commercial customers in Southeastern Pennsylvania, New York, New Jersey, Massachusetts, Rhode Island, New Hampshire, Washington D.C., and Illinois through a single-point-of-contact business model and provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies. Lending and deposit gathering activities are focused primarily on privately held businesses, high-net-worth families, selected commercial real estate lending, commercial mortgage companies and equipment finance. Revenues are generated primarily through net interest income (the difference between interest earned on loans, investments and other interest earning assets and interest paid on deposits and other borrowed funds) and other non-interest income, such as mortgage warehouse transactional fees and BOLI.

The BankMobile segment provides state-of-the-art high-tech digital banking and disbursement services to consumers, students and the "under banked" nationwide, along with "Banking as a Service" offerings with white label partners. BankMobile is a full-service banking platform that is accessible to customers anywhere and anytime through the customer's smartphone or other web-enabled device. Revenues are currently being generated primarily through interchange and card revenue, deposit and wire transfer fees and university fees. The majority of revenue and expenses for BankMobile are related to the segment's operation of the ongoing business acquired through the Disbursement business acquisition and costs associated with the development of white label products for its partners.

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The following tables present the operating results for Customers' reportable business segments for the years ended December 31, 2018, 2017 and 2016. The segment financial results include directly attributable revenues and expenses. Consistent with the presentation of segment results to Customers' chief operating decision makers, overhead costs and preferred stock dividends are assigned to the Customers Bank Business Banking segment. The tax benefit assigned to BankMobile was based on an estimated effective tax rate of 24.56%, 37.67% and 38.00% for the years ended December 31, 2018, 2017 and 2016, respectively.

	For the Year Ended December 31, 2018		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Interest income [1]	$400,948	$ 17,003	$ 417,951
Interest expense	159,674	400	160,074
Net interest income	241,274	16,603	257,877
Provision for loan losses	2,928	2,714	5,642
Non-interest income	17,499	41,499	58,998
Non-interest expense	146,946	73,233	220,179
Income (loss) before income taxes	108,899	(17,845)	91,054
Income tax expense (benefit)	23,742	(4,383)	19,359
Net income (loss)	85,157	(13,462)	71,695
Preferred stock dividends	14,459	—	14,459
Net income (loss) available to common shareholders	$70,698	$ (13,462)	$ 57,236
Goodwill and other intangibles	$3,629	$ 12,870	$ 16,499
Total assets	$9,688,146	$ 145,279	$ 9,833,425
Total deposits	$6,766,378	$ 375,858	$ 7,142,236
Total non-deposit liabilities	$1,719,225	$ 15,148	$ 1,734,373

	For the Year Ended December 31, 2017		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Interest income [1]	$359,931	$ 12,919	$ 372,850
Interest expense	105,438	69	105,507
Net interest income	254,493	12,850	267,343
Provision for loan losses	5,638	1,130	6,768
Non-interest income	24,788	54,122	78,910
Non-interest expense	128,604	87,002	215,606
Income (loss) before income taxes	145,039	(21,160)	123,879
Income tax expense (benefit)	53,013	(7,971)	45,042
Net income (loss)	92,026	(13,189)	78,837
Preferred stock dividends	14,459	—	14,459
Net income (loss) available to common shareholders	$77,567	$ (13,189)	$ 64,378
Goodwill and other intangibles	$3,630	$ 12,665	$ 16,295
Total assets	$9,769,996	$ 69,559	$ 9,839,555
Total deposits	$6,400,310	$ 399,832	$ 6,800,142

Total non-deposit liabilities	$2,106,919	$11,530	$2,118,449

(1) Amounts reported include funds transfer pricing of $15.7 million and $12.9 million, respectively, for the years ended December 31, 2018 and 2017, credited to BankMobile for the value provided to the Customers Bank Business Banking segment for the net use of low/no-cost deposits.

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(amounts in thousands)	For the Year Ended December 31, 2016 Customers Bank Business Banking	BankMobile	Consolidated
Interest income [(1)]	$315,643	$ 6,896	$ 322,539
Interest expense	73,004	38	73,042
Net interest income	242,639	6,858	249,497
Provision for loan losses	2,246	795	3,041
Non-interest income	23,165	33,205	56,370
Non-interest expense	130,394	47,837	178,231
Income (loss) before income taxes	133,164	(8,569)	124,595
Income tax expense (benefit)	49,149	(3,256)	45,893
Net income (loss)	84,015	(5,313)	78,702
Preferred stock dividends	9,515	—	9,515
Net income (loss) available to common shareholders	$74,500	$ (5,313)	$ 69,187
Goodwill and other intangibles	$3,639	$ 13,982	$ 17,621
Total assets	$9,303,465	$ 79,271	$ 9,382,736
Total deposits	$6,846,980	$ 456,795	$ 7,303,775
Total non-deposit liabilities	$1,195,087	$ 28,002	$ 1,223,089

(1) Amounts reported include funds transfer pricing of $6.9 million for the year ended December 31, 2016, credited to BankMobile for the value provided to the Customers Bank Business Banking segment for the net use of low/no-cost deposits.

NOTE 23 - NON-INTEREST REVENUES

As provided in NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION, Customers' adoption of ASU 2014-09, Revenue from Contracts with Customers (ASC 606), on January 1, 2018, did not have a significant impact to Customers' consolidated financial statements and, as such, a cumulative effect adjustment to beginning retained earnings was not necessary. Customers determined that its debit and prepaid card interchange income, previously reported on a gross basis for periods prior to adoption, will need to be presented on a net basis under ASC 606. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported in accordance with the previous accounting guidance under ASC 605. Debit and prepaid card interchange expense for the years ended December 31, 2018, 2017, and 2016 amounted to $5.5 million, $5.9 million, and $1.3 million, respectively.

In addition, as part of the enhanced disclosure requirements under the new guidance, Customers is presenting disaggregated revenue by business segment, nature of the revenue stream, and the pattern or timing of revenue recognition. The accounting treatment for interest-related revenues is covered under ASC 310 and is out of the scope of ASC 606.

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The following tables present Customers' non-interest revenues affected by ASC 606 by business segment for the years ended December 31, 2018, 2017, and 2016:

	For the Year Ended December 31, 2018		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Revenue from contracts with customers:			
Revenue recognized at point in time:			
Interchange and card revenue	$794	$ 29,901	$ 30,695
Deposit fees	1,277	6,547	7,824
University fees - card and disbursement fees	—	1,039	1,039
Total revenue recognized at point in time	2,071	37,487	39,558
Revenue recognized over time:			
University fees - subscription revenue	—	3,681	3,681
Total revenue recognized over time	—	3,681	3,681
Total revenue from contracts with customers	$2,071	$ 41,168	$ 43,239

	For the Year Ended December 31, 2017		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Revenue from contracts with customers:			
Revenue recognized at point in time:			
Interchange and card revenue	$782	$ 40,727	$ 41,509
Deposit fees	1,190	8,849	10,039
University fees - card and disbursement fees	—	1,141	1,141
Total revenue recognized at point in time	1,972	50,717	52,689
Revenue recognized over time:			
University fees - subscription revenue	—	3,272	3,272
Total revenue recognized over time	—	3,272	3,272
Total revenue from contracts with customers	$1,972	$ 53,989	$ 55,961

	For the Year Ended December 31, 2016		
(amounts in thousands)	Customers Bank Business Banking	BankMobile	Consolidated
Revenue from contracts with customers:			
Revenue recognized at point in time:			
Interchange and card revenue	$620	$ 24,061	$ 24,681
Deposit fees	1,140	6,927	8,067
University fees - card and disbursement fees	—	581	581
Total revenue recognized at point in time	1,760	31,569	33,329

Revenue recognized over time:			
University fees - subscription revenue	—	1,567	1,567
Total revenue recognized over time	—	1,567	1,567
Total revenue from contracts with customers	$1,760	$ 33,136	$ 34,896

The following is a discussion of revenues within the scope of ASC 606:

Card revenue

Card revenue primarily relates to debit and prepaid card fees earned from interchange and ATM fees. Interchange fees are earned whenever Customers' issued debit and prepaid cards are processed through card payment networks. Interchange fees are recognized concurrent with the processing of the debit or prepaid card transaction.

Deposit fees

Deposit fees relate to service charges on deposit accounts for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as stop-payment charges, wire transfer fees, cashier and money order fees are recognized at the time the transaction is executed. Account maintenance fees, which relate primarily to monthly

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maintenance and account analysis fees, are earned on a monthly basis representing the period over which Customers satisfies its performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposit accounts are withdrawn from the depositor's account balance.

The revenues recognized at a point in time primarily consist of contracts with no specified terms, but which may be terminated at any time by the customer without penalty. Due to the transactional nature and indefinite term of these agreements, there were no related contract balances that were recorded for these revenue streams on Customers' consolidated balance sheets as of December 31, 2018 and 2017.

University fees

University fees represent revenues from higher education institutions and are generated from fees charged for the services provided. For higher education institution clients, Customers, through BankMobile, facilitates the distribution of financial aid and other refunds to students, while simultaneously enhancing the ability of the higher education institutions to comply with the federal regulations applicable to financial aid transactions. For these services, higher education institution clients are charged an annual subscription fee and/or per-transaction fee (e.g., new card, card replacement fees) for certain transactions. The annual subscription fee is recognized ratably over the period of service and the transaction fees are recognized when the transaction is completed. BankMobile also enters into long-term (generally three or five-year initial term) contracts with higher education institutions to provide these refund management disbursement services. Deferred revenue consists of amounts billed to or received from clients prior to the performance of services. The deferred revenues are earned over the service period on a straight-line basis. As of December 31, 2018 and 2017, Customers recorded deferred revenue of $2.2 million and $2.0 million, respectively, related to these university subscription contracts. At December 31, 2018 and 2017, Customers had accounts receivable of $1.4 million and $1.1 million, respectively, related to the university fee arrangements.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Customers Bancorp is responsible for the integrity and objectivity of all information presented in this report. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles. Management believes that the consolidated financial statements of Customers Bancorp fairly reflect the form and substance of transactions and that the financial statements fairly represent Customers Bancorp’s financial position and results of operations. Management has included in Customers Bancorp’s financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent registered public accounting firm of BDO USA, LLP audits Customers Bancorp’s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors of Customers Bancorp has an Audit Committee composed of three independent directors. The Committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, internal control, auditing, corporate governance and financial reporting matters. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors and internal auditors have access to the Audit Committee.

Management of Customers Bancorp is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2018. The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Item 9A. Controls and Procedures

(a) Management's Evaluation of Disclosure Controls and Procedures. Customers Bancorp maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its periodic filings under the Exchange Act, including this Annual Report on Form 10-K, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to its management on a timely basis to allow decisions regarding required disclosure. Customers Bancorp carried out an evaluation, under the supervision and with the participation of Customers Bancorp’s management, including Customers Bancorp’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Customers Bancorp’s disclosure controls and procedures as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e) as of December 31, 2018. Based upon that evaluation, Customers Bancorp's management concluded that its disclosure controls and procedures are effective as of December 31, 2018.

Management's Annual Report on Internal Control over Financial Reporting. Under the supervision and with the participation of management, including Customers Bancorp's Chief Executive Officer and Chief Financial Officer, Customers Bancorp's management assessed the effectiveness of Customers Bancorp's internal control over financial reporting as of December 31, 2018. In making that assessment, management used the criteria set forth in the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, Customers Bancorp's management concluded that its internal control over financial reporting was effective as of December 31, 2018.

Management’s Responsibility for Financial Statements and Report on Internal Control over Financial Reporting is included in Part II, Item 8, “Financial Statements and Supplementary Data,” and is incorporated by reference herein. Customers Bancorp's independent registered public accounting firm, BDO USA, LLP, also attested to, and reported on, the effectiveness of internal control over financial reporting as of December 31, 2018. BDO USA, LLP’s attestation report, which appears in Part II, Item 8, "Financial Statements and Supplementary Data," is incorporated by reference herein.

(b) Changes in Internal Control Over Financial Reporting. As previously disclosed in Item 9A of Customers Bancorp's amended Annual Report on Form 10-K/A for the year ended December 31, 2017, management identified a material weakness in internal control over financial reporting during third quarter 2018 solely relating to the classification and reporting of its commercial mortgage warehouse lending transactions on its consolidated balance sheets and statements of cash flows and concluded that its internal control over financial reporting was not effective as of December 31, 2017. Customers Bancorp made a similar conclusion with respect to its internal control over financial reporting as of March 31, 2018, June 30, 2018, and September 30, 2018, as disclosed in Item 4 of its amended Quarterly Reports on Form 10-Q/A for the quarters ended March 31, 2018 and June 30, 2018 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, respectively.

During fourth quarter 2018, Customers Bancorp conducted a comprehensive analysis of the classifications of cash flows within its consolidated statements of cash flows and established new accounting policies and disclosure control procedures for the classification and reporting of its commercial mortgage warehouse lending transactions on the consolidated balance sheets and statements of cash flows. After completing its testing of the design and operating effectiveness of these new accounting policies and disclosure control procedures, Customers Bancorp's management concluded that it had remediated the previously identified material weakness in internal control over financial reporting as of December 31, 2018. There were no other changes in Customers Bancorp's internal control over financial reporting during fourth quarter 2018 that have materially affected or are reasonably likely to materially affect Customers Bancorp's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be included in the Proxy Statement for the 2019 Annual Meeting of Shareholders in the sections titled “Our Board of Directors and Management,” and “Board Governance,” and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be included in the Proxy Statement for the 2019 Annual Meeting of Shareholders in the sections titled “Director Compensation,” “Executive Officer Compensation,” and “Board Governance,” and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in the Proxy Statement for the 2019 Annual Meeting of Shareholders in the sections titled “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in the Proxy Statement for the 2019 Annual Meeting of Shareholders in the sections titled “Certain Relationships and Related Transactions” and “Board Governance” and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be included in the Proxy Statement for the 2019 Annual Meeting of Shareholders in the section titled “Proposal 2 — Ratification of Appointment of Independent Registered Public Accounting Firm,” and is incorporated herein by reference.

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PART IV

Item 15 Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

Consolidated financial statements are included under Item 8 of Part II of this Form 10-K.

(b) 2. Financial Statements Schedules

Financial statements schedules are omitted because the required information is either not applicable, not required or is shown in the respective financial statements or in the notes thereto.

(c) Exhibits

Exhibit No.	Description
2.1	Purchase and Assumption Agreement, dated as of July 9, 2010, by and among Customers Bank, the FDIC as Receiver of USA Bank, and the FDIC acting in its corporate capacity, incorporated by reference to Exhibit 2.3 to the Customers Bancorp Form S-1/A filed with the SEC on January 13, 2011
2.2	Purchase and Assumption Agreement, dated as of September 17, 2010, by and among Customers Bank, the FDIC as Receiver of ISN Bank, and the FDIC acting in its corporate capacity, incorporated by reference to Exhibit 2.4 to the Customers Bancorp Form S-1/A filed with the SEC on January 13, 2011
2.3	Asset Purchase Agreement dated as of December 15, 2015 by and among Customers Bancorp, Customers Bank, Higher One, Inc. and Higher One Holdings, Inc., incorporated by reference to Exhibit 2.3 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
2.4	Purchase and Assumption Agreement dated as of March 7, 2017 among Flagship Community Bank, Customers Bank and Customers Bancorp, Inc., incorporated by reference to Exhibit 2.1 to the Customers Bancorp 8-K filed with the SEC on March 8, 2017
2.5	Amended and Restated Purchase and Assumption Agreement and Plan of Merger dated as of November 17, 2017 among Flagship Community Bank, BankMobile Technologies, Inc, Customers Bank and Customers Bancorp, Inc., incorporated by reference to Exhibit 2.1 to the Customers Bancorp 8-K filed with the SEC on November 20, 2017
2.6	Letter Agreement, dated as of August 7, 2018, by and between Flagship Bank, BankMobile Technologies, Inc., Customers Bank, and Customers Bancorp, Inc., incorporated by reference to Exhibit 3.8 to Customers Bancorp Inc.'s Form 10-Q filed with the SEC on August 9, 2018
3.1	Amended and Restated Articles of Incorporation of Customers Bancorp, incorporated by reference to Exhibit 3.1 to the Customers Bancorp’s Form 8-K filed with the SEC on April 30, 2012
3.2	Amended and Restated Bylaws of Customers Bancorp, incorporated by reference to Exhibit 3.2 to the Customers Bancorp’s Form 8-K filed with the SEC on April 30, 2012
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of Customers Bancorp, Inc., incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on July 2, 2012
3.4	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on May 18, 2015

3.5	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, incorporated by reference to Exhibit 3.1 to the Customers Bancorp Form 8-K filed with the SEC on January 29, 2016
3.6	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
4.1	Specimen stock certificate of Customers Bancorp, Inc. Voting Common Stock and Class B Non-Voting Common Stock, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012

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Exhibit No.	Description
4.2	Form of Warrant issued to investors in New Century Bank's March and February 2010 private offerings, 2009 private offering, and in partial exchange for New Century Bank's shares of 10% Series A Non-Cumulative Perpetual Convertible Preferred Stock in June 2009, incorporated by reference to Exhibit 4.8 to the Customers Bancorp Form S-1 filed with the SEC on April 22, 2010
4.3	Warrants issued to Jay S. Sidhu, June 30, 2009, incorporated by reference to Exhibit 4.9 to the Customers Bancorp Form S-1 filed with the SEC on April 22, 2010
4.4	Indenture, dated as of July 30, 2013, by and between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form 8-K filed with the SEC on July 31, 2013
4.5	First Supplemental Indenture, dated as of July 30, 2013, by and between Customers Bancorp, Inc., as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.2 to the Customers Bancorp Form 8-K filed with the SEC on July 31, 2013
4.6	6.375% Global Note in aggregate principal amount of $55,000,000, incorporated by reference to Exhibit 4.3 to the Customers Bancorp Form 8-K filed with the SEC on July 31, 2013
4.7	Amendment to First Supplemental Indenture, dated August 27, 2013, by and between Customers Bancorp, Inc. and Wilmington Trust Company, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form 8-K filed with the SEC on August 29, 2013
4.8	6.375% Global Note in aggregate principal amount of $8,250,000, incorporated by reference to Exhibit 4.2 to the Customers Bancorp Form 8-K filed with the SEC on August 29, 2013
4.9	Form of Note Subscription Agreement (including form of Subordinated Note Certificate and Senior Note Certificate), incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on June 26, 2014
4.10	Second Supplemental Indenture, dated as of June 30, 2017, by and between Customers Bancorp, Inc. as Issuer, and Wilmington Trust, National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Customers Bancorp Form 8-K filed with the SEC on June 30, 2017
10.1+	Customers Bancorp, Inc. 2010 Stock Option Plan, incorporated by reference to Exhibit 10.2 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.2+	Amended and Restated Employment Agreement, dated as of March 26, 2012, by and between Customers Bancorp, Inc. and Jay S. Sidhu, incorporated by reference to Exhibit 10.3 to the Customers Bancorp Form S-1 filed with the SEC on March 28, 2012
10.3+	Amended and Restated Employment Agreement, dated as of March 26, 2012, by and between Customers Bancorp, Inc. and Richard Ehst, incorporated by reference to Exhibit 10.4 to the Customers Bancorp Form S-1 filed with the SEC on March 28, 2012
10.4+	Amended and Restated Customers Bancorp, Inc. 2004 Incentive Equity and Deferred Compensation Plan, incorporated by reference to Exhibit 10.7 to the Customers Bancorp Form 10-K filed with the SEC on

	March 21, 2012
10.5+	Form of Restricted Stock Unit Award Agreement for Employees relating to the 2012 Special Stock Reward Program, incorporated by reference to Exhibit 10.25 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
10.6+	Bonus Recognition and Retention Plan, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.7+	Supplemental Executive Retirement Plan of Jay S. Sidhu, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form S-1/A filed with the SEC on April 18, 2011
10.8+	Form of Restricted Stock Unit Award Agreement for Directors relating to the 2012 Special Stock Reward Program, incorporated by reference to Exhibit 10.26 to the Customers Bancorp Form S-1/A filed with the SEC on May 1, 2012
10.9+	Form of Stock Option Agreement, incorporated by reference to Exhibit 10.18 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012
10.10+	Form of Restricted Stock Unit Award Agreement, incorporated by reference to Exhibit 10.17 to the Customers Bancorp Form 10-K filed with the SEC on March 21, 2012

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Exhibit No.	Description
10.11+	Change of Control Agreement, dated as of January 30, 2013, by and between Customers Bancorp, Inc. and Glenn Hedde, incorporated by reference to Exhibit 10.29 to Customers Bancorp’s Form 10-K filed with the SEC on March 18, 2013
10.12+	Change of Control Agreement, dated as of January 30, 2013, by and between Customers Bancorp, Inc. and Warren Taylor, incorporated by reference to Exhibit 10.30 to Customers Bancorp’s Form 10-K filed with the SEC on March 18, 2013
10.13+	Change of Control Agreement, dated as of December 22, 2012, by and between Customers Bancorp, Inc. and Ken Keiser, incorporated by reference to Exhibit 10.14 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.14+	Employment Agreement, dated as of August 5, 2013, by and between Customers Bancorp, Inc. and Robert Wahlman, incorporated by reference to Exhibit 10.15 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.15+	Employment Agreement, dated as of March 1, 2014, by and between Customers Bancorp, Inc. and Steven Issa, incorporated by reference to Exhibit 10.16 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.16+	Amendment to Employment Agreement, dated as of February 26, 2016, by and between Customers Bancorp, Inc. and Steven Issa, incorporated by reference to Exhibit 10.17 to the Customers Bancorp Form 10-K filed with the SEC on February 26, 2016
10.17	Transition Services Agreement dated as of June 15, 2016 by and among Customers Bancorp, Customers Bank, Higher One, Inc. and Higher One Holdings, Inc., incorporated by reference to Exhibit 10.1 to the Customers Bancorp’s Form 8-K filed with the SEC on June 16, 2016
10.18	Order to Cease and Desist and Order of Assessment of Civil Money Penalty Issued Upon Consent Dated December 2, 2016, incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on December 7, 2016
10.19+	Amended and Restated Employment Agreement, dated as of December 30, 2016, by and between Customers Bancorp, Inc. and Richard Ehst, incorporated by reference to Exhibit 10.2 to the Customers Bancorp Form 8-K filed with the SEC on December 30, 2016
10.20+	Amended and Restated Employment Agreement, dated as of December 30, 2016, by and between Customers Bancorp, Inc. and Jay S. Sidhu. incorporated by reference to Exhibit 10.1 to the Customers Bancorp Form 8-K filed with the SEC on December 30, 2016
10.21+	Letter Agreement, dated as of December 30, 2016, by and between Customers Bancorp, Inc. and Jay S. Sidhu. incorporated by reference to Exhibit 10.3 to the Customers Bancorp Form 8-K filed with the SEC on December 30, 2016
10.22*	Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of February 24, 2017.

10.23*	First Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 30, 2017.
10.24*	Second Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of October 24, 2017.
10.25*	Third Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 21, 2017.
10.26*	Fourth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 1, 2018
10.27*	Fifth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of August 16, 2018.
10.28*	Sixth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 28, 2018.
10.29*	Seventh Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 28, 2018.

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Exhibit No.	Description
10.30*	Eighth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 9, 2018.
10.31*	Ninth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of September 28, 2018.
10.32*	Tenth Amendment to Private Label Banking Program Agreement by and between Customers Bank and T-Mobile USA, Inc. dated as of December 27, 2018.
10.33+	Separation of Employment dated as of December 7, 2018 by and between Customers Bancorp, Inc. and Robert Wahlman, incorporated by reference to Exhibit 10.1 to the Customers Bancorp, Inc. Form 8-K filed with the SEC on December 11, 2018
10.34+	Change of Control Agreement, dated as of August 14, 2017 by and between Customers Bancorp, Inc. and Carla A. Leibold
21.1	List of Subsidiaries of Customers Bancorp, Inc.
23.1	Consent of BDO USA, LLP, filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files regarding (a) Balance Sheets as of December 31, 2018 and 2017, (b) Statements of Income for the years ended December 31, 2018, 2017 and 2016, (c) Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016, (d) Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016, (e) Statements of Changes in Shareholders’ Equity for the years ended December 31, 2018, 2017 and 2016 and (f) Notes to Financial Statements for the years ended December 31, 2018, 2017 and 2016.

+ Management Contract or compensatory plan or arrangement

* Confidential treatment has been requested for certain information contained in this document. Such information has been omitted and filed separately with the Securities and Exchange Commission.

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Customers Bancorp, Inc.	
March 1, 2019	By:	/s/ Jay S. Sidhu
	Name:	Jay S. Sidhu
	Title:	Chairman and Chief Executive Officer
	Customers Bancorp, Inc.	
March 1, 2019	By:	/s/ Carla A. Leibold
	Name:	Carla A. Leibold
	Title:	Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature:	Title(s):	Date:
/s/ Jay S. Sidhu Jay S. Sidhu	Chairman, Chief Executive Officer and Director (principal executive officer)	March 1, 2019
/s/ Carla A. Leibold Carla A. Leibold	Executive Vice President - Chief Financial Officer and Treasurer (principal financial officer)	March 1, 2019
/s/ Jeffrey C. Skumin Jeffrey C. Skumin	Senior Vice President - Chief Accounting Officer and Controller (principal accounting officer)	March 1, 2019
/s/ Andrea R. Allon Andrea R. Allon	Director	March 1, 2019
/s/ Rick B. Burkey Rick B. Burkey	Director	March 1, 2019
/s/ Bhanu Choudhrie Bhanu Choudhrie	Director	March 1, 2019
/s/ Daniel K. Rothermel Daniel K. Rothermel	Director	March 1, 2019
/s/ T. Lawrence Way T. Lawrence Way	Director	March 1, 2019
/s/ Steven J. Zuckerman Steven J. Zuckerman	Director	March 1, 2019