Customers Bancorp, Inc.
Form 10-Q
November 07, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2016

¨ 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 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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 October 28, 2016, 27,544,217 shares of Voting Common Stock were issued and outstanding.

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

	September 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$ 39,742	$ 53,550
Interest-earning deposits	225,846	211,043
Cash and cash equivalents	265,588	264,593
Investment securities available for sale, at fair value	530,896	560,253
Loans held for sale (includes $2,377,445 and $1,757,807, respectively, at fair value)	2,402,708	1,797,064
Loans receivable	6,016,995	5,453,479
Allowance for loan losses	(37,897)	(35,647)
Total loans receivable, net of allowance for loan losses	5,979,098	5,417,832
FHLB, Federal Reserve Bank, and other restricted stock	71,621	90,841
Accrued interest receivable	22,100	19,939
Bank premises and equipment, net	12,428	11,531
Bank-owned life insurance	160,357	157,211
Other real estate owned	3,897	5,057
Goodwill and other intangibles	16,924	3,651
Other assets	136,993	70,233
Total assets	$ 9,602,610	$ 8,398,205
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	$ 1,080,970	$ 653,679
Interest-bearing	6,308,000	5,255,822
Total deposits	7,388,970	5,909,501
Federal funds purchased	52,000	70,000
FHLB advances	1,036,700	1,625,300
Other borrowings	86,957	86,457
Subordinated debt	108,758	108,685
Accrued interest payable and other liabilities	139,405	44,360
Total liabilities	8,812,790	7,844,303
Shareholders' equity:		
Preferred stock, par value $1.00 per share; liquidation preference $25.00 per share; 100,000,000 shares authorized, 9,000,000 and 2,300,000 shares issued and outstanding as of September 30, 2016 and December 31, 2015	217,549	55,569
Common stock, par value $1.00 per share; 200,000,000 shares authorized; 28,074,477 and 27,432,061 shares issued as of September 30, 2016 and December 31, 2015; 27,544,217 and 26,901,801 shares outstanding as of September 30, 2016 and December 31, 2015	28,074	27,432
Additional paid in capital	374,727	362,607
Retained earnings	176,929	124,511
Accumulated other comprehensive income (loss)	774	(7,984)
Treasury stock, at cost (530,260 shares as of September 30, 2016 and December 31, 2015)	(8,233)	(8,233)
Total shareholders' equity	789,820	553,902

Total liabilities and shareholders’ equity	$ 9,602,610	$ 8,398,205

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income:				
Loans receivable	$60,362	$46,291	$173,847	$132,185
Loans held for sale	18,737	14,006	50,272	38,428
Investment securities	3,528	2,283	10,875	6,899
Other	1,585	1,156	3,937	4,625
Total interest income	84,212	63,736	238,931	182,137
Interest expense:				
Deposits	13,009	9,022	34,365	24,693
Other borrowings	1,642	1,539	4,867	4,523
FHLB advances	3,291	1,556	9,274	5,044
Subordinated debt	1,685	1,685	5,055	5,055
Total interest expense	19,627	13,802	53,561	39,315
Net interest income	64,585	49,934	185,370	142,822
Provision for loan losses	88	2,094	2,854	14,393
Net interest income after provision for loan losses	64,497	47,840	182,516	128,429
Non-interest income:				
Interchange and card revenue	11,547	128	13,806	390
Deposit fees	4,218	265	5,260	691
Mortgage warehouse transactional fees	3,080	2,792	8,702	7,864
Bank-owned life insurance	1,386	1,177	3,629	3,407
Gain on sale of loans	1,206	1,131	2,135	3,189
Mortgage loans and banking income	287	167	737	605
Gain (loss) on sale of investment securities	(1)	(16)	25	(85)
Other	5,763	527	6,943	2,236
Total non-interest income	27,486	6,171	41,237	18,297
Non-interest expense:				
Salaries and employee benefits	22,681	14,981	58,051	43,381
Technology, communication and bank operations	12,525	2,422	19,021	7,791
Professional services	7,006	2,673	13,213	7,378
FDIC assessments, taxes, and regulatory fees	2,726	3,222	11,191	7,495
Occupancy	2,450	2,169	7,248	6,469
Other real estate owned expense	1,192	1,722	1,663	2,026
Loan workout	592	285	1,497	541
Advertising and promotion	591	330	1,178	1,106
Acquisition related expenses	144	—	1,195	—
Other	6,311	2,503	14,049	7,245
Total non-interest expense	56,218	30,307	128,306	83,432
Income before income tax expense	35,765	23,704	95,447	63,294
Income tax expense	14,576	8,415	37,129	22,497
Net income	21,189	15,289	58,318	40,797
Preferred stock dividends	2,552	980	5,900	1,487

Net income available to common shareholders	$18,637	$14,309	$52,418	$39,310
Basic earnings per common share	$0.68	$0.53	$1.93	$1.47
Diluted earnings per common share	$0.64	$0.50	$1.81	$1.37

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	$21,189	$15,289	$58,318	$40,797
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) on securities arising during the period	329	261	15,256	(4,703)
Income tax effect	(124)	(98)	(5,721)	1,720
Less: reclassification adjustment for (gains) losses on securities included in net income	1	16	(25)	85
Income tax effect	—	(6)	9	(32)
Net unrealized gains (losses)	206	173	9,519	(2,930)
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) on cash flow hedges arising during the period	890	(2,341)	(2,523)	(3,841)
Income tax effect	(334)	877	946	1,488
Less: reclassification adjustment for losses included in net income	703	—	1,306	—
Income tax effect	(264)	—	(490)	—
Net unrealized gains (losses)	995	(1,464)	(761)	(2,353)
Other comprehensive income (loss), net of tax	1,201	(1,291)	8,758	(5,283)
Comprehensive income	$22,390	$13,998	$67,076	$35,514

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)

	Nine Months Ended September 30, 2016								
	Preferred Stock		Common Stock						
	Shares of Preferred Stock Outstanding	Preferred Stock	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Total
Balance, December 31, 2015	2,300,000	$55,569	26,901,801	$27,432	$362,607	$124,511	$ (7,984)	$(8,233)	$553,902
Net income	—	—	—	—	—	58,318	—	—	58,318
Other comprehensive income	—	—	—	—	—	—	8,758	—	8,758
Issuance of common stock, net of offering costs of $217	—	—	226,677	227	5,450	—	—	—	5,677
Issuance of preferred stock, net of offering costs of $5,520	6,700,000	161,980	—	—	—	—	—	—	161,980
Preferred stock dividends	—	—	—	—	—	(5,900)	—	—	(5,900)
Share-based compensation expense	—	—	—	—	4,569	—	—	—	4,569
Exercise of warrants	—	—	259,851	259	862	—	—	—	1,121
Issuance of common stock under share-based compensation arrangements	—	—	155,888	156	1,239	—	—	—	1,395
Balance, September 30, 2016	9,000,000	$217,549	27,544,217	$28,074	$374,727	$176,929	$ 774	$(8,233)	$789,820

	Nine Months Ended September 30, 2015								
	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,	—	$—	26,745,529	$27,278	$355,822	$68,421	$ (122)	$(8,254)	$443,145

2014									
Net income	—	—	—	—	—	40,797	—	—	40,797
Other comprehensive loss	—	—	—	—	—	—	(5,283)	—	(5,283)
Issuance of preferred stock, net of offering costs of $1,931	2,300,000	55,569	—	—	—	—	—	—	55,569
Preferred stock dividends	—	—	—	—	—	(1,487)	—		(1,487)
Share-based compensation expense	—	—	—	—	3,541	—	—	—	3,541
Issuance of common stock under share-based compensation arrangements	—	—	136,854	135	1,540	—	—	21	1,696
Balance, September 30, 2015	2,300,000	$55,569	26,882,383	$27,413	$360,903	$107,731	$ (5,405)	$(8,233)	$537,978

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)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities		
Net income	$58,318	$40,797
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses, net of change to FDIC receivable and clawback liability	2,854	14,393
Provision for depreciation and amortization	4,138	3,034
Share-based compensation	5,213	4,112
Deferred taxes	(4,846)	(7,580)
Net amortization of investment securities premiums and discounts	664	623
(Gain) loss on sale of investment securities	(25)	85
Gain on sale of mortgages and other loans	(2,674)	(3,135)
Origination of loans held for sale	(27,092,862)	(23,148,641)
Proceeds from the sale of loans held for sale	26,473,789	22,804,119
Decrease (increase) in FDIC loss sharing receivable net of clawback liability	255	(530)
Amortization (accretion) of fair value discounts and premiums	312	(794)
Net loss on sales of other real estate owned	85	509
Valuation and other adjustments to other real estate owned, net of FDIC receivable	1,261	917
Earnings on investment in bank-owned life insurance	(3,629)	(3,407)
Increase in accrued interest receivable and other assets	(38,672)	(9,860)
Increase in accrued interest payable and other liabilities	67,134	5,087
Net Cash Used In Operating Activities	(528,685)	(300,271)
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of securities available for sale	46,097	60,966
Proceeds from sales of investment securities available for sale	2,853	806
Purchases of investment securities available for sale	(5,000)	(69,358)
Net increase in loans	(641,093)	(606,168)
Proceeds from sales of loans	91,868	192,275
Purchases of bank-owned life insurance	—	(15,000)
Proceeds from bank-owned life insurance	619	—
Net proceeds from FHLB, Federal Reserve Bank, and other restricted stock	19,220	18,488
(Payments to) reimbursements from the FDIC on loss sharing agreements	(2,049)	1,940
Purchases of bank premises and equipment	(3,343)	(2,439)
Proceeds from sales of other real estate owned	419	5,572
Acquisition of Disbursements business, net	(17,000)	—
Net Cash Used In Investing Activities	(507,409)	(412,918)
Cash Flows from Financing Activities		
Net increase in deposits	1,479,471	1,252,674
Net decrease in short-term borrowed funds from the FHLB	(663,600)	(657,100)
Net (decrease) increase in federal funds purchased	(18,000)	50,000
Proceeds from long-term FHLB borrowings	75,000	25,000
Net proceeds from issuance of preferred stock	161,980	55,569
Preferred stock dividends paid	(5,450)	(1,308)
Exercise and redemption of warrants	1,121	—
Proceeds from issuance of common stock	6,567	730

Net Cash Provided by Financing Activities	1,037,089	725,565
Net Increase in Cash and Cash Equivalents	995	12,376
Cash and Cash Equivalents – Beginning	264,593	371,023
Cash and Cash Equivalents – Ending	$265,588	$383,399

(continued)

Supplementary Cash Flows Information		
Interest paid	$50,410	$36,128
Income taxes paid	40,966	30,159
Non-cash items:		
Transfer of loans to other real estate owned	$605	$3,198
Transfer of loans held for sale to held for investment	—	30,365

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, New York (Westchester County); Hamilton, New Jersey (Mercer County); Boston, Massachusetts; Providence, Rhode Island; Portsmouth, New Hampshire (Rockingham County); Manhattan, New York; and nationally for certain loan and deposit products. The Bank has 14 full-service branches and provides commercial banking products, primarily loans and deposits. Customers Bank 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 and Philadelphia, Pennsylvania. 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. The combination of the BankMobile technology software platform with the OneAccount Student Checking and Refund Management Disbursement Services business (the "Disbursement business") acquired from Higher One Holdings, Inc. and Higher One, Inc. (together, "Higher One") propelled BankMobile to one of the largest mobile banking services in the United States by number of customers. Customers Bank is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Reserve Bank and is periodically examined by those regulatory authorities. Customers Bancorp has made certain equity investments through its wholly owned subsidiaries CB Green Ventures Pte Ltd. and CUBI India Ventures Pte Ltd.

NOTE 2 - ACQUISITION ACTIVITY

On June 15, 2016, Customers completed the acquisition of substantially all the assets and the assumption of certain liabilities of the Disbursement business from Higher One. The acquisition was completed pursuant to the terms of an Asset Purchase Agreement (the "Purchase Agreement") dated as of December 15, 2015 between Customers and Higher One. Under the terms of the Purchase Agreement, Customers also acquired all existing relationships with vendors and educational institutions, and all intellectual property and assumed normal business related liabilities. In conjunction with the acquisition, Customers hired approximately 225 Higher One employees primarily located in New Haven, Connecticut that manage the Disbursement business and serve the Disbursement business customers.

The transaction contemplates aggregate guaranteed payments to Higher One of $42 million. The aggregate purchase price payable by Customers is $37 million in cash, with the payments to be made as follows: (i) $17 million in cash upon the closing of the acquisition, (ii) $10 million upon the first anniversary of the closing and (iii) $10 million upon the second anniversary of the closing. In addition, concurrently with the closing, the parties entered into a Transition Services Agreement pursuant to which Higher One will provide certain transition services to Customers through June 30, 2017. As consideration for these services, Customers will pay Higher One an additional $5 million in cash. Customers also will be required to make additional payments to Higher One if, during the three years following the closing, revenues from the Disbursement business exceed $75 million in a year. The possible payment will be equal to 35% of the amount the Disbursement business related revenue exceeds $75 million in each year. As of September 30, 2016, Customers has not recorded a liability for any additional contingent consideration payable under the Purchase Agreement.

As specified in the Purchase Agreement, the payments of $10 million payable to Higher One upon each of the first and second anniversary of the transaction closing were placed into an escrow account with a third party. The $20 million in aggregate in such escrow account is presented in "Cash and due from banks" and "Accrued interest payable and other liabilities" on the September 30, 2016 balance sheet and is considered restricted cash.

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The following table presents the fair values of the assets acquired and liabilities assumed as of June 15, 2016:

(amounts in thousands)	June 15, 2016
Fair value of assets acquired:	
Developed software	$27,400
Other intangible assets	9,300
Accounts receivable	2,784
Prepaid expenses	1,180
Fixed assets, net	229
Total assets acquired	40,893
Fair value of liabilities assumed:	
Other liabilities	5,531
Deferred revenue	2,655
Total liabilities assumed	8,186
Net assets acquired	$32,707
Transaction cash consideration (1)	$37,000
Goodwill recognized	$4,293

(1) Includes $10 million payable to Higher One upon each of the first and second anniversary of the transaction closing, which has been placed into an escrow account with a third party (aggregate amount of $20 million).

Based on a preliminary purchase price allocation, Customers recorded $4.3 million in goodwill as a result of the acquisition. The amount of goodwill recorded reflects the excess purchase price over the estimated fair value of the net assets acquired. The goodwill recorded is deductible for tax purposes.

The assets acquired and liabilities assumed are presented at their estimated fair values. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective and subject to change. The fair value estimates are considered preliminary and subject to change for up to one year after the closing date of the acquisition as additional information becomes available. Customers did not make any changes to the estimated fair values during third quarter 2016.

The fair value for the developed software was estimated based on expected revenue attributable to the software utilizing a discounted cash flow methodology giving consideration to potential obsolescence. The developed software is being amortized over ten years based on the estimated economic benefits received. The fair values for the other intangible assets represent the value of existing student and university relationships and a non-compete agreement with Higher One based on estimated retention rates and discounted cash flows. Other intangible assets are being amortized over an estimated life ranging from four to twenty years.

In connection with the Disbursement business acquisition, Customers incurred acquisition related expenses of $0.1 million and $1.2 million for the three and nine months ended September 30, 2016, respectively, related predominantly to professional services.

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NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of Presentation

The interim unaudited consolidated financial statements of Customers Bancorp and subsidiaries have been prepared pursuant to the rules and regulations of the SEC. These interim unaudited consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present a fair statement of the financial position and the results of operations and cash flows of Customers Bancorp and subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in the annual consolidated financial statements have been omitted from these interim unaudited consolidated financial statements as permitted by SEC rules and regulations. The December 31, 2015 consolidated balance sheet presented in this report has been derived from Customers Bancorp's audited 2015 consolidated financial statements. Management believes that the disclosures are adequate to present fairly the consolidated financial statements as of the dates and for the periods presented. These interim unaudited consolidated financial statements should be read in conjunction with the 2015 consolidated financial statements of Customers Bancorp and subsidiaries included in Customers' Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 26, 2016. That Form 10-K describes Customers Bancorp's significant accounting policies, which include its policies on Principles of Consolidation; Cash and Cash Equivalents and Statements of Cash Flows; Investment Securities; Loan Accounting Framework; Allowance for Loan Losses; Investments in FHLB, Federal Reserve Bank, and other restricted stock; Other Real Estate Owned; FDIC Loss Sharing Receivable and Clawback Liability; Bank-Owned Life Insurance; Bank Premises and Equipment; Treasury Stock; Income Taxes; Share-Based Compensation; Derivative Instruments and Hedging; Comprehensive Income; and Earnings per Share. Certain prior period amounts have been reclassified to conform to current period presentation. Results for interim periods are not necessarily indicative of those that may be expected for the fiscal year. Presented below are Customers Bancorp's significant accounting policies that were updated during the three or nine months ended September 30, 2016 to address new or evolving activities and recently issued accounting standards and updates that were issued or effective during 2016.

Restrictions on Cash and Amounts due from Banks

Customers Bank is required to maintain average balances of cash on hand or with the Federal Reserve Bank at prescribed levels. As of September 30, 2016 and December 31, 2015, these reserve balances were $118.2 million and $73.2 million, respectively.

In connection with the acquisition of the Disbursement business from Higher One, Customers placed $20 million in an escrow account with a third party to be paid to Higher One over the next two years. This cash is restricted in use and is reported in "Cash and due from banks" on the consolidated balance sheet as of September 30, 2016.

Business Combinations

Business combinations are accounted for by applying the acquisition method in accordance with Accounting Standards Codification (ASC) 805, Business Combinations. Under the acquisition method, identifiable assets acquired and liabilities assumed are measured at their fair values as of that date, and are recognized separately from goodwill. Results of operations of the acquired entity are included in the consolidated statement of income from the date of acquisition.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as customer relationship intangibles, core deposit intangibles, and non-compete agreements, are amortized over their estimated useful lives and subject to periodic impairment testing. Goodwill and other intangible assets recognized as part of the Disbursement business acquisition are based on a preliminary allocation of the purchase price and subject to change for up to one year following the date of the acquisition closing.

Goodwill and other intangible assets are reviewed for impairment annually as of October 31 and between annual tests when events and circumstances indicate that impairment may have occurred. Impairment is a condition that exists when the carrying amount of goodwill or other intangible asset exceeds its implied fair value. A qualitative factor test can be performed to determine whether it is necessary to perform a two-step quantitative impairment test. If the results of the qualitative review indicate that it is unlikely (less than 50% probability) that the carrying value of the reporting unit exceeds its fair value, no further evaluation needs to be performed. As of September 30, 2016 and December 31, 2015, goodwill and other intangibles totaled $16.9 million and $3.7 million, respectively.

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Segment Information
In connection with the acquisition of the Disbursement business from Higher One and the combination of that business with the BankMobile technology platform late in second quarter 2016, Customers' chief operating decision makers, our Chief Executive Officer and Board of Directors, began allocating resources and assessing performance for two distinct business segments, "Community Business Banking" and "BankMobile." The Community Business Banking segment is delivered predominately to commercial customers in Southeastern Pennsylvania, New York, New Jersey, Massachusetts, Rhode Island and New Hampshire through a single point of contact business model and provides liquidity to residential mortgage originators nationwide through commercial loans to mortgage companies. The BankMobile segment provides state of the art high tech digital banking and disbursement services to consumers, students, and the "under banked" nationwide. BankMobile, as a division of Customers Bank, is a full service bank that is accessible to customers anywhere and anytime through the customer's smartphone or other web-enabled device. Prior to third quarter 2016, Customers operated in one business segment, “Community Banking.” Additional information regarding reportable segments can be found in NOTE 14 - BUSINESS SEGMENTS.

Recently Issued Accounting Standards
In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-17—Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control. The amendments in this ASU do not change the characteristics of a primary beneficiary under current guidance. Namely, that a primary beneficiary of a Variable Interest Entity (VIE) has: (1) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If a reporting entity satisfies the first characteristic, (i.e. it is the single decision maker of a VIE), the amendments in this ASU require that reporting entity, in determining whether it satisfies the second characteristic of a primary beneficiary, to include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties, including related parties that are under common control with the reporting entity. Therefore, under the amendments, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties.

If, after performing that assessment, a reporting entity that is the single decision maker of a VIE concludes that it does not have the characteristics of a primary beneficiary, the amendments continue to require that reporting entity to evaluate whether it and one or more of its related parties under common control, as a group, have the characteristics of a primary beneficiary. If the single decision maker and its related parties that are under common control, as a group, have the characteristics of a primary beneficiary, then the party within the related party group that is most closely associated with the VIE is the primary beneficiary. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Customers is currently evaluating the impact of this ASU on its financial condition, results of operations and consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16—Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this ASU eliminate the exception for an intra-entity transfer of an asset other than inventory. Two common examples of assets included in the scope of this ASU are intellectual property and property, plant, and equipment. Intra-entity transfers of inventory will continue to follow existing US GAAP. The amendments in this ASU do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. For public business entities, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. Customers is currently evaluating the impact of this ASU on its financial condition, results of operations and consolidated financial statements.

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In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. This ASU is aimed at reducing the existing diversity in practice with regards to the following specific items in the Statement of Cash Flows:

1. Cash payments for debt prepayment or extinguishment costs will be classified in financing activities.
2. Upon settlement of zero-coupon bonds and bonds with insignificant cash coupons, the portion of the payment attributable to imputed interest will be classified as an operating activity, while the portion of the payment attributable to principal will be classified as a financing activity.
3. Cash paid by an acquirer that isn't soon after a business combination for the settlement of a contingent consideration liability will be separated between financing activities and operating activities. Cash payments up to the amount of the contingent consideration liability recognized at the acquisition date will be classified in financing activities; any excess will be classified in operating activities. Cash paid soon after the business combination will be classified in investing activities.
4. Cash proceeds received from the settlement of insurance claims will be classified on the basis of the related insurance coverage (that is, the nature of the loss). Cash proceeds from lump-sum settlements will be classified based on the nature of each loss included in the settlement.
5. Cash proceeds received from the settlement of bank-owned life insurance (BOLI) policies will be classified as cash inflows from investing activities. Cash payments for premiums on BOLI may be classified as cash outflows for investing, operating, or a combination of both.
6. A transferor's beneficial interest obtained in a securitization of financial assets will be disclosed as a noncash activity, and cash received from beneficial interests will be classified in investing activities.
7. Distributions received from equity method investees will be classified using either a cumulative earnings approach or a look-through approach as an accounting policy election.

The ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Customers is currently evaluating the impact of this ASU on the presentation of its statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. This ASU 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, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in ealier recognition of credit losses. The ASU also requires new disclosures for financial assets measured at amortized cost, loans, and available for sale debt securities. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Customers is currently evaluating the impact of this ASU on its financial condition, results of operations and consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The FASB issued this ASU as part of its initiative to reduce complexity in accounting standards. The areas for simplification in this ASU involve several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some areas for simplification apply only to non-public entities. For public business entities, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. In addition, the amendments in this ASU eliminate the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. Customers is currently evaluating the impact of this ASU on its financial condition and results of operations.

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In March 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures. To simplify the accounting for equity method investments, the amendments in the ASU eliminate the requirement in Topic 323, Investments - Equity Method and Joint Venture, that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The ASU is effective for all entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments. Topic 815, Derivatives and Hedging, requires that embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met, including the "clearly and closely related" criterion. The amendments in this ASU clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. Namely, this decision sequence requires that an entity consider whether:

1. the payoff is adjusted based on changes in an index;
2. the payoff is indexed to an underlying other than interest rates or credit risk;
3. the debt involves a substantial premium or discount; and
4. the call (put) option is contingently exercisable.

The amendments apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-05, Derivatives and Hedging: Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships. The term novation refers to replacing one counterparty to a derivative instrument with a new counterparty. That change occurs for a variety of reasons, including financial institution mergers, intercompany transactions, an entity exiting a particular derivatives business or relationship, an entity managing against internal credit limits, or in response to laws or regulatory requirements. The amendments in this ASU clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815, does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-04, Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products. When an entity sells a prepaid stored-value product (such as gift cards, telecommunication cards, and traveler's checks), it recognizes a financial liability for its obligation to provide the product holder with the ability to purchase goods or services at a third-party merchant. When a prepaid stored-value product goes unused wholly or partially for an indefinite time period, the amount that remains on the product is referred to as breakage. There currently is diversity in the methodology used to recognize breakage. Subtopic 405-20, Extinguishment of Liabilities, includes derecognition guidance for both financial liabilities and nonfinancial liabilities, and Topic 606, Revenue from Contracts with Customers, includes authoritative breakage guidance but excludes financial liabilities. 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. For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

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In February 2016, the FASB issued ASU No. 2016-02, 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 a lessees. From the lessor's perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn’t convey risks and rewards or control, an operating lease results. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. 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. A modified retrospective transition approach is required for lessors for sales-type, direct financing, 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. Customers is currently evaluating the impact of this ASU on its financial condition and results of operations.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall. The guidance in this ASU among other things, (1) requires equity investments with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) 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, (4) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (5) 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, (6) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (7) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In November 2015, the FASB issued ASU 2015-17, Income Taxes. The amendments in this ASU, which will align the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards (IFRS), require that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this ASU apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this ASU. For public business entities, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. To simplify the accounting for adjustments made to provisional amounts recognized in a business combination, the guidance in this ASU eliminates the requirement to retrospectively account for those adjustments and requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The guidance in this ASU was effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and should be applied prospectively to adjustment to provisional amounts that occur after the effective date of this ASU. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In April 2015 and August 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements- Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting, respectively. The guidance in these ASUs is intended to simplify the presentation of debt issuance costs, and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability consistent with debt discounts and is applicable on a retrospective basis. The guidance in these ASUs was effective for interim and annual periods beginning after December 15, 2015. The adoption of these ASUs on January 1, 2016 resulted in a reclassification adjustment, which reduced "Other borrowings" by $1.8 million and "Subordinated debt" by $1.3 million with a corresponding decrease in "Other assets" of $3.1 million as of December 31, 2015.

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In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. The guidance in this ASU affects reporting entities that must determine whether they should consolidate certain legal entities. This ASU modifies the evaluation of whether limited partnerships or similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The guidance in this ASU was effective for annual and interim periods beginning after December 15, 2015. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. The guidance in this ASU was issued as part of the FASB's initiative to reduce complexity in accounting standards and eliminates from GAAP the concept of extraordinary items. The guidance in this ASU was effective in first quarter 2016. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging: Determining Whether the Host contract in a Hybrid Financial Instrument in the Form of a Share is More Akin to Debt or to Equity. The guidance in this ASU requires entities that issue or invest in a hybrid financial instrument to separate an embedded derivative feature from a host contract and account for the feature as a derivative. In the case of derivatives embedded in a hybrid financial instrument that is issued in the form of a share, that criterion requires evaluating whether the nature of the host contract is more akin to debt or to equity and whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to the host contract. If the host contract is akin to equity, then equity-like features (for example, a conversion option) are considered clearly and closely related to the host contract and, thus, would not be separated from the host contract. If the host contract is akin to debt, then equity-like features are not considered clearly and closely related to the host contract. In the latter case, an entity may be required to separate the equity-like embedded derivative feature from the debt host contract if certain other criteria in Subtopic 815-15 are met. Similarly, debt-like embedded derivative features may require separate accounting from an equity-like host contract. The guidance in this ASU was effective in first quarter 2016. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In August 2014, the FASB issued ASU 2014-13, Consolidation: Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. The guidance in this ASU applies to a reporting entity that is required to consolidate a collateralized financing entity under the Variable Interest Entities guidance when: (1) the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in the consolidated financial statements based on other Codification Topics; and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The guidance in this ASU was effective in first quarter 2016. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

In June 2014, the FASB issued ASU 2014-12, Compensation-Stock Compensation. The guidance in this ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite period, the remaining unrecognized cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. As indicated in the definition of vest, the stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. The guidance in this ASU was effective in first quarter 2016. The adoption of this ASU did not have an impact on Customers' financial condition or results of operations.

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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This ASU establishes a comprehensive revenue recognition standard for virtually all industries following U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate and construction industries. The revenue standard's core principal is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) identify the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. Three basic transition methods are available - full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the cumulative effect alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date. The guidance in this ASU is now effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net). While the ASU does not change the core provisions of Topic 606, it clarifies the implementation guidance on principal versus agent considerations. Namely, the ASU clarifies and offers guidance to help determine when the reporting entity is providing goods or services to a customer itself (i.e., the entity is a principal), or merely arranging for that good or service to be provided by the other party (i.e., the reporting entity is an agent). If the entity is a principal, it recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When the reporting entity is an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. The guidance includes indicators to assist in determining whether the Control criteria are met. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. The effective date and transition requirements in this ASU are the same as the effective date and transition requirements for ASU No. 2014-09, Revenue from Contracts with Customers. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing. This ASU clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The ASU includes targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. The ASU seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. The amendments in this ASU affect the guidance in ASU 2014-09, Revenue from Contracts with Customers, which will be effective for fiscal years beginning after December 31, 2017 for public entities. The effective date and transition requirements for the amendments in this ASU are the same as those in ASU 2014-09. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients. This ASU clarifies certain aspects of Topic 606 guidance as follows:

- The objective of the collectibility assessment is to determine whether the contract is valid and represents a substantive transaction on the basis of whether a customer has the ability and intention to pay the promised consideration in exchange for the goods or services transferred.
-

An entity can recognize revenue in the amount of consideration received when it has transferred control of the goods or services, has no additional obligation to transfer goods or services, and the consideration received is nonrefundable.

- A reporting entity is permitted to make the accounting policy election to exclude amounts collected from customers for all sales taxes from the transaction price.
- The measurement date is specified as being the contract inception, and variable consideration guidance applies only to variability resulting from reasons other than the form of the consideration.

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- As a practical expedient, a reporting entity is permitted to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented in accordance with Topic 606 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- The ASU clarifies that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application. Accounting for elements of a contract that do not affect revenue under legacy GAAP are irrelevant to the assessment of whether a contract is complete. In addition, the amendments in this ASU permit an entity to apply the modified retrospective transition method either to all contracts or only to contracts that are not completed contracts.

The amendments in this ASU clarify that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. However, an entity is still required to disclose the effect of the changes on any prior periods retrospectively adjusted. The effective date and transition requirements in this ASU are the same as the effective date and transition requirements for ASU No. 2014-09, Revenue from Contracts with Customers. Customers does not expect the adoption of this ASU to have a significant impact on its financial condition or results of operations.

NOTE 4 — CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT (1)

The following tables present the changes in accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30, 2016				
	Available-for-sale-securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Gain (Loss) on Cash Flow Hedge	Total
Balance - June 30, 2016	$4,895	$ (768)	$ 4,127	$ (4,554)	$ (427)
Other comprehensive income (loss) before reclassifications	15	190	205	556	761
Amounts reclassified from accumulated other comprehensive income (loss) to net income (2)	1	—	1	439	440
Net current-period other comprehensive income	16	190	206	995	1,201
Balance - September 30, 2016	$4,911	$ (578)	$ 4,333	$ (3,559)	$774

	Nine Months Ended September 30, 2016				
	Available-for-sale-securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Loss on Cash Flow Hedge	Total
Balance - December 31, 2015	$ (4,602)	$ (584)	$ (5,186)	$ (2,798)	$ (7,984)
Other comprehensive income (loss) before reclassifications	9,529	6	9,535	(1,577)	7,958
Amounts reclassified from accumulated other comprehensive income (loss) to net income (2)	(16)	—	(16)	816	800
Net current-period other comprehensive income (loss)	9,513	6	9,519	(761)	8,758
Balance - September 30, 2016	$4,911	$ (578)	$ 4,333	$ (3,559)	$774

(1) All amounts are presented net of tax. Amounts in parentheses indicate reductions to accumulated other comprehensive income.

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(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 September 30, 2015				
	Available-for-sale-securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Loss on Cash Flow Hedge	Total
Balance - June 30, 2015	$(1,825)	$ (136)	$ (1,961)	$ (2,153)	$(4,114)
Other comprehensive income (loss) before reclassifications	598	(435)	163	(1,464)	(1,301)
Amounts reclassified from accumulated other comprehensive income (loss) to net income (2)	10	—	10	—	10
Net current-period other comprehensive income (loss)	608	(435)	173	(1,464)	(1,291)
Balance - September 30, 2015	$(1,217)	$ (571)	$ (1,788)	$ (3,617)	$(5,405)

	Nine Months Ended September 30, 2015				
	Available-for-sale-securities				
(amounts in thousands)	Unrealized Gains (Losses)	Foreign Currency Items	Total Unrealized Gains (Losses)	Unrealized Loss on Cash Flow Hedge	Total
Balance - December 31, 2014	$1,156	$ (14)	$ 1,142	$ (1,264)	$(122)
Other comprehensive (loss) before reclassifications	(2,426)	(557)	(2,983)	(2,353)	(5,336)
Amounts reclassified from accumulated other comprehensive loss to net income (2)	53	—	53	—	53
Net current-period other comprehensive income (loss)	(2,373)	(557)	(2,930)	(2,353)	(5,283)
Balance - September 30, 2015	$(1,217)	$ (571)	$ (1,788)	$ (3,617)	$(5,405)

(1) All amounts are presented net of tax. Amounts in parentheses indicate reductions to accumulated other comprehensive income.

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

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NOTE 5 — EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(amounts in thousands, except share and per share data)				
Net income available to common shareholders	$18,637	$ 14,309	$52,418	$ 39,310
Weighted-average number of common shares outstanding - basic	27,367,551	26,872,787	27,131,960	26,830,341
Share-based compensation plans	1,657,818	1,538,436	1,595,022	1,453,378
Warrants	124,365	329,906	243,531	315,276
Weighted-average number of common shares - diluted	29,149,734	28,741,129	28,970,513	28,598,995
Basic earnings per common share	$0.68	$ 0.53	$1.93	$ 1.47
Diluted earnings per common share	$0.64	$ 0.50	$1.81	$ 1.37

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Anti-dilutive securities:				
Share-based compensation awards	616,995	607,678	616,995	608,778
Warrants	52,242	52,242	52,242	52,242
Total anti-dilutive securities	669,237	659,920	669,237	661,020

NOTE 6 — INVESTMENT SECURITIES

The amortized cost and approximate fair value of investment securities as of September 30, 2016 and December 31, 2015 are summarized in the tables below:

	September 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(amounts in thousands)				
Available for Sale:				
Agency-guaranteed residential mortgage-backed securities	$251,755	$ 2,890	$ (325)	$254,320
Agency-guaranteed commercial real estate mortgage-backed securities	204,769	9,030	—	213,799
Corporate notes (1)	44,930	1,111	—	46,041
Equity securities (2)	22,508	—	(5,772)	16,736
	$523,962	$ 13,031	$ (6,097)	$530,896

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

(2) Consists of equity securities issued by a foreign entity.

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(amounts in thousands)	December 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
Agency-guaranteed residential mortgage-backed securities	$299,392	$ 1,453	$(2,741)	$298,104
Agency-guaranteed commercial real estate mortgage-backed securities	206,719	—	(3,849)	202,870
Corporate notes (1)	39,925	320	(178)	40,067
Equity securities (2)	22,514	—	(3,302)	19,212
	$568,550	$ 1,773	$(10,070)	$560,253

(1) Includes subordinated debt issued by other bank holding companies.
(2) Consists primarily of equity securities issued by a foreign entity.

The following table presents proceeds from the sale of available-for-sale investment securities and gross gains and gross losses realized on those sales for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(amounts in thousands)	2016	2015	2016	2015
Proceeds from sale of available-for-sale securities	$5	$314	$2,853	$806
Gross gains	$—	$—	$26	$—
Gross losses	(1)	(16)	(1)	(85)
Net gains (losses)	$(1)	$(16)	$25	$(85)

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

The following table presents available-for-sale debt securities by stated maturity. Debt 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:

	September 30, 2016	
(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	37,930	38,783
Due after ten years	7,000	7,258
Agency-guaranteed residential mortgage-backed securities	251,755	254,320
Agency-guaranteed commercial real estate mortgage-backed securities	204,769	213,799
Total debt securities	$501,454	$514,160

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Gross unrealized losses and fair value of Customers' investments aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(amounts in thousands)						
Available for Sale:						
Agency-guaranteed residential mortgage-backed securities	$2,388	$ (1)	$32,529	$ (324)	$34,917	$ (325)
Equity securities (2)	—	—	16,736	(5,772)	16,736	(5,772)
Total	$2,388	$ (1)	$49,265	$ (6,096)	$51,653	$ (6,097)

	December 31, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(amounts in thousands)						
Available for Sale:						
Agency-guaranteed residential mortgage-backed securities	$102,832	$ (535)	$57,357	$ (2,206)	160,189	$ (2,741)
Agency-guaranteed commercial real estate mortgage-backed securities	202,870	(3,849)	—	—	202,870	(3,849)
Corporate notes (1)	9,748	(178)	—	—	9,748	(178)
Equity securities (2)	19,206	(3,301)	6	(1)	19,212	(3,302)
Total	$334,656	$ (7,863)	$57,363	$ (2,207)	$392,019	$ (10,070)

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

(2) Consists primarily of equity securities in a foreign entity.

At September 30, 2016, there was one available-for-sale investment security in the less-than-twelve-month category and nine available-for-sale investment securities in the twelve-month-or-more category. The unrealized losses on the residential mortgage-backed securities are guaranteed by government-sponsored entities and primarily relate to changes in market interest rates. All amounts are expected to be recovered when market prices recover or at maturity. The unrealized losses on the equity securities reflect decreases in market price and adverse changes in foreign currency exchange rates. Customers evaluated the financial condition and capital strength of the issuer of these securities and concluded that the decline in fair value was temporary and estimated the value could reasonably recover by way of increases in market price or positive changes in foreign currency exchange rates. Customers intends to hold these securities for the foreseeable future and does not intend to sell the securities before the price recovers. Customers considers it more likely than not that it will not be required to sell the securities. Accordingly, Customers concluded that the securities are not other-than-temporarily impaired as of September 30, 2016.

At September 30, 2016 and December 31, 2015, Customers Bank had pledged investment securities aggregating $254.3 million and $299.8 million 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.

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NOTE 7 – LOANS HELD FOR SALE

The composition of loans held for sale as of September 30, 2016 and December 31, 2015 was as follows:

	September 30, 2016	December 31, 2015
(amounts in thousands)		
Commercial loans:		
Mortgage warehouse loans at fair value	$2,373,877	$1,754,950
Multi-family loans at lower of cost or fair value	25,263	39,257
Commercial loans held for sale	2,399,140	1,794,207
Consumer loans:		
Residential mortgage loans at fair value	3,568	2,857
Loans held for sale	$2,402,708	$1,797,064

Commercial loans held for sale consists primarily of mortgage warehouse loans. These mortgage warehouse lending transactions are subject to master repurchase agreements and are designated as held for sale 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 loans (i.e., the purchase event) and receives proceeds directly from third party investors when the loans are sold into the secondary market (i.e., the sale event). 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 rate on these loans are variable and the lending transactions are short-term, with an average life of 20 days from purchase to sale. The primary goal of these lending transactions is to provide liquidity to mortgage companies.

Effective September 30, 2015, Customers Bank transferred $30.4 million of multi-family loans from held for sale to loans 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 was lower than the estimated fair value at the time of transfer. There were no loans transferred during 2016.

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NOTE 8 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The following table presents loans receivable as of September 30, 2016 and December 31, 2015:

(amounts in thousands)	September 30, 2016	December 31, 2015
Commercial:		
Multi-family	$3,150,298	$2,909,439
Commercial and industrial (including owner occupied commercial real estate)	1,296,721	1,111,400
Commercial real estate non-owner occupied	1,151,099	956,255
Construction	83,835	87,240
Total commercial loans	5,681,953	5,064,334
Consumer:		
Residential real estate	227,122	271,613
Manufactured housing	104,404	113,490
Other	3,420	3,708
Total consumer loans	334,946	388,811
Total loans receivable	6,016,899	5,453,145
Deferred costs and unamortized premiums, net	96	334
Allowance for loan losses	(37,897)	(35,647)
Loans receivable, net of allowance for loan losses	$5,979,098	$5,417,832

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The following tables summarize loans receivable by loan type and performance status as of September 30, 2016 and December 31, 2015:

	September 30, 2016						
(amounts in thousands)	30-89 Days Past Due (1)	90 Days Or More Past Due(1)	Total Past Due (1)	Non-Accrual	Current (2)	Purchased-Credit-Impaired Loans (3)	Total Loans (4)
Multi-family	$—	$ —	$ —	$—	$3,147,521	$ 2,777	$3,150,298
Commercial and industrial	—	—	—	4,900	899,200	1,150	905,250
Commercial real estate - owner occupied	—	—	—	2,071	376,482	12,918	391,471
Commercial real estate - non-owner occupied	—	—	—	2,152	1,142,024	6,923	1,151,099
Construction	—	—	—	—	83,835	—	83,835
Residential real estate	1,182	—	1,182	2,238	215,766	7,936	227,122
Manufactured housing (5)	2,958	2,543	5,501	1,992	93,784	3,127	104,404
Other consumer	16	—	16	43	3,118	243	3,420
Total	$4,156	$ 2,543	$ 6,699	$13,396	$5,961,730	$ 35,074	$6,016,899

	December 31, 2015						
(amounts in thousands)	30-89 Days Past Due (1)	90 Days Or More Past Due(1)	Total Past Due (1)	Non-Accrual	Current (2)	Purchased-Credit-Impaired Loans (3)	Total Loans (4)
Multi-family	$—	$ —	$ —	$—	$2,905,789	$ 3,650	$2,909,439
Commercial and industrial	39	—	39	1,973	799,595	1,552	803,159
Commercial real estate - owner occupied	268	—	268	2,700	292,312	12,961	308,241
Commercial real estate - non-owner occupied	1,997	—	1,997	1,307	940,895	12,056	956,255
Construction	—	—	—	—	87,006	234	87,240
Residential real estate	2,986	—	2,986	2,202	257,984	8,441	271,613
Manufactured housing (5)	3,752	2,805	6,557	2,449	101,132	3,352	113,490
Other consumer	107	—	107	140	3,227	234	3,708
Total	$9,149	$ 2,805	$ 11,954	$10,771	$5,387,940	$ 42,480	$5,453,145

(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 subject to 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 September 30, 2016 and December 31, 2015, the Bank had $0.9 million and $1.2 million, respectively, of residential real estate held in other real estate owned. As of September 30, 2016 and December 31, 2015, the Bank had initiated foreclosure proceedings on $0.5 million and $0.6 million, respectively, on loans secured by residential real estate.

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Allowance for loan losses

During second quarter 2015, the Bank refined its methodology for estimating the general allowance for loan losses. Previously, the general allowance for the portion of the loan portfolio originated after December 31, 2009 ("Post 2009 loan portfolio") was based generally on qualitative factors due to insufficient historical loss data on the portfolio. During second quarter 2015, the Bank began using objectively verifiable industry and peer loss data to estimate probable incurred losses as of the balance sheet date for the Post 2009 loan portfolio until sufficient internal loss history is available. The same methodology was also adopted for the portion of the loan portfolio originated on or before December 31, 2009 ("Legacy loan portfolio") that had no loss history over the past two years.

The changes in the allowance for loan losses for the three and nine months ended September 30, 2016 and 2015 and the loans and allowance for loan losses by loan class based on impairment evaluation method as of September 30, 2016 and December 31, 2015 are as follows. The amounts presented for the provision for loan losses below do not include the effect of changes to estimated benefits resulting from the FDIC loss share arrangements for the covered loans for periods prior to the termination of the FDIC loss sharing arrangements.

Three Months Ended September 30, 2016 (amounts in thousands)	Multi-family	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Construction	Residential Real Estate	Manufactured Housing	Other Consumer	Total
Ending Balance, June 30, 2016	$12,368	$10,370	$1,582	$8,483	$1,209	$3,535	$440	$110	$38,097
Charge-offs	—	(237)	—	(140)	—	(43)	—	(246)	(666)
Recoveries	—	62	—	—	8	298	—	10	378
Provision for loan losses	(695)	832	305	3	(168)	(411)	(18)	240	88
Ending Balance, September 30, 2016	$11,673	$11,027	$1,887	$8,346	$1,049	$3,379	$422	$114	$37,897
Nine Months Ended September 30, 2016									
Ending Balance, December 31, 2015	$12,016	$8,864	$1,348	$8,420	$1,074	$3,298	$494	$133	$35,647
Charge-offs	—	(774)	—	(140)	—	(456)	—	(478)	(1,848)
Recoveries	—	173	—	8	465	299	—	10	955
Provision for loan losses	(343)	2,764	539	58	(490)	238	(72)	449	3,143
Ending Balance, September 30, 2016	$11,673	$11,027	$1,887	$8,346	$1,049	$3,379	$422	$114	$37,897

As of September 30, 2016									
Loans:									
Individually evaluated for impairment	$4,538	$30,275	$10,523	$10,659	$—	$3,999	$9,091	$42	$69,127
Collectively evaluated for impairment	3,142,983	873,825	368,030	1,133,517	83,835	215,187	92,186	3,135	5,912,698
Loans acquired with credit deterioration	2,777	1,150	12,918	6,923	—	7,936	3,127	243	35,074
	$3,150,298	$905,250	$391,471	$1,151,099	$83,835	$227,122	$104,404	$3,420	$6,016,899
Allowance for loan losses:									
Individually evaluated for impairment	$195	$3,119	$—	$27	$—	$63	$—	$—	$3,404
Collectively evaluated for impairment	11,478	7,771	1,857	4,581	1,049	2,515	95	57	29,403
Loans acquired with credit deterioration	—	137	30	3,738	—	801	327	57	5,090
	$11,673	$11,027	$1,887	$8,346	$1,049	$3,379	$422	$114	$37,897

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Three Months Ended September 30, 2015 (amounts in thousands)	Multi-family	Commercial and Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Construction	Residential Real Estate	Manufactured Housing	Other Consumer	Total
Ending Balance, June 30, 2015	$8,734	$14,062	$3,651	$6,310	$844	$3,455	$316	$119	$37,491
Charge-offs	—	(5,559)	(35)	(82)	—	(256)	—	—	(5,932)
Recoveries	—	248	13	—	8	—	—	6	275
Provision for loan losses	472	1,678	(370)	(109)	258	(5)	70	(5)	1,989
Ending Balance, September 30, 2015	$9,206	$10,429	$3,259	$6,119	$1,110	$3,194	$386	$120	$33,823
Nine Months Ended September 30, 2015									
Ending Balance, December 31, 2014	$8,493	$4,784	$4,336	$9,198	$1,047	$2,698	$262	$114	$30,932
Charge-offs	—	(6,793)	(378)	(327)	(1,064)	(282)	—	(36)	(8,880)
Recoveries	—	351	14	—	195	572	—	91	1,223
Provision for loan losses	713	12,087	(713)	(2,752)	932	206	124	(49)	10,548
Ending Balance, September 30, 2015	$9,206	$10,429	$3,259	$6,119	$1,110	$3,194	$386	$120	$33,823
As of December 31, 2015									
Loans:									
Individually evaluated for impairment	$661	$17,621	$8,329	$4,831	$—	$4,726	$8,300	$140	$44,608
Collectively evaluated for impairment	2,905,128	783,986	286,951	939,368	87,006	258,446	101,838	3,334	5,366,057
Loans acquired with credit deterioration	3,650	1,552	12,961	12,056	234	8,441	3,352	234	42,480
	$2,909,439	$803,159	$308,241	$956,255	$87,240	$271,613	$113,490	$3,708	$5,453,145

Allowance for loan losses:									
Individually evaluated for impairment	$—	$1,990	$1	$148	$—	$84	$—	$50	$2,273
Collectively evaluated for impairment	12,016	6,650	1,347	3,858	1,074	2,141	98	28	27,212
Loans acquired with credit deterioration	—	224	—	4,414	—	1,073	396	55	6,162
	$12,016	$8,864	$1,348	$8,420	$1,074	$3,298	$494	$133	$35,647

Certain manufactured housing loans were purchased in August 2010. A portion of the purchase price may be used to reimburse the Bank under the specified terms in the purchase agreement for defaults of the underlying borrower and other specified items. At September 30, 2016 and December 31, 2015, funds available for reimbursement, if necessary, were $0.7 million and $1.2 million, respectively. Each quarter, these funds are evaluated to determine if they would be sufficient to absorb the probable incurred losses within the manufactured housing portfolio.

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Loans Individually Evaluated for Impairment

The following tables present the recorded investment (net of charge-offs), unpaid principal balance, and related allowance by loan type for loans that are individually evaluated for impairment as of September 30, 2016 and December 31, 2015 and the average recorded investment and interest income recognized for the three and nine months ended September 30, 2016 and 2015. Purchased-credit-impaired loans are considered to be performing and are not included in the tables below.

	September 30, 2016			Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	Recorded Investment Net of Charge offs	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
(amounts in thousands)							
With no related allowance recorded:							
Multi-family	$4,159	$4,159	$ —	$2,080	$ 38	$1,205	$ 38
Commercial and industrial	22,885	23,919	—	21,859	406	18,681	879
Commercial real estate owner occupied	10,523	10,523	—	10,182	201	9,651	403
Commercial real estate non-owner occupied	10,539	10,678	—	7,983	118	6,081	133
Other consumer	42	42	—	43	—	45	—
Residential real estate	3,799	3,842	—	3,835	39	4,039	83
Manufactured housing	9,091	9,091	—	8,971	9	8,785	290
With an allowance recorded:							
Multi-family	379	379	195	383	5	290	15
Commercial and industrial	7,390	7,390	3,119	7,561	43	7,256	155
Commercial real estate owner occupied	—	—	—	—	—	6	—
Commercial real estate non-owner occupied	120	120	27	328	2	438	6
Other consumer	—	—	—	—	—	36	—
Residential real estate	200	200	63	300	—	421	—
Manufactured housing	—	—	—	—	—	—	—
Total	$69,127	$70,343	$ 3,404	$63,525	$ 861	$56,934	$ 2,002

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	December 31, 2015			Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Recorded Investment Net of Charge offs	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
(amounts in thousands)							
With no related allowance recorded:							
Multi-family	$661	$661	$ —	$203	$ 5	$101	$ 5
Commercial and industrial	12,056	13,028	—	7,597	102	9,179	500
Commercial real estate owner occupied	8,317	8,317	—	6,431	103	7,617	288
Commercial real estate non-owner occupied	4,276	4,276	—	7,803	137	6,937	514
Construction	—	—	—	335	—	1,330	—
Other consumer	48	48	—	49	1	35	1
Residential real estate	4,331	4,331	—	4,044	20	3,910	62
Manufactured housing	8,300	8,300	—	7,061	131	4,855	339
With an allowance recorded:							
Commercial and industrial	5,565	5,914	1,990	12,640	26	8,420	332
Commercial real estate - owner occupied	12	12	1	13	66	200	66
Commercial real estate non-owner occupied	555	555	148	664	4	821	9
Other consumer	92	92	50	93	—	88	—
Residential real estate	395	395	84	474	1	419	1
Total	$44,608	$45,929	$ 2,273	$47,407	$ 596	$43,912	$ 2,117

Troubled Debt Restructurings

At September 30, 2016 and December 31, 2015, there were $14.2 million and $11.4 million, respectively, in loans reported as troubled debt restructurings (“TDRs”). TDRs are reported as impaired loans in the calendar year of their restructuring and are evaluated to determine whether they should be placed on non-accrual status. In subsequent years, a TDR may be returned to accrual status if it satisfies a minimum six-month performance requirement; however, it will remain classified as impaired. Generally, the Bank requires sustained performance for nine months before returning a TDR to accrual status.

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

The following is an analysis of loans modified in a troubled debt restructuring by type of concession for the three and nine months ended September 30, 2016 and 2015. There were no modifications that involved forgiveness of debt.

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
(dollars in thousands)				
Extensions of maturity	—	$ —	1	$ 183
Interest-rate reductions	10	533	21	705
Total	10	$ 533	22	$ 888

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	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
(dollars in thousands)				
Extensions of maturity	3	$ 1,995	1	$ 183
Interest-rate reductions	49	1,932	131	5,747
Total	52	$ 3,927	132	$ 5,930

The following table provides, by loan type, the number of loans modified in troubled debt restructurings, and the related recorded investment, during the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
(dollars in thousands)				
Commercial and industrial	—	$ —	1	$ 183
Commercial real estate non-owner occupied	—	—	—	—
Manufactured housing	10	533	20	699
Residential real estate	—	—	1	6
Total loans	10	$ 533	22	$ 888

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
(dollars in thousands)				
Commercial and industrial	1	$ 76	2	$ 527
Commercial real estate non-owner occupied	1	1,844	1	209
Manufactured housing	47	1,716	127	4,993
Residential real estate	3	291	2	201
Total loans	52	$ 3,927	132	$ 5,930

As of September 30, 2016 and December 31, 2015, there were no commitments to lend additional funds to debtors whose terms have been modified in TDRs.

As of September 30, 2016, five manufactured housing loans totaling $0.1 million that were modified in TDRs within the past twelve months, defaulted on payments. As of September 30, 2015, five manufactured housing loans totaling $0.2 million that were modified in TDRs within the past twelve months, defaulted on payments.

Loans modified in troubled debt restructurings are evaluated for impairment. The nature and extent of impairment of TDRs, including those which have experienced a subsequent default, is considered in the determination of an appropriate level of allowance for loan losses. There was one specific allowance as a result of TDR modifications during the three and nine months ended September 30, 2016, totaling $29 thousand for one commercial real estate non-owner occupied loan. There was one specific allowance resulting from TDR modifications during the three months ended September 30, 2015, totaling $140 thousand for one commercial and industrial loan. There were three specific allowances from TDR modifications during the nine months ended September 30, 2015, totaling $208 thousand for two commercial and industrial loans, and $25 thousand for one commercial real estate non-owner occupied loan.

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Purchased Credit Impaired Loans

The changes in accretable yield related to purchased-credit-impaired loans for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,	
	2016	2015
(amounts in thousands)		
Accretable yield balance as of June 30,	$11,165	$14,302
Accretion to interest income	(460)	(551)
Reclassification from nonaccretable difference and disposals, net	107	10
Accretable yield balance as of September 30,	$10,812	$13,761

	Nine Months Ended September 30,	
	2016	2015
(amounts in thousands)		
Accretable yield balance as of December 31,	$12,947	$17,606
Accretion to interest income	(1,429)	(1,790)
Reclassification from nonaccretable difference and disposals, net	(706)	(2,055)
Accretable yield balance as of September 30,	$10,812	$13,761

Allowance for Loan Losses and the FDIC Loss Sharing Receivable and Clawback Liability

Losses incurred on covered loans were eligible for partial reimbursement by the FDIC. Subsequent to the purchase date, the expected cash flows on the covered loans were subject to evaluation. Decreases in the present value of expected cash flows on the covered loans were recognized by increasing the allowance for loan losses with a related charge to the provision for loan losses. At the same time, the FDIC indemnification asset was increased reflecting an estimated future collection from the FDIC, which was recorded as a reduction to the provision for loan losses. If the expected cash flows on the covered loans increased such that a previously recorded impairment could be reversed, the Bank recorded a reduction in the allowance for loan losses (with a related credit to the provision for loan losses) accompanied by a reduction in the FDIC receivable balance (with a related charge to the provision for loan losses). Increases in expected cash flows on covered loans and decreases in expected cash flows from the FDIC loss sharing receivable, when there are no previously recorded impairments, were considered together and recognized over the remaining life of the loans as interest income. Decreases in the valuations of other real estate owned covered by the loss sharing agreements were recorded net of the estimated FDIC receivable as an increase to other real estate owned expense (a component of non-interest expense).

On July 11, 2016, Customers entered into an agreement to terminate all existing rights and obligations pursuant to the loss sharing agreements with the FDIC. In connection with the termination agreement, Customers paid the FDIC $1.4 million as final payment under these agreements. The negotiated settlement amount was based on net losses incurred on the covered assets through September 30, 2015, adjusted for cash payments to and receipts from the FDIC as part of the December 31, 2015 and March 31, 2016 certifications. Consequently, loans and other real estate owned previously reported as covered assets pursuant to the loss sharing agreements were no longer presented as covered assets as of June 30, 2016.

The following table presents changes in the allowance for loan losses and the FDIC loss sharing receivable, including the effects of the estimated clawback liability and the termination agreement, for the three and nine months ended September 30, 2016 and 2015.

Allowance for Loan Losses

	Three Months Ended September 30,	
(amounts in thousands)	2016	2015
Ending balance as of June 30,	$ 38,097	$ 37,491
Provision for loan losses (1)	88	1,989
Charge-offs	(666)	(5,932)
Recoveries	378	275
Ending balance as of September 30,	$ 37,897	$ 33,823

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(amounts in thousands)	FDIC Loss Sharing Receivable/ Clawback Liability Three Months Ended September 30, 2016	2015
Ending balance as of June 30,	$ (1,381)	$ (1,455)
Increased (decreased) estimated cash flows (2)	—	(105)
Increased estimated cash flows from covered OREO (a)	—	3,138
Other activity, net (b)	—	61
Cash payments to (receipts from) the FDIC	1,381	(1,437)
Ending balance as of September 30,	$ —	$ 202
(1) Provision for loan losses	$ 88	$ 1,989
(2) Effect attributable to FDIC loss share arrangements	—	105
Net amount reported as provision for loan losses	$ 88	$ 2,094

(a) Recorded as a reduction to Other Real Estate Owned expense (a component of non-interest expense).
(b) Includes external costs, such as legal fees, real estate taxes, and appraisal expenses, which qualify for reimbursement under loss sharing agreements.

(amounts in thousands)	Allowance for Loan Losses Nine months ended September 30, 2016	2015
Ending balance as of December 31,	$ 35,647	$ 30,932
Provision for loan losses (1)	3,143	10,548
Charge-offs	(1,848)	(8,880)
Recoveries	955	1,223
Ending balance as of September 30,	$ 37,897	$ 33,823

(amounts in thousands)	FDIC Loss Sharing Receivable/ Clawback Liability Nine months ended September 30, 2016	2015
Ending balance as of December 31,	$ (2,083)	$ 2,320
Increased (decreased) estimated cash flows (2)	289	(3,845)
Increased estimated cash flows from covered OREO (a)	—	3,138
Other activity, net (b)	(255)	529
Cash payments to (receipts from) the FDIC	2,049	(1,940)
Ending balance as of September 30,	$ —	$ 202
(1) Provision for loan losses	$ 3,143	$ 10,548
(2) Effect attributable to FDIC loss share arrangements	(289)	3,845
Net amount reported as provision for loan losses	$ 2,854	$ 14,393

(a) Recorded as a reduction to Other Real Estate Owned expense (a component of non-interest expense).
(b) Includes external costs, such as legal fees, real estate taxes, and appraisal expenses, which qualify for reimbursement under loss sharing agreements.

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Credit Quality Indicators

Multi-family, commercial and industrial, owner occupied commercial real estate, non-owner occupied commercial real estate, construction, and residential real estate loans are rated based on an internally assigned risk rating system which is assigned at the time of loan origination and reviewed on a periodic, or on an “as needed,” basis. Manufactured housing and other consumer loans are evaluated based on the payment activity of the loan and individual loans are not assigned an internal risk rating unless delinquent.

To facilitate the monitoring of credit quality within the multi-family, commercial and industrial, owner occupied commercial real estate, non-owner occupied commercial real estate, construction and residential real estate classes, and for purposes of analyzing historical loss rates used in the determination of the allowance for loan losses for the respective portfolio class, the Bank utilizes the following categories of risk ratings: pass/satisfactory (includes risk rating 1 through 6), special mention, substandard, doubtful, and loss. The risk rating categories, which are derived from standard regulatory rating definitions, are assigned upon initial approval of credit to borrowers and updated periodically thereafter. Pass/satisfactory ratings, which are assigned to those borrowers who do not have identified potential or well-defined weaknesses and for whom there is a high likelihood of orderly repayment, are updated periodically based on the size and credit characteristics of the borrower. All other categories are updated on a quarterly basis during the month preceding the end of the calendar quarter. While assigning risk ratings involves judgment, the risk-rating process allows management to identify riskier credits in a timely manner and allocate the appropriate resources to manage those loans.

The risk rating grades are defined as follows:

“1” – Pass/Excellent

Loans rated 1 represent a credit extension of the highest quality. The borrower’s historic (at least five years) cash flows manifest extremely large and stable margins of coverage. Balance sheets are conservative, well capitalized, and liquid. After considering debt service for proposed and existing debt, projected cash flows continue to be strong and provide ample coverage. The borrower typically reflects broad geographic and product diversification and has access to alternative financial markets.

“2” – Pass/Superior

Loans rated 2 are those for which the borrower has a strong financial condition, balance sheet, operations, cash flow, debt capacity and coverage with ratios better than industry norms. The borrowers of these loans exhibit a limited leverage position, are virtually immune to local economies, and are in stable growing industries. The management team is well respected and the company has ready access to public markets.

“3” – Pass/Strong

Loans rated 3 are those loans for which the borrowers have above average financial condition and flexibility; more than satisfactory debt service coverage; balance sheet and operating ratios are consistent with or better than industry peers; operate in industries with little risk; move in diversified markets; and are experienced and competent in their industry. These borrowers’ access to capital markets is limited mostly to private sources, often secured, but the borrower typically has access to a wide range of refinancing alternatives.

“4” – Pass/Good

Loans rated 4 have a sound primary and secondary source of repayment. The borrower may have access to alternative sources of financing, but sources are not as widely available as they are to a higher grade borrower. These loans carry a normal level of risk, with very low loss exposure. The borrower has the ability to perform according to the terms of the credit facility. The margins of cash flow coverage are satisfactory but vulnerable to more rapid deterioration than the higher quality loans.

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"5" – Satisfactory

Loans rated 5 are extended to borrowers who are determined to be a reasonable credit risk and demonstrate the ability to repay the debt from normal business operations. Risk factors may include reliability of margins and cash flows, liquidity, dependence on a single product or industry, cyclical trends, depth of management, or limited access to alternative financing sources. The borrower's historical financial information may indicate erratic performance, but current trends are positive and the quality of financial information is adequate, but is not as detailed and sophisticated as information found on higher grade loans. If adverse circumstances arise, the impact on the borrower may be significant.

"6" – Satisfactory/Bankable with Care

Loans rated 6 are those for which the borrower has higher than normal credit risk; however, cash flow and asset values are generally intact. These borrowers may exhibit declining financial characteristics, with increasing leverage and decreasing liquidity and may have limited resources and access to financial alternatives. Signs of weakness in these borrowers may include delinquent taxes, trade slowness and eroding profit margins.

"7" – Special Mention

Loans rated Special Mention are credit facilities that may have potential developing weaknesses and deserve extra attention from the account manager and other management personnel. In the event potential weaknesses are not corrected or mitigated, deterioration in the ability of the borrower to repay the debt in the future may occur. This grade is not assigned to loans that bear certain peculiar risks normally associated with the type of financing involved, unless circumstances have caused the risk to increase to a level higher than would have been acceptable when the credit was originally approved. Loans where significant actual, not potential, weaknesses or problems are clearly evident are graded in the category below.

"8" – Substandard

Loans are classified Substandard when the loans are inadequately protected by the current sound worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the company will sustain some loss if the weaknesses are not corrected.

"9" – Doubtful

The Bank assigns a doubtful rating to loans that have all the attributes of a substandard rating with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonable specific pending factors that may work to the advantage of and strengthen the credit quality of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors may include a proposed merger or acquisition, liquidation proceeding, capital injection, perfecting liens on additional collateral or refinancing plans.

"10" – Loss

The Bank assigns a loss rating to loans considered uncollectible and of such little value that their continuance as an active asset is not warranted. Amounts classified as loss are immediately charged off.

Risk ratings are not established for certain consumer loans, including home equity, manufactured housing, and installment loans, mainly because these portfolios consist of a larger number of homogeneous loans with smaller balances. Instead, these portfolios are evaluated for risk mainly based upon aggregate payment history through the monitoring of delinquency levels and trends and are classified as performing and non-performing.

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The following tables present the credit ratings of loans receivable as of September 30, 2016 and December 31, 2015.

September 30, 2016	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)									
Pass/Satisfactory	$3,145,089	$874,940	$377,917	$1,140,415	$83,835	$224,113	$—	$—	$5,846,309
Special Mention	379	23,147	9,032	8,544	—	—	—	—	41,102
Substandard	4,830	7,163	4,522	2,140	—	3,009	—	—	21,664
Performing (1)	—	—	—	—	—	—	96,911	3,361	100,272
Non-performing (2)	—	—	—	—	—	—	7,493	59	7,552
Total	$3,150,298	$905,250	$391,471	$1,151,099	$83,835	$227,122	$104,404	$3,420	$6,016,899

December 31, 2015	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)									
Pass/Satisfactory	$2,907,362	$784,892	$295,762	$950,886	$87,240	$268,210	$—	$—	$5,294,352
Special Mention	661	14,052	7,840	1,671	—	282	—	—	24,506
Substandard	1,416	4,215	4,639	3,698	—	3,121	—	—	17,089
Performing (1)	—	—	—	—	—	—	104,484	3,461	107,945
Non-performing (2)	—	—	—	—	—	—	9,006	247	9,253
Total	$2,909,439	$803,159	$308,241	$956,255	$87,240	$271,613	$113,490	$3,708	$5,453,145

(1) Includes consumer and other installment loans not subject to risk ratings.
(2) Includes loans that are past due and still accruing interest and loans on nonaccrual status.

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NOTE 9 - SHAREHOLDERS' EQUITY

On September 16, 2016, Customers Bancorp issued 3,400,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual
Preferred Stock, Series F, (the "Series F Preferred Stock") par value $1.00 per share, at a price of $25.00 per share in a public offering. Dividends on the Series F Preferred Stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 6.00% from the original issue date to, but excluding, December 15, 2021, and thereafter at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 4.762% per annum. Customers received net proceeds of $82.3 million from the offering, after deducting offering costs.

On August 11, 2016, Customers Bancorp entered into an At Market Issuance Sales Agreement ("the Sales Agreement") with FBR Capital Markets & Co., Keefe, Bruyette & Woods, Inc. and Maxim Group LLC. Customers Bancorp has authorized the sale, at its discretion, of shares of its common stock, par value $1.00 per share, in an aggregate offering amount up to $50 million under the Sales Agreement. During third quarter 2016, Customers issued 219,386 shares in connection with this Sales Agreement receiving net proceeds of $5.5 million, net of offering costs.

On April 28, 2016, Customers Bancorp issued 2,300,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, (the "Series E Preferred Stock") par value $1.00 per share, at a price of $25.00 per share in a public offering. Dividends on the Series E Preferred Stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 6.45% from the original issue date to, but excluding, June 15, 2021, and thereafter at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 5.14% per annum. Customers received net proceeds of $55.6 million from the offering, after deducting offering costs.

On January 29, 2016, Customers Bancorp issued 1,000,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, (the "Series D Preferred Stock") par value $1.00 per share, at a price of $25.00 per share in a public offering. Dividends on the Series D Preferred Stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 6.50% from the original issue date to, but excluding, March 15, 2021, and thereafter at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 5.09% per annum. Customers received net proceeds of $24.1 million from the offering, after deducting offering costs.

On May 18, 2015, Customers Bancorp issued 2,300,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, (the "Series C Preferred Stock") par value $1.00 per share, at a price of $25.00 per share in a public offering. Dividends on the Series C Preferred Stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 7.00% from the original issue date to, but excluding, June 15, 2020, and thereafter at a floating rate per annum equal to three-month LIBOR on the related dividend determination date plus a spread of 5.30% per annum. Customers received net proceeds of $55.6 million from the offering, after deducting offering costs.

The net proceeds from the preferred and common stock offerings will be used for general corporate purposes, which may include working capital and the funding of organic growth at Customers Bank.

Dividends on the Series C, Series D, Series E, and Series F Preferred Stock are not cumulative. If Customers Bancorp's board of directors or a duly authorized committee of the board does not declare a dividend on the Series C, Series D, Series E, and Series F Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and Customers Bancorp will have no obligation to pay any dividend for that dividend period, whether or not the board of directors or a duly authorized committee of the board declares a dividend on the Series C, Series D, Series E, and Series F Preferred Stock for any future dividend period.

The Series C, Series D, Series E, and Series F Preferred Stock have no stated maturity, are not subject to any mandatory redemption, sinking fund or other similar provisions and will remain outstanding unless redeemed at Customers Bancorp's option. Customers Bancorp may redeem the Series C, Series D, Series E and Series F Preferred Stock at its option, at a redemption price equal to $25.00 per share, plus any declared and unpaid dividends (without regard to any undeclared dividends), (i) in whole or in part, from time to time, on any dividend payment date on or after June 15, 2020 for the Series C Preferred Stock, March 15, 2021 for the Series D Preferred Stock, June 15, 2021 for the Series E Preferred Stock, and December 15, 2021 for the Series F Preferred Stock and or (ii) in whole but not in part, within 90 days following the occurrence of a regulatory capital treatment event. Any redemption of the Series C, Series D, Series E, and Series F Preferred Stock is subject to prior approval of the Board of Governors of the Federal Reserve System. The Series C, Series D, Series E, and Series F Preferred Stock qualify as Tier 1 capital under regulatory capital guidelines. Except in limited circumstances, the Series C, Series D, Series E, and Series F Preferred Stock do not have any voting rights.

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On September 15, 2016, Customers made the following dividend payments to shareholders of record as of August 31, 2016:

- a cash dividend on its Series C Preferred Stock of $0.4375 per share.
- a cash dividend on its Series D Preferred Stock of $0.40625 per share.
- a cash dividend on its Series E Preferred Stock of $0.403125 per share.

On June 15, 2016, Customers made the following dividend payments to shareholders of record as of May 31, 2016:

- a cash dividend on its Series C Preferred Stock of $0.4375 per share.
- a cash dividend on its Series D Preferred Stock of $0.40625 per share.
- a cash dividend on its Series E Preferred Stock of $0.210521 per share.

On March 15, 2016, Customers made the following dividend payments to shareholders of record as of February 29, 2016:

- a cash dividend on its Series C Preferred Stock of $0.4375 per share.
- a cash dividend on its Series D Preferred Stock of $0.2076 per share.

NOTE 10 — SHARE-BASED COMPENSATION

Stock Options

The following table summarizes stock option activity for the nine months ended September 30, 2016.

(dollars in thousands)	Number of Options	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2015	3,731,761	$ 14.33		
Granted	20,000	25.18		
Exercised	(44,337)	10.28		$ 623
Forfeited	(1,275)	18.72		
Outstanding at September 30, 2016	3,706,149	$ 14.44	6.07	$ 39,745
Exercisable at September 30, 2016	1,095,912	$ 10.03	4.03	$ 16,584

Cash received from the exercise of options during the nine months ended September 30, 2016 was $0.5 million with a related tax benefit of $0.2 million.

Restricted Stock Units

There were 247,285 restricted stock units granted during the nine months ended September 30, 2016. Of the aggregate restricted stock units granted, 86,654 were granted under the Bonus Recognition and Retention Program and are subject to five-year cliff vesting. The remaining 160,631 units were granted under the Bancorp's Restated and Amended 2004 Incentive Equity and Deferred Compensation Plan and are subject to either a three-year waterfall vesting with one third of the amount vesting annually or a three-year cliff vesting. The following table summarizes restricted stock unit activity for the nine months ended September 30, 2016.

	Restricted Stock Units	Weighted-average Grant-date Fair Value
Outstanding and unvested at December 31, 2015	873,264	$ 14.24
Granted	247,285	23.85
Vested	(97,664)	14.82
Forfeited	(973)	19.86
Outstanding and unvested at September 30, 2016	1,021,912	$ 16.51

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Total share-based compensation expense for the three months ended September 30, 2016 and 2015 was $1.7 million and $1.2 million, respectively. Total share-based compensation expense for the nine months ended September 30, 2016 and 2015 was $4.6 million and $3.6 million, respectively.

Customers Bancorp has a policy that permits its directors to elect to receive shares of voting common stock in lieu of their cash retainers. During the nine months ended September 30, 2016, Customers Bancorp issued 22,961 shares of voting common stock with a fair value of $0.6 million to directors as compensation for their services during the first nine months of 2016. The fair values were determined based on the opening price of the common stock on the day the shares were issued.

NOTE 11 — REGULATORY CAPITAL

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

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, total capital to risk-weighted assets, and Tier 1 capital to average assets (as defined in the regulations). At September 30, 2016 and December 31, 2015, the Bank and the Bancorp met all capital adequacy requirements to which they were subject.

The Dodd-Frank Act required the FRB to establish minimum consolidated capital requirements for bank holding companies that are as stringent as those required for insured depositary subsidiaries. In 2013, the federal banking agencies approved rules that implemented the Dodd-Frank requirements and certain other regulatory capital reforms effective January 1, 2015, that (i) introduced a new capital ratio pursuant to the prompt corrective action provisions, the common equity tier 1 capital to risk weighted assets ratio, (ii) increased the adequately capitalized and well capitalized thresholds for the Tier 1 risk based capital ratios to 6% and 8%, respectively, (iii) changed the treatment of certain capital components for determining Tier 1 and Tier 2 capital, and (iv) changed the risk weighting of certain assets and off balance sheet items in determining risk weighted assets.

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To be categorized as well capitalized, an institution must maintain minimum common equity Tier 1, Tier 1 risk based, total risk based and Tier 1 leveraged ratios as set forth in the following table:

	Actual		For Capital Adequacy Purposes (Minimum Plus Capital Buffer)		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(amounts in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2016:						
Common equity Tier 1 capital (to risk weighted assets)						
Customers Bancorp, Inc.	$553,391	7.117 %	$ 398,497	5.125 %	N/A	N/A
Customers Bank	$772,484	9.971 %	$ 397,045	5.125 %	$ 503,569	6.500 %
Tier 1 capital (to risk weighted assets)						
Customers Bancorp, Inc.	$770,070	9.904 %	$ 515,130	6.625 %	N/A	N/A
Customers Bank	$772,484	9.971 %	$ 513,253	6.625 %	$ 619,777	8.000 %
Total capital (to risk weighted assets)						
Customers Bancorp, Inc.	$904,305	11.630 %	$ 670,641	8.625 %	N/A	N/A
Customers Bank	$919,234	11.865 %	$ 668,198	8.625 %	$ 774,722	10.000 %
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	$770,070	8.182 %	$ 376,467	4.000 %	N/A	N/A
Customers Bank	$772,484	8.229 %	$ 375,508	4.000 %	$ 469,385	5.000 %
As of December 31, 2015:						
Common equity Tier 1 capital (to risk weighted assets)						
Customers Bancorp, Inc.	$500,624	7.610 %	$ 296,014	4.500 %	N/A	N/A
Customers Bank	$565,217	8.620 %	$ 294,916	4.500 %	$ 425,990	6.500 %
Tier 1 capital (to risk weighted assets)						
Customers Bancorp, Inc.	$556,193	8.460 %	$ 394,685	6.000 %	N/A	N/A
Customers Bank	$565,217	8.620 %	$ 393,221	6.000 %	$ 524,295	8.000 %
Total capital (to risk weighted assets)						
Customers Bancorp, Inc.	$698,323	10.620 %	$ 526,247	8.000 %	N/A	N/A
Customers Bank	$710,864	10.850 %	$ 524,295	8.000 %	$ 655,369	10.000 %
Tier 1 capital (to average assets)						
Customers Bancorp, Inc.	$556,193	7.160 %	$ 310,812	4.000		