Customers Bancorp, Inc.
Form 10-Q/A
November 30, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A
(Amendment No. 1)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2018

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to .
001-35542
(Commission File number)

(Exact name of registrant as specified in its charter)

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

1015 Penn Avenue
Suite 103
Wyomissing PA 19610
(Address of principal executive offices)
(610) 933-2000
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller Reporting Company	¨
		Emerging Growth Company	¨

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

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

On May 4, 2018, 31,498,221 shares of Voting Common Stock were outstanding.

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EXPLANATORY NOTE

This Amendment No. 1 to Customers Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (the "March 31, 2018 Form 10-Q/A") is being filed to amend and restate the following items presented in Customers Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018, which was initially filed with the Securities and Exchange Commission on May 9, 2018, (the "Original March 31, 2018 Form 10-Q"):

- The Consolidated Balance Sheet (unaudited) included in Part I, Item 1 "Customers Bancorp, Inc. Consolidated Financial Statements as of March 31, 2018 and for the three month periods ended March 31, 2018 and 2017 (unaudited)" are being amended and restated as of March 31, 2018 as set forth in the Consolidated Balance Sheets (unaudited) and described in NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION.
- The Consolidated Statements of Cash Flows (unaudited) included in Part I, Item 1 are being amended and restated for the three months ended March 31, 2018 and 2017 as set forth in the Consolidated Statements of Cash Flows (unaudited) and described in NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION.
- NOTE 7 - LOANS HELD FOR SALE, NOTE 8 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES, AND NOTE 10 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS included in Part I, Item 1 are being amended and restated as set forth in the notes accompanying the unaudited consolidated financial statements and described in NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION.
- Part I, Item 4 "Controls and Procedures" is being amended to address management's re-evaluation of disclosure controls and procedures and reflect the identification of a material weakness in internal control over financial reporting in conjunction with the restatement.
- Part II, Item 6 "Exhibits" also has been amended to include currently dated certifications from Customers Bancorp, Inc's Principal Executive Officer and Principal Financial Officer as required by sections 302 and 906 of the Sarbanes Oxley Act of 2002. The certifications are attached to this March 31, 2018 Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2. The Interactive Data Files have also been amended in conjunction with the restatement and are attached to this March 31, 2018 Form 10-Q/A as Exhibit 101.

This March 31, 2018 Form 10-Q/A also restates previously reported amounts included in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Original March 31, 2018 Form 10-Q to present the corrected classification of Customers Bancorp, Inc.'s commercial mortgage warehouse lending activities.

As previously reported on its Current Report on Form 8-K, which was filed with the SEC on November 13, 2018, Customers Bancorp, Inc. is restating its previously issued audited consolidated financial statements for 2017, 2016 and 2015 and its interim unaudited consolidated financial statements as of and for the three months ended March 31, 2018 and 2017 and the three and six months ended June 30, 2018 and 2017, because of misclassifications of cash flow activities associated with its commercial mortgage warehouse lending activities between operating and investing activities on the consolidated statements of cash flows because the related loan balances were incorrectly classified as held for sale rather than held for investment on the consolidated balance sheets. Accordingly, management has concluded that the control deficiency that resulted in these incorrect classifications constituted a material weakness in internal control over financial reporting. Solely as a result of this material weakness, management revised its earlier assessment and has now concluded that its disclosure controls and procedures were not effective at March 31, 2018.

These misclassifications had no effect on total cash balances, total loans, the allowance for loan losses, total assets, total capital, regulatory capital ratios, net interest income, net interest margin, net income to shareholders, basic or diluted earnings per share, return on average assets, return on average equity, the efficiency ratio, asset quality ratios or any other key performance metric, including non-GAAP performance metrics, that Customers routinely discusses with analysts and investors. This March 31, 2018 Form 10-Q/A has not been updated for other events or information subsequent to the date of the filing of the Original March 31, 2018 Form 10-Q, except as noted above, and should be read in conjunction with the Original March 31, 2018 Form 10-Q and our other filings with the SEC.

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

	March 31, 2018 (As Restated)	December 31, 2017 (As Restated)
ASSETS		
Cash and due from banks	$9,198	$20,388
Interest-earning deposits	206,213	125,935
Cash and cash equivalents	215,411	146,323
Investment securities, at fair value	1,181,661	471,371
Loans held for sale (includes $662 and $1,886, respectively, at fair value)	662	146,077
Loans receivable, mortgage warehouse, at fair value	1,874,853	1,793,408
Loans receivable	6,943,566	6,768,258
Allowance for loan losses	(39,499)	(38,015)
Total loans receivable, net of allowance for loan losses	8,778,920	8,523,651
FHLB, Federal Reserve Bank, and other restricted stock	130,302	105,918
Accrued interest receivable	31,812	27,021
Bank premises and equipment, net	11,556	11,955
Bank-owned life insurance	259,222	257,720
Other real estate owned	1,742	1,726
Goodwill and other intangibles	17,477	16,295
Other assets	140,501	131,498
Total assets	$10,769,266	$9,839,555
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	$1,260,853	$1,052,115
Interest-bearing	5,781,606	5,748,027
Total deposits	7,042,459	6,800,142
Federal funds purchased	195,000	155,000
FHLB advances	2,252,615	1,611,860
Other borrowings	186,735	186,497
Subordinated debt	108,904	108,880
Accrued interest payable and other liabilities	64,465	56,212
Total liabilities	9,850,178	8,918,591
Shareholders' equity:		
Preferred stock, par value $1.00 per share; liquidation preference $25.00 per share; 100,000,000 shares authorized, 9,000,000 shares issued and outstanding as of March 31, 2018 and December 31, 2017	217,471	217,471
Common stock, par value $1.00 per share; 200,000,000 shares authorized; 31,996,531 and 31,912,763 shares issued as of March 31, 2018 and December 31, 2017; 31,466,271 and 31,382,503 shares outstanding as of March 31, 2018 and December 31, 2017	31,997	31,913
Additional paid in capital	424,099	422,096
Retained earnings	279,942	258,076
Accumulated other comprehensive loss, net	(26,188)	(359)
Treasury stock, at cost (530,260 shares as of March 31, 2018 and December 31, 2017)	(8,233)	(8,233)
Total shareholders' equity	919,088	920,964

Total liabilities and shareholders' equity	$10,769,266	$9,839,555

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2018	2017
Interest income:		
Loans	$85,931	$75,407
Investment securities	8,672	5,887
Other	2,361	1,800
Total interest income	96,964	83,094
Interest expense:		
Deposits	19,793	14,323
Other borrowings	3,376	1,608
FHLB advances	7,080	3,060
Subordinated debt	1,684	1,685
Total interest expense	31,933	20,676
Net interest income	65,031	62,418
Provision for loan losses	2,117	3,050
Net interest income after provision for loan losses	62,914	59,368
Non-interest income:		
Interchange and card revenue	9,661	13,511
Deposit fees	2,092	3,127
Bank-owned life insurance	2,031	1,367
Mortgage warehouse transactional fees	1,887	2,221
Gain on sale of SBA and other loans	1,361	1,328
Mortgage banking income	121	155
Impairment loss on investment securities	—	(1,703)
Other	3,757	2,748
Total non-interest income	20,910	22,754
Non-interest expense:		
Salaries and employee benefits	24,925	21,112
Technology, communication and bank operations	9,943	9,916
Professional services	6,008	7,512
Occupancy	2,834	2,714
FDIC assessments, non-income taxes, and regulatory fees	2,200	1,725
Provision for operating losses	1,526	1,646
Loan workout	659	521
Advertising and promotion	390	326
Merger and acquisition related expenses	106	—
Other real estate owned expenses (income)	40	(55)
Other	3,649	3,949
Total non-interest expense	52,280	49,366
Income before income tax expense	31,544	32,756
Income tax expense	7,402	7,009
Net income	24,142	25,747
Preferred stock dividends	3,615	3,615

Net income available to common shareholders	$20,527	$22,132
Basic earnings per common share	$0.65	$0.73
Diluted earnings per common share	$0.64	$0.67

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2018	2017
Net income	$24,142	$25,747
Unrealized losses on available-for-sale debt securities:		
Unrealized losses arising during the period	(34,098)	(1,123)
Income tax effect	8,865	438
Net unrealized losses on available-for-sale debt securities	(25,233)	(685)
Unrealized gains on cash flow hedges:		
Unrealized gains arising during the period	873	329
Income tax effect	(227)	(128)
Reclassification adjustment for losses included in net income	131	827
Income tax effect	(34)	(323)
Net unrealized gains on cash flow hedges	743	705
Other comprehensive (loss) income, net of income tax effect	(24,490)	20
Comprehensive income (loss)	$(348)	$25,767

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31, 2018								
	Preferred Stock		Common Stock						
	Shares of Preferred Stock Outstanding	Preferred Stock	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2017	9,000,000	$217,471	31,382,503	$31,913	$422,096	$258,076	$(359)	$(8,233)	$920,964
Reclassification of the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive loss	—	—	—	—	—	298	(298)	—	—
Reclassification of net unrealized gains on equity securities from accumulated other comprehensive loss	—	—	—	—	—	1,041	(1,041)	—	—
Net income	—	—	—	—	—	24,142	—	—	24,142
Other comprehensive loss	—	—	—	—	—	—	(24,490)	—	(24,490)
Preferred stock dividends	—	—	—	—	—	(3,615)	—	—	(3,615)
Share-based compensation expense	—	—	—	—	1,786	—	—	—	1,786
Exercise of warrants	—	—	5,242	5	107	—	—	—	112
Issuance of common stock under share-based compensation arrangements	—	—	78,526	79	110	—	—	—	189
Balance, March 31, 2018	9,000,000	$217,471	31,466,271	$31,997	$424,099	$279,942	$(26,188)	$(8,233)	$919,088

	Three Months Ended March 31, 2017								
	Preferred Stock		Common Stock						
	Shares of Preferred Stock Outstanding	Preferred Stock	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2016	9,000,000	$217,471	30,289,917	$30,820	$427,008	$193,698	$(4,892)	$(8,233)	$855,872
Net income	—	—	—	—	—	25,747	—	—	25,747
Other comprehensive income	—	—	—	—	—	—	20	—	20
Preferred stock dividends	—	—	—	—	—	(3,615)	—		(3,615)
Share-based compensation expense	—	—	—	—	1,413	—	—	—	1,413
Exercise of warrants	—	—	43,974	44	376	—	—	—	420
Issuance of common stock under share-based compensation arrangements	—	—	302,436	303	(343)	—	—	—	(40)
Balance, March 31, 2017	9,000,000	$217,471	30,636,327	$31,167	$428,454	$215,830	$(4,872)	$(8,233)	$879,817

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31, 2018 (As Restated)			2017 (As Restated)		
Cash Flows from Operating Activities						
Net income	$	24,142		$	25,747	
Adjustments to reconcile net income to net cash provided by operating activities:						
Provision for loan losses	2,117			3,050		
Depreciation and amortization	3,344			1,475		
Share-based compensation expense	2,218			1,829		
Deferred taxes	2,684			(284		)
Net amortization of investment securities premiums and discounts	375			111		
Unrealized gain recognized on equity securities	(10		)	—		
Impairment loss on investment securities	—			1,703		
Gain on sale of SBA and other loans	(1,477		)	(1,421		)
Origination of loans held for sale	(4,280		)	(6,327		)
Proceeds from the sale of loans held for sale	5,599			6,795		
Amortization of fair value discounts and premiums	76			27		
Net loss on sales of other real estate owned	—			(103		)
Valuation and other adjustments to other real estate owned	41			23		
Earnings on investment in bank-owned life insurance	(2,031		)	(1,367		)
Increase in accrued interest receivable and other assets	(6,806		)	(10,827		)
(Decrease) increase in accrued interest payable and other liabilities	7,347			(844		)
	33,339			19,587		

Net Cash Provided By Operating Activities		
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of securities available for sale	11,489	11,781
Purchases of investment securities available for sale	(756,242)	(538,544)
Origination of mortgage warehouse loans	(6,804,177)	(6,394,678)
Proceeds from repayments of mortgage warehouse loans	6,722,732	6,827,265
Net increase in loans	(46,969)	(377,517)
Proceeds from sales of loans	16,468	105,448
Purchase of loans	—	(171,839)
Purchases of bank-owned life insurance	—	(50,000)
Proceeds from bank-owned life insurance	529	—
Net (purchases of) proceeds from FHLB, Federal Reserve Bank, and other restricted stock	(24,384)	(16,810)
Purchases of bank premises and equipment	(268)	(366)
Proceeds from sales of other real estate owned	—	450
Purchase of leased assets under operating leases	(2,755)	—
Net Cash Used In Investing Activities	(883,577)	(604,810)
Cash Flows from Financing Activities		
Net increase in deposits	242,317	31,705
Net increase in short-term borrowed funds from the FHLB	640,755	337,750
Net increase in federal funds purchased	40,000	132,000
Preferred stock dividends paid	(3,615)	(3,615)
Exercise of warrants	112	420
Payments of employee taxes withheld from share-based awards	(587)	(2,172)
Proceeds from issuance of common stock	344	1,716
Net Cash Provided By Financing Activities	919,326	497,804

Net Increase (Decrease) in Cash and Cash Equivalents	69,088		(87,419		)
Cash and Cash Equivalents – Beginning	146,323		264,709		
Cash and Cash Equivalents – Ending	$	215,411	$	177,290	

(continued)

Supplementary Cash Flows Information				
Interest paid	$	29,746	$	17,015
Income taxes paid	4,174		2,348	
Non-cash items:				
Transfer of loans to other real estate owned	$	57	$	—
Transfer of loans held for sale to held for investment	129,691		—	
University relationship intangible purchased not settled	1,502		—	

See accompanying notes to the unaudited consolidated financial statements.

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CUSTOMERS BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
NOTE 1 — DESCRIPTION OF THE BUSINESS
Customers Bancorp, Inc. (the “Bancorp” or “Customers Bancorp”) is a bank holding company engaged in banking activities through its wholly owned subsidiary, Customers Bank (the “Bank”), collectively referred to as “Customers” herein. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).
Customers Bancorp, Inc. and its wholly owned subsidiaries, Customers Bank, and non-bank subsidiaries, serve residents and businesses in Southeastern Pennsylvania (Bucks, Berks, Chester, Philadelphia and Delaware Counties); Rye Brook, New York (Westchester County); Hamilton, New Jersey (Mercer County); Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire (Rockingham County); Manhattan and Melville, New York; Washington, D.C.; Chicago, Illinois; and nationally for certain loan and deposit products. The Bank has 13 full-service branches and provides commercial banking products, primarily loans and deposits. In addition, Customers Bank also administratively supports loan and other financial products to customers through its limited-purpose offices in Boston, Massachusetts, Providence, Rhode Island, Portsmouth, New Hampshire, Manhattan and Melville, New York, Philadelphia, Pennsylvania, Washington, D.C., and Chicago, Illinois. The Bank also provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies.
Through BankMobile, a division of Customers Bank, Customers offers state of the art high tech digital banking services to consumers, students, and the "under banked" nationwide. In October 2017, Customers announced its intent to spin-off its BankMobile business directly to Customers’ shareholders, to be followed by a merger of BankMobile into Flagship Community Bank ("Flagship"), as the most favorable option for disposition of BankMobile to Customers' shareholders rather than selling the business directly to a third party. Until execution of the spin-off and merger transaction, the assets and liabilities of BankMobile will be reported as held and used for all periods presented. Previously, Customers had stated its intention to sell BankMobile and, accordingly, all BankMobile operating results and cash flows for the quarter ended March 31, 2017 were presented as discontinued operations. All prior period amounts have been reclassified to conform with the current period consolidated financial statement presentation. See NOTE 2 SPIN-OFF AND MERGER for more discussion regarding the spin-off and merger transaction.
Customers is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Reserve Bank and is periodically examined by those regulatory authorities. Customers Bancorp has made certain equity investments through its wholly owned subsidiaries CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd.

NOTE 2 – SPIN-OFF AND MERGER

In third quarter 2017, Customers decided that the best strategy for its shareholders to realize the value of the BankMobile business was to divest BankMobile through a spin-off of BankMobile to Customers’ shareholders to be followed by a merger with Flagship Community Bank ("Flagship"). An Amended and Restated Purchase and Assumption Agreement and Plan of Merger (the "Amended Agreement") with Flagship to effect the spin-off and merger and Flagship's related purchase of BankMobile deposits from Customers was executed on November 17, 2017. Per the provisions of the Amended Agreement, the spin-off will be followed by a merger of Customers' BankMobile Technologies, Inc. ("BMT") subsidiary into Flagship, with Customers' shareholders first receiving shares of BMT as a dividend in the spin-off and then receiving shares of Flagship common stock in the merger of BMT into Flagship in exchange for shares of BMT common stock they receive in the spin-off. Flagship will separately purchase BankMobile deposits directly from Customers for cash. Following completion of the spin-off and merger and other transactions contemplated in the Amended Agreement between Customers and Flagship, BMT's shareholders would receive collectively more than 50% of Flagship common stock. The common stock of the merged entities, expected to be called BankMobile, is expected to be listed on a national securities exchange after completion of the transactions.
In connection with the signing of the Amended Agreement on November 17, 2017, Customers deposited $1.0 million in an escrow account with a third party to be reserved for payment to Flagship in the event the Amended Agreement is

terminated for reasons described in the Amended Agreement. This $1.0 million is considered restricted cash and is presented in cash and cash equivalents in the accompanying March 31, 2018 consolidated balance sheet. The Amended Agreement provides that completion of the transactions will be subject to the receipt of all necessary closing conditions. Customers expects the transaction to close in the third quarter of 2018.

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As of and for the three month period ended March 31, 2017, BankMobile met the criteria to be classified as held for sale, and accordingly the operating results and associated cash flows of BankMobile were presented as "Discontinued operations" for the three month period ended March 31, 2017. However, generally accepted accounting principles require that assets, liabilities, operating results, and cash flows associated with a business to be disposed of through a spin-off/merger transaction should not be reported as held for sale or discontinued operations until execution of the spin-off/merger transaction. As a result, beginning in third quarter 2017, the period in which Customers decided to spin-off BankMobile rather than selling directly to a third party, BankMobile's operating results and cash flows were no longer reported as held for sale or discontinued operations but instead will be reported as held and used. At September 30, 2017, Customers measured the business at the lower of its (i) carrying amount before it was classified as held for sale, adjusted for depreciation and amortization expense that would have been recognized had the business been continuously classified as held and used, or (ii) fair value at the date the decision not to sell was made.

Amounts previously reported as discontinued operations for the three month period ended March 31, 2017 have been reclassified to conform with the current period presentation within the accompanying consolidated financial statements as summarized below. Customers will continue reporting the Community Business Banking and BankMobile segment results. See NOTE 12 - BUSINESS SEGMENTS.

The following summarizes the effect of the reclassification from held for sale classification to held and used classification on the previously reported consolidated statements of income for the three months ended March 31, 2017:

	Three Months Ended March 31, 2017		
(amounts in thousands)	As Previously Reported	Effect of Reclassification From Held For Sale to Held and Used	After Reclassification
Interest income	$83,094	$ —	$ 83,094
Interest expense	20,670	6	20,676
Net interest income	62,424	(6)	62,418
Provision for loan losses	3,050	—	3,050
Non-interest income	5,427	17,327	22,754
Non-interest expenses	30,147	19,219	49,366
Income from continuing operations before income taxes	34,654	(1,898)	32,756
Provision for income taxes	7,730	(721)	7,009
Net income from continuing operations	26,924	(1,177)	25,747
Loss from discontinued operations before income taxes	(1,898)	1,898	—
Income tax benefit from discontinued operations	(721)	721	—
Net loss from discontinued operations	(1,177)	1,177	—
Net income	25,747	—	25,747
Preferred stock dividend	3,615	—	3,615
Net income available to common shareholders	$22,132	$ —	$ 22,132

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NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION - As Restated
Basis of Presentation
The interim unaudited consolidated financial statements of Customers have been prepared in conformity with U.S. GAAP and pursuant to the rules and regulations of the SEC. These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Customers for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted from these interim unaudited consolidated financial statements as permitted by SEC rules and regulations. On November 13, 2018, Customers Bancorp filed with the SEC a report on Form 8-K advising that its 2017, 2016, and 2015 audited consolidated financial statements and its interim unaudited consolidated financial statements as of and for the three months ended March 31, 2018 and 2017 and the three and six months ended June 30, 2018 and 2017, respectively, should no longer be relied upon because of incorrect classifications of the cash flows used in and provided by its commercial mortgage warehouse lending activities between operating and investing activities on the consolidated statements of cash flows because the related loan balances were incorrectly classified as held for sale instead of held for investment (i.e., loans receivable) on its consolidated balance sheets. These misclassifications have no impact on total cash balances, total loans, total assets, the allowance for loan losses, total capital, regulatory capital ratios, net interest income, net interest margin, net income to shareholders, basic or diluted earnings per share, return on average assets, return on average equity, the efficiency ratio, asset quality ratios or other key performance metrics, including non-GAAP performance metrics, that Customers routinely discusses with analysts and investors. The December 31, 2017 consolidated balance sheet presented in this report has been derived from Customers' audited 2017 consolidated financial statements included in its Annual Report on Form 10-K/A filed with the SEC on November 30, 2018 (the "2017 Form 10-K/A"). Because of a fair value option election that Customers made on July 1, 2012 that continues today, these loans are, and will continue to be, reported at their fair value and accordingly do not have an allowance for loan losses. Management believes that the disclosures are adequate to present fairly the consolidated financial statements as of the dates and for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the 2017 consolidated financial statements of Customers included in the 2017 Form 10-K/A. The 2017 Form 10-K/A describes Customers Bancorp’s significant accounting policies, which include its policies on Principles of Consolidation; Cash and Cash Equivalents and Statements of Cash Flows; Restrictions on Cash and Amounts due from Banks; Business Combinations; Investment Securities; Loan Accounting Framework; Loans Held for Sale and Loans at Fair Value; Loans Receivable, Mortgage Warehouse, at Fair Value; Loans Receivable; Purchased Loans; Allowance for Loan Losses; Goodwill and Other Intangible Assets; Investments in FHLB, Federal Reserve Bank, and Other Restricted Stock; Other Real Estate Owned; Bank-Owned Life Insurance; Bank Premises and Equipment; Operating Leases; Treasury Stock; Income Taxes; Share-Based Compensation; Transfer of Financial Assets; Business Segments; Derivative Instruments and Hedging; Comprehensive Income (Loss); Earnings per Share; and Loss Contingencies. Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year or any other period.

Restatement of Previously Issued Financial Statements

In November 2018, Customers determined that the cash flow activities associated with its commercial mortgage warehouse lending activities should have been reported as investing activities in its consolidated statements of cash flows because the related loan balances should have been classified as held for investment (i.e., loans receivable). Customers changed its accounting policies such that commercial mortgage warehouse loans are classified as held for investment and presented as "Loans receivable, mortgage warehouse, at fair value" on its consolidated balance sheets. The cash flow activities associated with these commercial mortgage warehouse lending activities are reported as investing activities in the consolidated statements of cash flows. Accordingly, Customers has restated the consolidated balance sheet as of March 31, 2018 and the consolidated statements of cash flows for the three months ended March 31, 2018 and 2017 herein.

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The following tables set forth the effects of the correction on the consolidated balance sheet as of March 31, 2018 and the consolidated statements of cash flows for the three months ended March 31, 2018 and 2017.

	March 31, 2018		
Consolidated Balance Sheet	As Previously Reported	Adjustments	As Restated
(amounts in thousands)			
Loans held for sale	$1,875,515	$(1,874,853)	$662
Loans receivable, mortgage warehouse, at fair value	—	1,874,853	1,874,853
Total loans receivable, net of allowance for loan losses	$6,904,067	$1,874,853	$8,778,920

	Three Months Ended March 31,					
	2018			2017		
Consolidated Statements of Cash Flows	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
(amounts in thousands)						
Origination of loans held for sale	$(6,808,457)	$6,804,177	$(4,280)	$(6,401,005)	$6,394,678	$(6,327)
Proceeds from the sale of loans held for sale	6,728,331	(6,722,732)	5,599	6,834,060	(6,827,265)	6,795
Net Cash Provided by (Used in) Operating Activities	(48,106)	81,445	33,339	452,174	(432,587)	19,587
Origination of mortgage warehouse loans	—	(6,804,177)	(6,804,177)	—	(6,394,678)	(6,394,678)
Proceeds from repayments of mortgage warehouse loans	—	6,722,732	6,722,732	—	6,827,265	6,827,265
Net Cash Used In Investing Activities	$(802,132)	$(81,445)	$(883,577)	$(1,037,397)	$432,587	$(604,810)

In addition to the restatement of Customers' consolidated balance sheet and statements of cash flows summarized above, the following notes to the consolidated financial statements have been restated to reflect the corrected classification of Customers' commercial warehouse lending activities:

- NOTE 7 - LOANS HELD FOR SALE;
- NOTE 8 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES; and
- NOTE 10 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS.

In addition, the comparative balances reported throughout Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 2 in this Quarterly Report on Form 10-Q/A, have been restated to present the corrected classification of Customers' commercial mortgage warehouse lending activities.

Reclassifications

As described in NOTE 2 - SPIN-OFF AND MERGER, beginning in third quarter 2017, Customers reclassified BankMobile, a segment previously classified as held for sale, to held and used as it no longer met the held-for-sale criteria. Certain prior period amounts and note disclosures (including NOTE 4, NOTE 8 and NOTE 10) have been reclassified to conform with the current period presentation. Except for these reclassifications, there have been no material changes to Customers' significant accounting policies as disclosed in Customers' 2017 Form 10-K/A.

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Presented below are recently issued accounting standards that Customers has adopted as well as those that the Financial Accounting Standards Board ("FASB") has issued but are not yet effective or that Customers has not yet adopted.

Recently Issued Accounting Standards

Accounting Standards Adopted on January 1, 2018

Standard	Summary of guidance	Effects on Financial Statements
ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income/(Loss) Issued February 2018	Allows for reclassification from AOCI to retained earnings for stranded tax effects resulting from the 2017 Tax Cut and Jobs Act. Requires an entity to disclose whether it has elected to reclassify stranded tax effects from AOCI to retained earnings and its policy for releasing income tax effects from AOCI. Effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted.	Customers early adopted on January 1, 2018. The adoption resulted in the reclassification of $0.3 million in stranded tax effects in Customers' AOCI related to net unrealized losses on its available-for-sale securities and cash flow hedges. The adoption did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities Issued August 2017	Aligns the entity's risk management activities and financial reporting for hedging relationships. Amends the existing hedge accounting model and expands an entity's ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest-rate risk. Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line item as the hedge item. Changes certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. Effective for fiscal years beginning after December 15, 2018. Early adoption is permitted.	Customers early adopted on January 1, 2018. With the early adoption, Customers is now able to pursue additional hedging strategies including the ability to apply fair value hedge accounting to a specified pool of assets by excluding the portion of the hedged items related to prepayments, defaults and other events. These additional hedging strategies will allow Customers to better align its accounting and the financial reporting of its hedging activities with its economic objectives thereby reducing the earnings volatility resulting from these hedging activities. The adoption did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements. Customers has updated its disclosures in NOTE 11 - DERIVATIVES INSTRUMENTS AND HEDGING ACTIVITIES as a result of early adopting this ASU.
ASU 2017-09, Compensation - Stock Compensation: Scope of Modification Accounting Issued May 2017	Clarifies when to account for a change to the terms or conditions of a share-based-payment award as a modification in ASC 718. Provides that modification accounting is only required if the fair value, vesting conditions, or the classification of the award	Customers adopted on January 1, 2018. Customers generally does not modify the terms or conditions of its share-based-payment awards. The adoption did not have a significant impact on Customers' financial condition, results of operations and consolidated

	as equity or a liability changes as a result of the change in terms or conditions. Effective January 1, 2018 on a prospective basis for awards modified on or after the adoption date.	financial statements.
ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets Issued February 2017	Clarifies the scope and application of the accounting guidance on the sale of nonfinancial assets to non-customers, including partial sales. Clarifies that if substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in substance nonfinancial assets within the scope of Subtopic 610-20. Effective January 1, 2018 on a prospective basis.	Customers adopted on January 1, 2018. The adoption did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2017-01, Clarifying the Definition of a Business Issued January 2017	Narrows the definition of a business and clarifies that to be considered a business, the fair value of gross assets acquired (or disposed of) should not be concentrated in a single identifiable asset or a group of similar identifiable assets. Also clarifies that in order to be considered a business, an acquisition would have to include an input and a substantive process that together will significantly contribute to the ability to create an output. Effective January 1, 2018 on a prospective basis.	Customers adopted on January 1, 2018. The adoption did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements.

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Accounting Standards Adopted on January 1, 2018 (continued)

Standard	Summary of guidance	Effects on Financial Statements
ASU 2016-18, Statement of Cash Flows: Restricted Cash Issued November 2016	Requires inclusion of restricted cash in cash and cash equivalents when reconciling the beginning-of-period total amounts shown on the statement of cash flows. Effective January 1, 2018 and requires retrospective application to all periods presented.	Customers adopted on January 1, 2018. The adoption did not result in any significant impact on Customers' consolidated financial statements, including its consolidated statement of cash flows, and therefore did not result in a retrospective application.
ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory Issued October 2016	Requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Eliminates the current exception for all intra-entity transfers of an asset other than inventory that requires deferral of the tax effects until the asset is sold to a third party or otherwise recovered through use. Effective January 1, 2018 on a modified retrospective basis.	Customers adopted on January 1, 2018. The adoption of the ASU did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2016-15, Statement of Cash Flow: Classification of Certain Cash Receipts and Cash Payments Issued August 2016	Aims to reduce the existing diversity in practice with regards to the classification of the following specific items in the statement of cash flows: 1. Cash payments for debt prepayment or extinguishment costs will be classified as an operating activity, while the portion of the payment attributable to principal will be classified as a financing activity. 2. Cash paid by an acquirer soon after a business combination for the settlement of a contingent consideration liability recognized at the acquisition date will be classified in investing activities. 3. Cash proceeds received from the settlement of insurance claims will be classified on the basis of the related insurance coverage (i.e., the nature of the loss). 4. Cash proceeds received from the settlement of bank-owned life insurance policies will be classified as cash inflows from investing activities. 5.	Customers adopted on January 1, 2018. The adoption did not result in any significant impact on Customers' consolidated financial statements, including its consolidated statement of cash flows, and therefore it did not result in a retrospective application.

A transferor's beneficial interest obtained in a securitization of financial assets will be disclosed as a non-cash activity, and cash received from beneficial interests will be classified in investing activities.

Effective January 1, 2018 and requires retrospective application to all periods presented.

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Accounting Standards Adopted on January 1, 2018 (continued)

Standard	Summary of guidance	Effects on Financial Statements
ASU 2016-04, Liabilities - Extinguishment of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products Issued March 2016	Requires issuers of prepaid stored-value products (such as gift cards, telecommunication cards, and traveler's checks), to derecognize the financial liability related to those products for breakage. Breakage is the value of prepaid stored-value products that is not redeemed by consumers for goods, services or cash. The amendments in this ASU provide a narrow scope exception to the guidance in Subtopic 405-20 to require that breakage be accounted for consistent with the breakage guidance in Topic 606. Effective January 1, 2018 on a modified retrospective basis.	Customers adopted on January 1, 2018. The adoption of this ASU did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements.
ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities Issued January 2016	Requires equity investments with certain exceptions, to be measured at fair value with changes in fair value recognized in net income. Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. Eliminates the requirement for public entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Requires an entity to present separately in other comprehensive income the portion of the change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements. Clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities.	Customers adopted on January 1, 2018 using a modified retrospective approach. The adoption of this ASU resulted in a cumulative-effect adjustment that resulted in a $1.0 million reduction in AOCI and a corresponding increase in retained earnings for the same amount. The $1.0 million represented the net unrealized gain on Customers' investment in Religare equity securities at December 31, 2017, as disclosed in NOTE 6 - INVESTMENT SECURITIES. Customers also refined its calculation to determine the fair value of its held-for-investment loan portfolio for disclosure purposes using an exit price notion as part of adopting this ASU. The refined calculation did not have a significant impact on Customers' fair value disclosures.

Effective January 1, 2018 on a modified retrospective basis.

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Accounting Standards Adopted on January 1, 2018 (continued)

Standard	Summary of guidance	Effects on Financial Statements
ASU 2014-09, Revenue from Contracts with Customers (Topic 606) Issued May 2014	Supersedes the revenue recognition requirements in ASC 605. Requires an entity to recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment includes a five-step process to assist an entity in achieving the main principle(s) of revenue recognition under ASC 605. Reframed the structure of the indicators of when an entity is acting as an agent and focused on evidence that an entity is acting as the principal or agent in a revenue transaction. Requires additional qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Effective January 1 , 2018 and can be either applied retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption (modified retrospective approach).	Customers adopted on January 1, 2018 on a modified retrospective basis. Because the ASU does not apply to revenue associated with leases and financial instruments (including loans and securities), Customers concluded that the new guidance did not have a material impact on the elements of its consolidated statements of operations most closely associated with leases and financial instruments (such as interest income, interest expense and securities gain). Customers has identified its deposit-related fees, service charges, debit and prepaid card interchange income and university fees to be within the scope of the standard. Customers has also completed its review of the related contracts and its evaluation of certain costs related to these revenue streams and 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 this ASU, as Customers is the agent. The adoption of this ASU, did not have a significant impact on Customers' financial condition, results of operations and consolidated financial statements. Additional discussion related to the adoption and the required quantitative and qualitative disclosures are included in NOTE 13 - NON-INTEREST REVENUES.

Accounting Standards Issued But Not Yet Adopted

Standard	Summary of guidance	Effects on Financial Statements
ASU 2018-03 Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10) Issued February 2018	Clarifies certain aspects of the guidance issued in ASU 2016-01 including: the ability to irrevocably elect to change the measurement approach for equity securities measured using the practical expedient (at cost plus or minus observable transactions less impairment) to a fair value method in accordance with ASC 820, Fair Value Measurement. Provides clarification that if an observable transaction occurs for such securities, the adjustment is as of the observable transaction date. Effective July 1, 2018 on a prospective basis with early adoption permitted.	Customers currently does not have any significant equity securities without readily determinable fair values and, accordingly, does not expect the adoption of this ASU to have a significant impact on its financial condition, results of operations and consolidated financial statements; however, Customers will continue to evaluate the potential impact of this ASU through the adoption date.
ASU 2017-11, Accounting for Certain Financial Instruments with Down Round Features Issued July 2017	Changes the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) would no longer be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity-classified financial instruments, the amendments require entities to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of net income available to common shareholders in basic earnings per share ("EPS"). Effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.	Customers currently does not have any equity-linked financial instruments (or embedded features) with down round features and, accordingly, does not expect the adoption of this ASU to have a significant impact on its financial condition, results of operations and consolidated financial statements; however, Customers will continue to evaluate the potential impact of this ASU through the adoption date.
ASU 2017-08, Receivables-Nonrefundable Fees and Other Costs: Premium	Requires that premiums for certain callable debt securities held be amortized to their earliest call date.	Customers currently has an immaterial amount of callable debt securities purchased at a premium

Amortization on Purchased Callable Debt Securities Issued March 2017	Effective for Customers beginning after December 15, 2018, with early adoption permitted. Adoption of this new guidance must be applied on a modified retrospective approach.	and, accordingly, does not expect the adoption of this ASU to have a significant impact on its financial condition, results of operations and consolidated financial statements; however, Customers will continue to evaluate the potential impact through the adoption date.

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Accounting Standards Issued But Not Yet Adopted (continued)

Standard	Summary of guidance	Effects on Financial Statements
ASU 2016-13 Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments Issued June 2016	Requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate lifetime expected credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset (including HTM securities), presents the net amount expected to be collected on the financial asset. Replaces today's "incurred loss" approach and is expected to result in earlier recognition of credit losses. For available-for-sale debt securities, entities will be required to record allowances for credit losses rather than reduce the carrying amount, as they do today under the OTTI model, and will be allowed to reverse previously established allowances in the event the credit of the issuer improves. Simplifies the accounting model for purchased credit-impaired debt securities and loans. Effective beginning after December 15, 2019 with early adoption permitted. Adoption can be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted.	Customers is currently evaluating the impact of this ASU, initiating implementation efforts across the company and planning for loss modeling requirements consistent with lifetime expected loss estimates. Customers expects that the new model will include different assumptions used in calculating credit losses, such as estimating losses over the estimated life of a financial asset and will consider expected future changes in macroeconomic conditions. The adoption of this ASU may result in an increase to Customers' allowance for loan losses which will depend upon the nature and characteristics of Customers' loan portfolio at the adoption date, as well as the macroeconomic conditions and forecasts at that date. Customers currently does not intend to early adopt this new guidance.
ASU 2016-02, Leases Issued February 2016	Supersedes the current lease accounting guidance for both lessees and lessors under ASC 840, Leases. From the lessee's perspective, the new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for lessees. This ASU will require lessors to account for leases using an approach that is substantially similar to the existing guidance for sales-type, direct financing leases and operating leases. Effective beginning after December 15, 2018 with early adoption permitted.	Customers is currently evaluating the impact of this ASU on its financial condition and results of operations and expects to recognize right-of-use assets and lease liabilities for substantially all of its operating lease commitments based on the present value of unpaid lease payments as of the date of adoption. Customers does not intend to early adopt this ASU.

A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

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NOTE 4 — EARNINGS PER SHARE

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

	Three Months Ended March 31,	
	2018	2017
(amounts in thousands, except share and per share data)		
Net income available to common shareholders	$20,527	$ 22,132
Weighted-average number of common shares outstanding - basic	31,424,496	30,407,060
Share-based compensation plans	840,561	2,344,929
Warrants	8,916	37,171
Weighted-average number of common shares - diluted	32,273,973	32,789,160
Basic earnings per common share	$0.65	$ 0.73
Diluted earnings per common share	$0.64	$ 0.67

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

	Three Months Ended March 31,	
	2018	2017
Anti-dilutive securities:		
Share-based compensation awards	1,059,225	—
Warrants	—	52,242
Total anti-dilutive securities	1,059,225	52,242

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NOTE 5 — CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

The following tables present the changes in accumulated other comprehensive income (loss) by component for the three months ended March 31, 2018 and 2017. All amounts are presented net of tax. Amounts in parentheses indicate reductions to accumulated other comprehensive income.

	Three Months Ended March 31, 2018				
	Available-for-sale securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance - December 31, 2017	$(249)	$ 88	$(161)	$ (198)	$(359)
Reclassification of the income tax effects of the Tax Cuts and Jobs Act (1)	(256)	—	(256)	(42)	(298)
Reclassification of net unrealized gains on equity securities (1)	(953)	(88)	(1,041)	—	(1,041)
Balance after reclassification adjustments on January 1, 2018	(1,458)	—	(1,458)	(240)	(1,698)
Other comprehensive income (loss) before reclassifications	(25,233)	—	(25,233)	646	(24,587)
Amounts reclassified from accumulated other comprehensive income (loss) to net income (2)	—	—	—	97	97
Net current-period other comprehensive income (loss)	(25,233)	—	(25,233)	743	(24,490)
Balance - March 31, 2018	$(26,691)	$ —	$(26,691)	$ 503	$(26,188)

(1) Amounts reclassified from accumulated other comprehensive income (loss) on January 1, 2018 as a result of the adoption of ASU 2018-02 and ASU 2016-01 resulted in a decrease in accumulated other comprehensive income of $1.3 million and a corresponding increase in retained earnings for the same amount. See NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION for more information.

(2) Reclassification amounts for available-for-sale securities are reported as gain (loss) on sale of investment securities on the consolidated statements of income. Reclassification amounts for cash flow hedges are reported as interest expense on FHLB advances on the consolidated statements of income.

	Three Months Ended March 31, 2017				
	Available-for-sale securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance - December 31, 2016	$(2,681)	$ —	$(2,681)	$ (2,211)	$(4,892)
Other comprehensive income (loss) before reclassifications	(685)	—	(685)	201	(484)
Amounts reclassified from accumulated other comprehensive income (loss) to net income (1)	—	—	—	504	504
Net current-period other comprehensive income (loss)	(685)	—	(685)	705	20
Balance - March 31, 2017	$(3,366)	$ —	$(3,366)	$ (1,506)	$(4,872)

(1) Reclassification amounts for available-for-sale securities are reported as gain (loss) on sale of investment securities on the consolidated statements of income. Reclassification amounts for cash flow hedges are reported as interest expense on FHLB advances on the consolidated statements of income.

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NOTE 6 — INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities as of March 31, 2018 and December 31, 2017 are summarized in the tables below:

	March 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(amounts in thousands)				
Available for Sale Debt Securities:				
Agency-guaranteed residential mortgage-backed securities	$505,113	$ —	$(11,856)	$493,257
Agency-guaranteed commercial real estate mortgage-backed securities	334,643	—	(10,109)	324,534
Corporate notes	374,611	947	(15,050)	360,508
Available for Sale Debt Securities	$1,214,367	$ 947	$(37,015)	1,178,299
Equity Securities (1)				3,362
Total Investment Securities, at Fair Value				$1,181,661

(1) Includes equity securities issued by a foreign entity that are being measured at fair value with changes in fair value recognized directly in earnings effective January 1, 2018 as a result of adopting ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (see NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION for additional information related to the adoption of this new standard).

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(amounts in thousands)				
Available for Sale:				
Agency-guaranteed residential mortgage-backed securities	$186,221	$ 36	$ (2,799)	$183,458
Agency-guaranteed commercial real estate mortgage-backed securities	238,809	432	(769)	238,472
Corporate notes (1)	44,959	1,130	—	46,089
Equity securities (2)	2,311	1,041	—	3,352
Total Available for Sale Securities, at Fair Value	$472,300	$ 2,639	$ (3,568)	$471,371

(1) Includes subordinated debt issued by other bank holding companies.

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

There were no sales of securities during the three month periods ended March 31, 2018 and 2017.

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

	March 31, 2018	
(amounts in thousands)	Amortized Cost	Fair Value
Due in one year or less	$—	$—
Due after one year through five years	—	—
Due after five years through ten years	119,980	117,332
Due after ten years	254,631	243,176
Agency-guaranteed residential mortgage-backed securities	505,113	493,257
Agency-guaranteed commercial real estate mortgage-backed securities	334,643	324,534
Total debt securities	$1,214,367	$1,178,299

Gross unrealized losses and fair value of Customers' available for sale debt investment securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018					
	Less Than 12 Months		12 Months or More		Total	
(amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale Debt Securities:						
Agency-guaranteed residential mortgage-backed securities	$430,735	$(8,161)	$62,522	$(3,695)	$493,257	$(11,856)
Agency-guaranteed commercial real estate mortgage-backed securities	318,635	(9,831)	5,899	(278)	324,534	(10,109)
Corporate notes	309,601	(15,050)	—	—	309,601	(15,050)
Total	$1,058,971	$(33,042)	$68,421	$(3,973)	$1,127,392	$(37,015)

	December 31, 2017					
	Less Than 12 Months		12 Months or More		Total	
(amounts in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale Debt Securities:						
Agency-guaranteed residential mortgage-backed securities	$104,861	$(656)	$66,579	$(2,143)	$171,440	$(2,799)
Agency-guaranteed commercial real estate mortgage-backed securities	115,970	(740)	6,151	(29)	122,121	(769)
Total	$220,831	$(1,396)	$72,730	$(2,172)	$293,561	$(3,568)

At March 31, 2018, there were sixty-two available-for-sale debt investment securities in the less-than-twelve-month category and sixteen available-for-sale debt investment securities in the twelve-month-or-more category. The unrealized losses on the mortgage-backed securities are guaranteed by government-sponsored entities and primarily relate to changes in market interest rates. The unrealized losses on the corporate notes relate to securities with no company specific concentration. The unrealized losses were due to an upward shift in interest rates that resulted in a negative impact on the respective notes pricing. All amounts related to the mortgage-backed securities and the corporate notes are expected to be recovered when market prices recover or at maturity. Customers does not intend to sell these securities and it is not more likely than not that Customers will be required to sell the securities before recovery of the amortized cost basis.

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During the three month period ended March 31, 2017, Customers recorded other-than-temporary impairment losses of $1.7 million related to its equity holdings in Religare for the full amount of the decline in fair value from the cost basis established at December 31, 2016 through March 31, 2017 because Customers no longer had the intent to hold these securities until a recovery in fair value. At December 31, 2017, the fair value of the Religare equity securities was $3.4 million which resulted in an unrealized gain of $1.0 million being recognized in accumulated other comprehensive income with no adjustment for deferred taxes as Customers currently does not have a tax strategy in place capable of generating sufficient capital gains to utilize any capital losses resulting from the Religare investment.

As described in NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION, the adoption of ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, on January 1, 2018 resulted in a cumulative effect adjustment to Customers' consolidated balance sheet with a $1.0 million reduction in accumulated other comprehensive income and a corresponding increase in retained earnings related to the December 31, 2017 unrealized gain on the Religare equity securities. In accordance with the new accounting guidance, changes in the fair value of the Religare equity securities from December 31, 2017 through March 31, 2018 were recorded directly in earnings, which resulted in an unrealized gain of $10 thousand being recognized in other non-interest income in the accompanying consolidated statements of income.

At March 31, 2018 and December 31, 2017, Customers Bank had pledged investment securities aggregating $701.5 million and $16.9 million in fair value, respectively, as collateral against its borrowings primarily with the FHLB and an unused line of credit with another financial institution. These counterparties do not have the ability to sell or repledge these securities.

NOTE 7 – LOANS HELD FOR SALE - As Restated

The composition of loans held for sale as of March 31, 2018 and December 31, 2017 was as follows:

(amounts in thousands)	March 31, 2018 (As Restated)	December 31, 2017 (As Restated)
Commercial loans:		
Multi-family loans at lower of cost or fair value	$ —	$ 144,191
Total commercial loans held for sale	—	144,191
Consumer loans:		
Residential mortgage loans, at fair value	662	1,886
Loans held for sale	$ 662	$ 146,077

Effective March 31, 2018, Customers Bank transferred $129.7 million of multi-family loans from loans held for sale to loan receivable (held for investment) because the Bank no longer has the intent to sell these loans. Customers Bank transferred these loans at their carrying value, which approximated their fair value at the time of transfer.

On June 30, 2017, Customers Bank transferred $150.6 million of multi-family loans from held for investment to loans held for sale. Customers Bank transferred these loans at their carrying value, which was lower than the estimated fair value at the time of transfer. At December 31, 2017, the carrying value of these loans approximated their fair value. Accordingly, a lower of cost or fair value adjustment was not recorded as of December 31, 2017. See NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION for more information on the reclassification of loans previously reported as held for sale.

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NOTE 8 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES - As Restated

The following table presents loans receivable as of March 31, 2018 and December 31, 2017.

(amounts in thousands)	March 31, 2018 (As Restated)	December 31, 2017 (As Restated)
Loans receivable, mortgage warehouse, at fair value	$1,874,853	$1,793,408
Loans receivable:		
Commercial:		
Multi-family	3,645,374	3,502,381
Commercial and industrial (including owner occupied commercial real estate)	1,704,791	1,633,818
Commercial real estate non-owner occupied	1,195,904	1,218,719
Construction	81,101	85,393
Total commercial loans receivable	6,627,170	6,440,311
Consumer:		
Residential real estate	225,839	234,090
Manufactured housing	87,687	90,227
Other	3,570	3,547
Total consumer loans receivable	317,096	327,864
Loans receivable	6,944,266	6,768,175
Deferred (fees)/costs and unamortized (discounts)/premiums, net	(700)	83
Allowance for loan losses	(39,499)	(38,015)
Total loans receivable, net of allowance for loan losses	$8,778,920	$8,523,651

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

Loans receivable, mortgage warehouse, at fair value:

Mortgage warehouse loans consist of commercial loans to mortgage companies. These mortgage warehouse lending transactions are subject to master repurchase agreements. As a result of the contractual provisions, for accounting purposes control of the underlying mortgage loan has not transferred and the rewards and risks of the mortgage loans are not assumed by Customers. The commercial mortgage warehouse loans receivable are designated as loans held for investment and reported at fair value based on an election made to account for the loans at fair value. Pursuant to the agreements, Customers funds the pipelines for these mortgage lenders by sending payments directly to the closing agents for funded mortgage loans and receives proceeds directly from third party investors when the underlying mortgage loans are sold into the secondary market. The fair value of the mortgage warehouse loans is estimated as the amount of cash initially advanced to fund the mortgage, plus accrued interest and fees, as specified in the respective agreements. The interest rates on these loans are variable, and the lending transactions are short-term, with an average life of 21 days from purchase to sale. The primary goal of these lending transactions is to provide liquidity to mortgage companies.

At March 31, 2018 and December 31, 2017, all of Customers' commercial mortgage warehouse loans were current in terms of payment. Because these loans are reported at their fair value, they do not have an allowance for loan loss and are therefore excluded from allowance for loan losses related disclosures.

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Loans receivable:

The following tables summarize loans receivable by loan type and performance status as of March 31, 2018 and December 31, 2017:

	March 31, 2018						
	30-89 Days Past Due (1)	90 Days Or More Past Due(1)	Total Past Due (1)	Non-Accrual	Current (2)	Purchased-Credit-Impaired Loans (3)	Total Loans (4)
(amounts in thousands)							
Multi-family	$—	$ —	$ —	$—	$3,643,539	$ 1,835	$3,645,374
Commercial and industrial	129	—	129	14,220	1,187,571	721	1,202,641
Commercial real estate - owner occupied	—	—	—	1,437	490,277	10,436	502,150
Commercial real estate - non-owner occupied	—	—	—	242	1,190,591	5,071	1,195,904
Construction	—	—	—	—	81,101	—	81,101
Residential real estate	4,490	—	4,490	5,216	210,825	5,308	225,839
Manufactured housing (5)	3,444	2,746	6,190	1,979	77,042	2,476	87,687
Other consumer	75	—	75	97	3,148	250	3,570
Total	$8,138	$ 2,746	$ 10,884	$23,191	$6,884,094	$ 26,097	$6,944,266

	December 31, 2017						
	30-89 Days Past Due (1)	90 Days Or More Past Due(1)	Total Past Due (1)	Non-Accrual	Current (2)	Purchased-Credit-Impaired Loans (3)	Total Loans (4)
(amounts in thousands)							
Multi-family	$4,900	$ —	$ 4,900	$—	$3,495,600	$ 1,881	$3,502,381
Commercial and industrial	103	—	103	17,392	1,130,831	764	1,149,090
Commercial real estate - owner occupied	202	—	202	1,453	472,501	10,572	484,728
Commercial real estate - non-owner occupied	93	—	93	160	1,213,216	5,250	1,218,719
Construction	—	—	—	—	85,393	—	85,393
Residential real estate	7,628	—	7,628	5,420	215,361	5,681	234,090
Manufactured housing (5)	4,028	2,743	6,771	1,959	78,946	2,551	90,227
Other consumer	116	—	116	31	3,184	216	3,547
Total	$17,070	$ 2,743	$ 19,813	$26,415	$6,695,032	$ 26,915	$6,768,175

(1) Includes past due loans that are accruing interest because collection is considered probable.
(2) Loans where next payment due is less than 30 days from the report date.
(3) Purchased-credit-impaired loans aggregated into a pool are accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows, and the past due status of the pools, or that of the individual loans within the pools, is not meaningful. Because of the credit impaired nature of the loans, the loans are recorded at a discount reflecting estimated future cash flows and the Bank recognizes interest income on each pool of loans reflecting the estimated yield and passage of time. Such loans are considered to be performing. Purchased-credit-impaired loans that are not in pools accrete interest when the timing and amount of their expected cash flows are reasonably estimable, and are reported as performing loans.
(4) Amounts exclude deferred costs and fees, unamortized premiums and discounts, and the allowance for loan losses.

(5) Manufactured housing loans purchased in 2010 are supported by cash reserves held at the Bank that are used to fund past-due payments when the loan becomes 90 days or more delinquent. Subsequent purchases are subject to varying provisions in the event of borrowers' delinquencies.

As of March 31, 2018 and December 31, 2017, the Bank had $0.3 million, respectively, of residential real estate held in other real estate owned. As of March 31, 2018 and December 31, 2017, the Bank had initiated foreclosure proceedings on $1.2 million and $1.6 million, respectively, in loans secured by residential real estate.

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Allowance for loan losses

The changes in the allowance for loan losses for the three months ended March 31, 2018 and 2017, and the loans and allowance for loan losses by loan class based on impairment-evaluation method as of March 31, 2018 and December 31, 2017 are presented in the tables below.

Three Months Ended March 31, 2018	Multi-family	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Construction	Residential Real Estate	Manufactured Housing	Other Consumer	Total
(amounts in thousands)									
Ending Balance, December 31, 2017	$ 12,168	$ 10,918	$ 3,232	$ 7,437	$ 979	$ 2,929	$ 180	$ 172	$ 38,015
Charge-offs	—	(50)	(18)	—	—	(365)	—	(256)	(689)
Recoveries	—	35	—	—	11	7	—	3	56
Provision for loan losses	377	834	311	(204					