Risk Factors Comparison 2024-02-29 to 2023-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business is subject to a number of risks and a summary of the significant risk factors is set forth below. These risks are discussed in more detail following this summary and should be read together with this summary and considered along with other information contained in this report before investing in our securities. • Risks related to the Bancorp ~~'~~ **'** s banking operations: ◦ Risks associated with our lending activities and effective management of credit risks in our loan and lease portfolio; ◦ Risks related to maintaining an appropriate level of ACL; ◦ Risks associated with our investment securities portfolio including market and credit risks and the uncertainties surrounding macroeconomic conditions; ◦ Risks related to inflation, interest rates, and securities market and monetary fluctuations; ◦ Risks related to changes in the composition of our loan portfolio including our current emphasis on commercial and industrial, commercial real estate, consumer, and mortgage warehouse lending **; ◦ Risks related to the commercial real estate market** ; ◦ Risks associated with maintaining sufficient liquidity including our ability to gather, grow and retain our lower cost deposits; ◦ Risks and uncertainties associated with the effectiveness of our business strategies, operations, and technology in managing growth and maintaining profitability; ◦ Risks related to changes to estimates and assumptions made by management in preparing financial statements. These changes could adversely affect our business, operating results, reported assets and liabilities, financial condition and capital levels; ◦ Risks related to changes in accounting standards and policies which can be difficult to predict and can materially impact how we record and report our financial results; ◦ Risks related to our geographic concentration in the Northeast and Mid- Atlantic regions; ◦ Risks related to our **concentration in certain business lines or product types; ◦ Risks related to our** dependency on our executive officers and key personnel to implement our strategy and our ability to retain their services; ◦ Risks related to significant competition from other financial institutions and financial services providers ~~; ◦ Risks related to the uncertainty about reference rate reform~~ ; ◦ Risks related to CBIT, our blockchain- based instant B2B payments platform; ◦ Risks associated with our dependency on our information technology and telecommunications systems and third- party service providers including exposures to systems failures, interruptions or breaches of security; ◦ Risks associated with the loss of, or failure to adequately safeguard, confidential or proprietary information; **◦ Risks associated with negative public opinion regarding us;** • Risks related to the divestiture of BMT: ◦ Risks associated with BM Technologies through our various service agreements with BM Technologies; • Risks related to macroeconomic conditions, COVID- 19, climate change and geopolitical ~~conflict~~ **conflicts** : ◦ Risks related to worsening general business and economic conditions which could materially and adversely affect us; ◦ Risks associated with COVID- 19 and its variants including their scope, duration and severity and actions taken by governmental authorities in response to COVID- 19 and its variants; ◦ Risks related to the SBA' s PPP program and PPP loans remaining on our balance sheet; ◦ Risks related to climate change and related legislative and regulatory initiatives on our business; • Risks related to the regulation of our industry: ◦ Risks associated with the highly regulated environment in which we operate, including the effects of heightened regulatory and supervisory requirements applicable to banks with assets in excess of $ 10 billion; ◦ Risks related to maintaining adequate regulatory capital to support our business strategies including the long- term impact of the new regulatory capital standards and the capital rules on U. S. banks; ◦ Risks related to our use of third- party service providers and our other ongoing third- party business relationships, which are subject to increasing regulatory requirements and attention; ◦ Risks associated to us being subject to numerous laws and governmental regulations and to regular examinations by our regulators of our business and compliance with laws and regulations. Our failure to comply with such laws and regulations or to adequately address any matters identified during these examinations could materially and adversely affect us; ◦ Risks related to reviews performed by the IRS and state taxing authorities for the fiscal years that remain open for investigation and potential changes in U. S. federal, state or local tax laws; • Risks related to our securities: ◦ Risks related to our voting common stock; ◦ Risks related to our fixed- to- floating- rate non- cumulative perpetual preferred stock, Series E and Series F; and ◦ Risks related to our senior notes and subordinated notes. • General risk factors Risks Related to the Bancorp' s Banking Operations Our business is highly susceptible to credit risk. If our ACL is insufficient to absorb losses in our loan and lease portfolio, our earnings could decrease. Lending money is a substantial part of our business, and each loan and lease carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment **of the full amount owed** . This risk is affected by, among other things: • the financial condition and cash flows of the borrower and / or the project being financed; • whether a loan or lease is collateralized and, if so, the changes and uncertainties as to the future value of the collateral; • the discount on the loan at the time of its acquisition; • the duration of the loan or lease; • the credit history of a particular borrower; and • changes in current and future economic and industry conditions. Our credit standards, policies and procedures are designed to reduce the risk of credit losses to a low level but may not prevent us from incurring substantial credit losses. Additionally, for certain borrowers, we restructure originated or acquired loans if we believe the borrowers are experiencing problems servicing the debt pursuant to current terms, and we believe the borrower is likely to fully repay their restructured obligations. We are subject to legal or regulatory requirements for restructured loans. With respect to restructured loans, we grant concessions to certain borrowers experiencing financial difficulties in order to facilitate repayment of the loan by a reduction of the stated interest rate for the remaining life of the loan to lower than the current market rate for new loans with similar risk or an extension of the maturity date. Management makes various assumptions and judgments about the collectibility of our loan and lease portfolio, including the creditworthiness of our borrowers and the probability of our borrowers making payments, as well as the value of real estate and other assets serving as collateral for the repayment of many of our loans and leases. **Under the CECL model pursuant** ~~As described in" NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES AND~~

~~BASIS OF PRESENTATION"~~ to ~~our audited financial statements, on January 1, 2020, Customers adopted~~ ASC 326, Measurement of Credit Losses on Financial Instruments (~~"~~ **“** ASC 326 ~~"~~ **”**) ~~, which replaced the" incurred loss" model for recognizing credit losses with an" expected loss" model referred to as the CECL model. The adoption resulted in an increase of $ 79. 8 million to the beginning balance of our ACL. Under the CECL model~~ , we are required to present certain financial assets ~~carried~~ **reported** at amortized cost, such as loans held for investment and HTM debt securities, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. ~~This differs significantly from the incurred loss model required under previous GAAP, which delayed recognition until it was probable a loss had been incurred. The CECL model may create more volatility in the level of our reserves.~~ At December 31, ~~2022~~ **2023** , Customers ~~'~~ **’** ACL totaled $ ~~130~~ **135** . ~~9~~ **3** million, which represented ~~0~~ **1** . ~~93~~ **13** % of total loans and leases held for investment ~~, and 1~~ . ~~00 % of total loans and leases held for investment (excluding loan receivable, PPP), a non- GAAP measure. Management believes the use of these non- GAAP measures provides additional clarity when assessing Customers' financial results. These disclosures should not be viewed as substitutes for results determined to be in accordance with U. S. GAAP, nor are they necessarily comparable to non- GAAP performance measures that may be presented by other entities. Please refer to the reconciliation schedules in" Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations, LOANS AND LEASES, Credit Risk."~~ In determining the amount of the ACL, significant factors considered include loss experience in particular **loan** ~~segments of the~~ portfolio, trends and absolute levels of classified and criticized loans and leases, trends and absolute levels in delinquent loans and leases, trends in risk ratings, trends in industry and Customers ~~'~~ **’** charge- offs by particular ~~segments~~ **loan portfolio** and changes in current and future economic and business conditions affecting our lending areas and the national economy ~~, including the economic impact of COVID- 19 and its variants~~ . If our assumptions are incorrect, our ACL may not be sufficient to cover losses inherent in our loan and lease portfolio, resulting in additions to the ACL. Management reviews and re- estimates the ACL quarterly. Additions to our ACL as a result of management ~~'~~ **’** s reviews and re- estimates could materially decrease net income. Our regulators, as an integral part of their examination process, periodically review our ACL and may lead us to increase our ACL by recognizing additional provisions for credit losses on loans and leases charged to expense, or to decrease our ACL by recognizing charge- offs, net of recoveries. Any such additional provisions for credit losses on loans and leases or net charge- offs could have a material adverse effect on our financial condition and results of operations and possibly risk- based capital. In first quarter 2020, as part of its response to the impact of COVID- 19, the U. S. federal banking regulatory agencies issued an interim final rule that provided the option to temporarily delay certain effects of CECL on regulatory capital for two years, followed by a three- year transition period. The interim final rule allows banking organizations to delay for two years 100 % of the day- one impact of adopting CECL and 25 % of the cumulative change in the reported allowance for credit losses since adopting CECL. We elected to adopt the interim final rule. The cumulative CECL capital transition impact as of December 31, 2021 which amounted to $ 61. 6 million will be phased in at 25 % per year beginning on January 1, 2022 through December 31, 2024. As of December 31, ~~2022~~ **2023** , our regulatory capital ratios reflected ~~75~~ **50** %, or $ ~~46~~ **30** . ~~2~~ **8** million, benefit associated with the CECL transition provisions. Changes in the composition of our loan portfolio may expose us to increased lending risks. From time to time, we implement changes in the composition of our loan portfolio to emphasize and deemphasize certain types of loans, such as commercial and industrial loans, including specialty loans, loans to mortgage companies and loans to consumers. We may achieve these changes through originations or purchases **or sales** of loan portfolios from **or to** third party originators or fintech companies. Our focus will change, based on our evaluation of current and predicted market conditions and opportunities. Changes in the composition of our loan portfolio could have a significant adverse effect on our overall credit profile, which could result in a higher percentage of non- accrual loans, increased provision for loan losses, **loss of future income on loans sold, sales of loans at a discount below book value** and an increased level of net charge- offs, all of which could have a material and adverse effect on our financial condition and results of operations. Consumer loans are particularly affected by economic conditions, including interest rates, inflation, the rate of unemployment, housing prices, the level of consumer confidence, changes in consumer spending, and the number of personal bankruptcies. A weakening in business or economic conditions, including higher unemployment levels, higher inflation, increased interest rates or declines in home prices could adversely affect borrowers ~~'~~ **’** ability to repay their loans, which could negatively impact our credit performance. As of December 31, ~~2022~~ **2023** , Customers had $ ~~2~~ **1** . ~~2~~ **7** billion in consumer loans outstanding, or ~~14~~ **13** . 2 % of the total loan and lease portfolio, which includes loans held for sale, loans receivable, mortgage warehouse at fair value and loans receivable, PPP, compared to $ 2. ~~1~~ **2** billion, or 14. ~~7~~ **2** % of the total loan and lease portfolio, as of December 31, ~~2021~~ **2022** . Our emphasis on commercial, commercial real estate and mortgage warehouse lending may expose us to increased lending risks. We intend to continue emphasizing the origination of commercial loans including **our** specialty **lending verticals** ~~loans and loans to mortgage companies~~ . Commercial loans, including commercial real estate loans, can expose a lender to risk of non- payment and loss because repayment of the loans often depends on the successful operation of a business or property **, which could be affected by factors outside of the borrower’ s control,** and the borrower’ s cash flows. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to- four- family residential mortgage loans. In addition, we may need to increase our allowance for credit losses in the future to account for an increase in expected credit losses associated with such loans. Also, we expect that many of our commercial borrowers will have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to- four- family residential mortgage loan. ~~As~~ **We are also** a lender to mortgage companies, **where** we provide financing to mortgage bankers by purchasing, subject to resale under a master repurchase agreement, the underlying residential mortgages on a short- term basis pending the ultimate sale of the mortgages to investors. We are subject to the risks associated with such lending, including, but not limited to, the risks of fraud, bankruptcy and possible default by the borrower, closing agents and the residential borrower on the underlying mortgage, any of which could result in credit losses. The risk of fraud associated with this type of lending includes, but is not limited to, settlement process risks, the risk of financing nonexistent loans or fictitious mortgage loan transactions, or the risk that collateral delivered is fraudulent or non- existent, creating a risk of loss of the full amount financed on the underlying residential mortgage loan, or in the settlement processes. Fraudulent transactions could have a material adverse effect on our financial condition and results of operations ~~. Our lending to commercial mortgage companies is a significant part of our assets and earnings~~ . This business is subject to seasonality of the mortgage lending business, and volumes have been declining as interest rates increased. A decline in the rate of growth, volume or profitability of this business unit, or a loss of its leadership could adversely affect our results of operations and financial condition. As of December 31, ~~2022~~ **2023** , we had $ ~~13~~ **11** . 5 billion in commercial loans outstanding, approximately ~~85~~ **86** . 8 % of our total loan and lease portfolio, which includes loans held for sale, loans receivable, mortgage warehouse at fair value and loans receivable, PPP, as compared to $ ~~12~~ **13** . ~~4~~ **5** billion, or 85. ~~3~~ **8** % of the total loan and lease portfolio, as of December 31, ~~2021~~ **2022 . We are subject to risks arising from conditions in the commercial real estate market. Commercial real estate mortgage loans generally involve a greater degree of credit risk than residential real estate mortgage loans because they typically have larger balances and are more affected by adverse conditions in the economy. Because payments on loans secured by commercial real estate often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower' s control, such as adverse conditions in the real estate market or the economy, ability to raise rents and find tenants able to pay such rents, or changes in government regulations. The market value of real estate can fluctuate significantly in a relatively short period of time as a result of market conditions in the geographic area in which the real estate is located, in response to factors such as economic downturns, changes in the economic health of industries heavily concentrated in a particular area and in response to changes in market interest rates, which influence capitalization rates used to value revenue- generating commercial real estate. If the value of real estate serving as collateral for loans declines materially, a significant part of the loan portfolio could become under- collateralized and losses incurred upon borrower defaults would increase. Conditions in certain areas within the real estate industry may have an effect on the values of real estate pledged as collateral for loans. The inability of purchasers of real estate to obtain financing may weaken the financial condition of borrowers who are dependent on the sale or refinancing of property to repay their loans. Changes in the economic health of certain industries can have a significant impact on other sectors or industries which are directly or indirectly associated with those industries and may impact the value of real estate in areas where such industries are concentrated. In recent years, commercial real estate markets have been particularly impacted by the economic disruption resulting from the COVID- 19 pandemic. The COVID- 19 pandemic has also been a catalyst for the evolution of various remote work options which could impact the long- term performance of some types of office properties within our commercial real estate portfolio. Banking regulatory agencies have expressed concerns about weaknesses in the current commercial real estate market. Failures in our risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which, accordingly, could have a material adverse effect on our business, results of operations and financial condition** . Our New York State multifamily loan portfolio could be adversely impacted by changes in legislation or regulation. On June 14, 2019, the New York State legislature passed the Housing Stability and Tenant Protection Act of 2019, impacting about one million rent regulated apartment units. Among other things, the legislation: (i) curtailed rent increases from Material Capital Improvements and Individual Apartment Improvements; (ii) all but eliminated the ability for apartments to exit rent regulation; (iii) eliminated vacancy decontrol and high- income deregulation; and (iv) repealed the 20 % vacancy bonus. In total, it generally limits a landlord ~~'~~ **'** s ability to increase rents on rent regulated apartments and makes it more difficult to convert rent regulated apartments to market rate apartments. As a result, the value of the collateral located in New York State securing our multifamily loans or the future net operating income of such properties could potentially become impaired. As of December 31, ~~2022~~ **2023** , our total multifamily exposure in New York State was approximately $ 1. 2 billion, of which approximately $ ~~693~~ **631** . ~~1~~ **4** million, or ~~56~~ **52. 9** % ~~,~~ **.** was provided for loans to **properties with 50 % or more** rent **-** regulated **units** ~~properties in the multifamily community~~ , primarily in New York City **. In 2024 and 2025, there are $ 56. 2 million, or 8. 9 % of these loans that will mature or have an interest rate reset** . The fair value of our investment securities fluctuates due to market conditions. Adverse economic performance can lead to adverse security performance and potential impairment. As of December 31, ~~2022~~ **2023** , the fair value of our available for sale investment securities portfolio was $ ~~3~~ **2** . ~~0~~ **4** billion. We have historically followed a conservative investment strategy, with concentrations in securities that are backed by government- sponsored enterprises. Since 2020, we have been seeking to increase yields through more aggressive strategies, which has included a greater percentage of corporate securities, non- agency mortgage- backed securities and other structured credit products. Factors beyond our control significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, such as a change in management ~~'~~ **'** s intent to sell the securities, could cause credit losses and realized and / or unrealized losses in future periods and declines in OCI, which could have a material adverse effect on us. The process for determining whether impairment of a security exists usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Changes to estimates and assumptions made by management in preparing financial statements could adversely affect our business, operating results, reported assets and liabilities, financial condition and capital levels. Changes to estimates and assumptions made by management in connection with the preparation of our consolidated financial statements could adversely affect the reported amounts of assets and liabilities and the reported amounts of income and expenses. The preparation of our consolidated financial statements requires management to make certain critical accounting estimates and assumptions that could affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting periods. Changes to management' s assumptions or estimates could materially and adversely affect our business, operating results, reported assets and liabilities, financial condition and capital levels. Changes in accounting standards and policies can be difficult to predict and can materially impact how we record and report our financial results. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the FASB or the SEC changes the financial accounting and reporting standards or the policies that govern the preparation of our financial statements. These changes are at times difficult to predict and can materially impact how we record and report our financial condition and results of operations. We could be required to apply new or revised guidance retrospectively, which at times results in the revision of prior period financial statements by material amounts. The implementation of new or revised accounting guidance could have a material adverse effect on our financial results or net worth. **Our** ~~For example, we adopted ASC 326 on January 1, 2020 which replaced the incurred loss methodology for determining our provision for credit losses and the ACL with the CECL model. As discussed above, our adoption of CECL resulted in an increase to our ACL of $ 79. 8 million. The impact of CECL in future periods will be significantly influenced by the composition, characteristics and quality of our loan and lease portfolio, as well as the current economic conditions and forecasts of macroeconomic variables utilized. Should these factors materially change, we may be required to increase or decrease our ACL which will impact our reported earnings thereby introducing additional volatility into our reported earnings. The~~ geographic concentration in the Northeast and Mid- Atlantic regions makes our business susceptible to downturns in the local economies and depressed banking markets, which could materially and adversely affect us. We have experienced exponential growth over the last ~~three~~ **five** years as a result of **significant expansion in our national specialty lending verticals as well as** participating in the SBA ~~'~~ **'** s PPP ~~loans~~ , and expanded our franchise in new geographies such as Texas, Florida ~~and~~ **,** North Carolina **. In June 2023, Customers acquired a Venture Banking loan portfolio at a discount from the FDIC. Customers has also recruited team members that originated these loans to service the venture- backed growth industry from seed- stage through late- stage. The newly recruited team gives clients access to the capital to grow from innovation to maturity. The team has long- standing relationships with these clients offering them premier end- to- end financial services meeting their needs. The addition of these team members created venture banking client coverage in Austin, the Bay Area, Boston, Southern California, Chicago, Denver, Raleigh / Durham, and Washington, D. C** . We intend to grow in these new markets and enter additional markets in the future. As of December 31, ~~2022~~ **2023** , our loan and deposit activities remained largely based in the Northeast and Mid- Atlantic regions. As a result, our financial performance depends in part upon economic conditions in these regions. These regions have experienced deteriorating local economic conditions in the past, and a downturn in the regional real estate market could harm our financial condition and results of operations because of the geographic concentration of loans within these regions, and because a large percentage of the loans are secured by real property. If there is a decline in real estate values, the collateral value for our loans will decrease, and our probability of incurring losses will increase as the ability to recover on defaulted loans by selling the underlying real estate will be lessened. We expect our loan and deposit activities to continue expanding beyond the Northeast and Mid- Atlantic regions to service customers across the nation. Additionally, we have made a significant investment in commercial real estate loans. Often in a commercial real estate transaction, repayment of the loan is dependent on the property generating sufficient rental income to service the loan. Economic conditions may affect a tenant' s ability to make rental payments on a timely basis, and cause some tenants not to renew their leases, each of which may impact the debtor' s ability to make loan payments. Further, if expenses associated with commercial properties increase dramatically, a tenant' s ability to repay, and therefore the debtor' s ability to make timely loan payments, could be adversely affected. All of these factors could increase the amount of NPLs, increase our provision for loan losses and reduce our net income. **Our loan and deposit portfolios contain concentrations in certain business lines or product types that have unique risk characteristics and may expose us to increased risks. Our loan and deposit portfolios consist primarily of commercial and industrial loans, including specialty lending activities, multifamily lending, commercial real estate loans, and loans to mortgage companies, and related deposits, which contain material concentrations in certain business lines or product types. These loan and deposit concentrations present unique risks and involve specialized underwriting and management as they often involve large loan balances to or deposit balances from a single customer or group of related customers. Consequently, an adverse development with respect to one credit relationship, business line or product type may adversely affect us.** We depend on our executive officers and key personnel to implement our strategy and could be harmed by the loss of their services. We believe that the implementation of our strategy will depend in large part on the skills of our executive management team, and our ability to motivate and retain these and other key personnel. Accordingly, the loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our growth strategy and materially and adversely affect us. We experience leadership changes in our management team from time to time, and if key or significant resignations occur, we may not be able to recruit additional qualified personnel, especially during periods of low unemployment. We believe our executive management team possesses valuable knowledge about the banking industry and that their knowledge and relationships would be very difficult to replicate. Although our CEO, CFO, and President have entered into employment agreements with us, it is possible that they may not complete the term of their employment agreement or may choose not to renew it upon expiration. Our customers also rely on us to deliver personalized financial services. Our strategic model is dependent upon relationship managers and private bankers who act as a customer' s single point of contact to us. **Many of our specialized lending verticals rely on our relationship managers' expertise and relationships**

in their respective industries. The loss of the service of these individuals could undermine the confidence of our customers in our ability to provide such personalized services. We need to continue to attract and retain these individuals and to recruit other qualified individuals to ensure continued growth. In addition, competitors may recruit these individuals in light of the value of the individuals' relationships with their customers and communities, and we may not be able to retain such relationships absent the individuals. In any case, if we are unable to attract and retain our relationship managers and private bankers and recruit individuals with appropriate skills and knowledge to support our business, our growth strategy, business, financial condition and results of operations may be adversely affected. In addition, our ability to expand into new business lines, such as specialty lending and digital banking including our CBIT and Banking- as- a- Service offerings, are highly dependent upon our ability to attract and retain key personnel. We cannot assure you that our recruiting efforts for these positions will be successful or that they will enhance our business, results of operations or financial condition. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key senior personnel, or the inability to recruit and retain qualified personnel in the future, such as those in our compliance, **finance,** risk and legal departments, could have a material adverse effect on us. Because many of our team members continue to work remotely on a " hybrid model ", the ability of our key personnel and other management to motivate personnel and maintain corporate culture may be adversely affected. We face significant competition from other financial institutions and financial services providers, which may materially and adversely affect us. Commercial and consumer banking is highly competitive. Changes in market interest rates and pricing decisions by our loan competitors may adversely affect demand for our loan products and the revenue realized on the sale of loans, and ultimately reduce our net income. Our markets contain a large number of community and regional banks as well as a significant presence of the country' s largest commercial banks. We compete with other state and national financial institutions, including savings and loan associations, savings banks and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, **private credit funds,** mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies, as well as major retailers and ~~fintechs~~ - **fintech companies** , in providing various types of loans and other financial services. Some of these competitors may have a long history of successful operations in our markets, greater ties to local businesses and more expansive banking relationships, as well as better established depositor bases. Competitors may also have greater resources and access to capital and may possess other advantages such as operating more ATMs and conducting extensive promotional and advertising campaigns or operating a more developed Internet platform. Competitors may also **be subject to less restrictive regulation than we are,** exhibit a greater tolerance for risk and behave more aggressively with respect to pricing in order to increase their market share. We expect to drive organic growth by employing our ~~Concierge Banking ® and~~ single- point- of- contact ~~strategies~~ **strategy** , which ~~provide~~ **provides** specific relationship managers or private bankers for all customers, and by focusing on our corporate and specialty banking verticals. Many of our competitors provide similar services, and others may replicate our model. Our competitors may have greater resources than we do and may be able to provide similar services more quickly, efficiently and extensively. To the extent others replicate our model, we could lose what we view as a competitive advantage, and our financial condition and results of operations may be adversely affected. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Increased competition among financial services companies due to the ongoing consolidation of certain competing financial institutions may adversely affect our ability to market our products and services. Technological advances have lowered barriers to entry and made it possible for banks to compete in our market without a retail footprint by offering competitive rates, as well as non- banks to offer products and services traditionally provided by banks. Our ability to compete successfully depends on a number of factors, including, among others: • the ability to develop, maintain and build upon long- term customer relationships based on high quality, personal service, effective and efficient products and services, high ethical standards and safe and sound assets; • the scope, relevance and competitive pricing of products and services offered to meet customer needs and demands; • the ability to provide customers with maximum convenience of access to services and availability of banking representatives; • the ability to attract and retain highly qualified team members to operate our business; • the ability to expand our market position in current and new markets; • customer access to our decision makers and customer satisfaction with our level of service **; • the ability to effectively manage our enterprise risk** ; and • the ability to operate our business effectively and efficiently. Failure to perform in any of these areas could significantly weaken our competitive position, which could materially and adversely affect us. In addition, the financial services industry is undergoing rapid technological changes, with frequent introductions of new technology- driven products and services including internet services, cryptocurrencies and payment systems. In addition to improving the ability to serve customers, the effective use of technology increases efficiency and enables financial institutions to reduce long- term costs. These technological advancements also have made it possible for non- financial institutions, such as the ~~"~~ **“** fintech companies ~~"~~ **”** and market place lenders, to offer products and services that have traditionally been offered by financial institutions. The process of ~~"~~ **“** disintermediation, ~~"~~ **”** or removing banks from their traditional role as financial intermediaries, could result in loss of customer deposits and other sources of revenue, which could have a material adverse effect on our financial condition and results of operations. Further, in many cases fintech companies and similar non- bank financial service firms, unlike the Bank, are not subject to extensive regulation and supervision. The absence of significant oversight and regulatory compliance obligations may allow such companies to realize certain competitive advantages over us, which has resulted in increased competition for our customers ~~'~~ **’** business. Federal and state banking agencies continue to deliberate over the regulatory treatment of fintech companies, including whether the agencies are authorized to grant charters or licenses to such companies and whether it would be appropriate to do so in consideration of several regulatory and economic factors. The increased demand for, and availability of, alternative payment systems and currencies not only increases competition for such services, but has created a more complex operating environment that, in certain cases, may require additional or different controls to manage fraud, operational, legal and compliance risks. Like other financial services institutions, our asset and liability structures are monetary in nature. Such structures are affected by a variety of factors, including changes in interest rates, which can impact the value of financial instruments held by us. Like other financial services institutions, we have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, inflation, currency values, market conditions, the availability and terms (including cost) of short- term or long- term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties and the level and volatility of trading markets. Such factors can impact customers and counterparties of a financial services institution and may impact the value of financial instruments held by a financial services institution. Our earnings and cash flows largely depend upon the level of our net interest income, which is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. Because different types of assets and liabilities may react differently and at different times to market interest- rate changes, changes in interest rates can increase or decrease our net interest income. When interest- bearing liabilities mature or reprice more quickly than interest- earning assets in a period, an increase in interest rates would reduce net interest income. Similarly, when interest- earning assets mature or reprice more quickly, and because the magnitude of repricing of interest- earning assets is often greater than interest- bearing liabilities, falling interest rates would reduce net interest income. Accordingly, changes in the level of market interest rates affect our net yield on interest- earning assets and liabilities, loan and investment securities portfolios and our overall financial results. Changes in interest rates may also have a significant impact on **borrower behaviors and** any future loan origination revenues. Changes in interest rates also have a significant impact on the carrying value of a significant percentage of the assets, both loans and investment securities, on our balance sheet. We have incurred debt and may incur additional debt in the future, and that debt may also be sensitive to interest rates and any increase in interest rates could materially and adversely affect us. Interest rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve. Adverse changes in the Federal Reserve' s interest- rate policies or other changes in monetary policies and economic conditions could materially and adversely affect us. ~~The phase- out of LIBOR as a financial benchmark may adversely affect our business. LIBOR historically has been the reference rate used for many of our transactions, including our lending and borrowing and our purchase and sale of securities that we use to manage risk related to such transactions. However, a reduced volume of interbank unsecured term borrowing coupled with recent legal and regulatory proceedings related to rate manipulation by certain financial institutions has led to international reconsideration of LIBOR as a financial benchmark. The FCA, which regulates the process for establishing LIBOR, has announced that LIBOR will cease after June 30, 2023. Federal banking agencies determined that banks should have ceased entering into any new contract that uses LIBOR as a reference rate by December 31, 2021. Banks also were encouraged to identify LIBOR- referencing contracts scheduled to extend beyond June 30, 2023 and implement plans to identify and address insufficient LIBOR- related contingency provisions in those contracts. On March 15, 2022, Congress passed the Adjustable Interest Rate Act to address references to LIBOR in contracts that (i) are governed by U. S. law, (ii) will not mature before June 30, 2023, and (iii) lack fallback provisions providing for a clearly defined and practicable replacement for LIBOR. On December 16, 2022, the Federal Reserve adopted a final rule implementing this legislation that replaces references to LIBOR in financial contracts addressed by the legislation with certain Federal Reserve- selected benchmark rates based on SOFR. We have adopted a variety of alternative reference rates to replace LIBOR in our financial instruments going forward, including the Term Secured Overnight Financing Rate, the Bloomberg Short- Term Bank Yield Index and others. There can be no assurances on which of these alternative rate (s) may become the primary replacement to LIBOR for purposes of financial instruments that are currently referencing LIBOR. We are in the process of managing this transition, facilitating communication with our customers and counterparties, and monitoring the impacts of this transition. The discontinuance of LIBOR may result in uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments and may also increase operational and other risks to Customers and the industry. For Customers' exposure to LIBOR- based financial instruments including loans, securities, derivatives, borrowings and preferred stocks, and Customers' transition from LIBOR, refer to" LIBOR Transition" within Part II, Item 7A." Quantitative and Qualitative Disclosures About Market Risk". We continue to prepare for the transition of our existing LIBOR exposures prior to the final LIBOR cessation date of June 30, 2023. Benchmark rates based on SOFR have emerged as viable replacements for LIBOR. The ARRC, which is comprised of a group of large banks convened by the Federal Reserve, has recommended the use of benchmark rates based on SOFR, including a forward- looking term SOFR rate, as alternatives to LIBOR for various categories of contracts. SOFR has been published by the Federal Reserve since May 2018, and it is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities. The Federal Reserve currently publishes SOFR on a daily basis. The Federal Reserve states on its publication page for SOFR that use of SOFR is subject to important disclaimers, limitations and indemnification obligations, including that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, certain benchmark rates based on SOFR, such as the forward- looking term SOFR rate, are calculated and published by third parties. Because SOFR, and such other benchmark rates based on SOFR, are published by the Federal Reserve or such other third parties, Customers does not control their determination, calculation or publication. We cannot assure you that SOFR, or benchmark rates based on SOFR, will not be discontinued or fundamentally altered in a manner that is materially adverse to the parties that utilize such rates as the reference rate for transactions. There is no assurance that SOFR (or benchmark rates based on SOFR) will be widely adopted as the replacement reference rate for LIBOR. The market transition away from LIBOR to an alternative reference rate, including SOFR (or benchmark rates based on SOFR), is complex and could have a range of adverse effects on Customers' business, financial~~

~~condition and results of operations. In particular, any such transition could: • adversely affect the interest rates paid or received on, and the revenue and expenses associated with Customers' floating rate obligations, loans, deposits and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; • adversely affect the value of Customers' floating rate obligations, loans, deposits and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR’ s role in determining market interest rates globally; • prompt inquiries or other actions from regulators in respect of Customers' preparation and readiness for the replacement of LIBOR with alternative reference rates and our implementation of alternative reference rates; • result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR- based financial instruments or discretionary actions taken by us with respect to LIBOR- based securities; and • require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR- based products to those based on the applicable alternative pricing benchmark, In addition, the implementation of LIBOR reform proposals may result in increased compliance costs and operational costs, including costs related to continued participation in LIBOR and the transition to a replacement reference rate or rates. We cannot reasonably estimate the expected cost.~~ Acceptance and success of CBIT, our blockchain- based instant B2B payments platform, is subject to a variety of factors that are difficult to evaluate. Customers Bank ~~'~~ **’** s CBIT on the TassatPay blockchain- based instant B2B payments platform serves a growing array of B2B clients who want the benefit of instant payments, including key over- the- counter desks, exchanges, liquidity providers, market makers, funds, and other B2B verticals. CBIT may only be created by, transferred to and redeemed by commercial customers of Customers Bank on the TassatPay instant B2B payments platform. CBIT is not listed or traded on any digital currency exchange. As of December 31, **2023 and** 2022 ~~and 2021~~ , Customers Bank held $ 2. **8 billion and $ 2.** 3 ~~billion and $ 1. 9~~ billion of deposits from customers participating in CBIT, respectively. These customers are primarily concentrated in the digital currency industry, which has experienced significant disruptions and bankruptcies of FTX and other participants in the digital currency industry in 2022. Customers Bank ~~does not have a deposit relationship with FTX or any of its related companies and~~ has no loans to any customers in the digital currency industry. However, continued disruptions in the digital currency industry could have adverse effects on Customers ~~'~~ **’** business **, reputation** , financial condition and results of operations. The CBIT instant payments platform provides a closed- system for intrabank commercial transactions and is not intended to be a trading platform for tokens or digital assets. CBIT tokens are used only in connection with the CBIT instant payments platform and are not securities for purposes of applicable securities laws. There are no scenarios in which the transaction or redemption value of one CBIT would not be equal to one U. S. dollar. Each CBIT is minted with precisely one U. S. dollar equivalent, and those dollars are held in a non- interest bearing omnibus deposit account until the CBIT is burned or redeemed. The number of CBIT outstanding in the CBIT instant payments platform is always equal to the U. S. dollars held in the omnibus deposit account at Customers Bank and is reported as a deposit liability in the consolidated balance sheet. The **deposits from customers participating in CBIT include the** omnibus deposit account **established for the CBIT instant payments platform, which** had an outstanding balance of **$ 826. 9 million and** $ 23 thousand at December 31, **2023 and** 2022 ~~and no outstanding balance at December 31~~ , ~~2021~~ **respectively** . The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology- driven products and services including internet services, cryptocurrencies and payment systems. In addition to improving the ability to serve clients, the effective use of technology increases efficiency and enables financial institutions to reduce long- term costs. These technological advancements also have made it possible for non- financial institutions, such as ~~"~~ **“** fintech companies ~~"~~ **”** and market place lenders, to offer products and services that have traditionally been offered by financial institutions. Federal and state banking agencies continue to deliberate over the regulatory treatment of fintech companies, including whether the agencies are authorized to grant charters or licenses to such companies and whether it would be appropriate to do so in consideration of several regulatory and economic factors. The increased demand for, and availability of, alternative payment systems and currencies not only increases competition for such services, but has created a more complex operating environment that, in certain cases, may require additional or different controls to manage fraud, operational, legal and compliance risks. New technologies, such as the blockchain and tokenized payment technologies used by CBIT, could require us to spend more to modify or adapt our products to attract and retain clients or to match products and services offered by our competitors, including fintech companies. New technologies also expose us to additional operational, financial, and regulatory risks. Because many of our competitors have substantially greater resources to invest in technological improvements than we do, or, at present, operate in a less- burdensome regulatory environment, these institutions could pose a significant competitive threat to us. As noted above, our commercial customers utilizing CBIT are currently concentrated in the digital currency industry. The digital currency industry includes a diverse set of businesses that use digital currencies for different purposes and provide services to others who use digital currencies, including the technologies underlying digital currencies, such as blockchain, and the services associated with digital currencies and blockchain. This is a new and rapidly evolving industry, and the viability and future growth of the industry and adoption of digital currencies and the underlying technology is subject to a high degree of uncertainty, including based upon the adoption of the technology, regulation of the industry, and price volatility, among other factors **. Adverse events or publicity in the digital currency industry creates reputational risk for us** . Because the sector is relatively new, additional risks may emerge which are not yet known or quantifiable. Digital currencies and tokenized payment platforms, including those utilizing proprietary, non- public tokens such as CBIT, have only recently become selectively accepted as a form of payment by business. Other factors affecting the further development and acceptance of the digital currency and tokenized payment industry, such as CBIT, include, but are not limited to: • the adoption and use of digital currencies, including adoption and use as a substitute for fiat currency or for other uses, which may be adversely impacted by continued price volatility; • the use of digital currencies, or the perception of such use, to facilitate illegal activity such as fraud, money laundering, tax evasion and ransomware **or other** scams by our customers; • heightened risks to digital currency businesses, such as digital currency exchanges, of hacking, malware attacks, and other cyber- security risks, which can lead to significant losses; • developments in digital currency trading markets, including decreasing price volatility of digital currencies, resulting in narrowing spreads for digital currency trading and diminishing arbitrage opportunities across digital currency exchanges, or increased price volatility, which could negatively impact our customers and therefore our deposits, either of which in turn may reduce the benefits of CBIT and negatively impact our business; and • the maintenance and development of the software protocol of the digital currency networks. If any of these factors, or other factors, slows development of the digital currency industry, it could adversely affect our instant B2B payments initiative and the businesses of the customers upon which it relies, and therefore have a material adverse effect on our business, financial condition and results of operations. If conditions in digital currency markets change such that certain trading strategies currently employed by our institutional investor customers become less profitable, the benefits of CBIT and our instant B2B payments initiative may be diminished, resulting in a decrease in our deposit balances and adversely impacting our growth strategy. In addition, if a competitor or another third party were to launch an alternative to CBIT (such as Federal Reserve ~~'~~**’**s FedNow Service, a virtual real time payment system for banks ~~, to be~~ launched in ~~mid-~~ 2023), we could lose non- interest bearing deposits and our business, financial condition, results of operations and growth strategy could be adversely impacted. Further, we may be unable to attract and retain experienced employees, which could adversely affect our growth. The further development and acceptance of digital currencies and blockchain technology are subject to a variety of factors that are difficult to evaluate, as discussed above. The slowing or stopping of the development or acceptance of digital currency networks and blockchain technology may adversely affect our ability to continue to grow and capitalize on our strategy to service the digital assets industry. Our future growth may be adversely impacted if we are unable to retain and grow this strong, low- to- no cost deposit base. ~~We~~ **At times we** face competitive pressures to pay higher interest rates on deposits to our digital currency customers, which could increase funding costs and compress net interest margins. Further, even if we are otherwise able to grow and maintain our non- interest bearing deposit base, our deposit balances may still decrease if our digital currency customers are offered more attractive returns from our competitors. If our digital currency customers withdraw deposits, we would lose a low- cost source of funds which would likely increase our funding costs and reduce our net interest income and net interest margin. These factors could have material effect on our business, financial condition and results of operations. Our computer systems and network infrastructure and those of our third- party service providers, including CBIT and the instant payments platform on which it operates, could be vulnerable to hardware and cybersecurity issues. Our operations are dependent upon our and our third- party service providers ~~'~~**’** ability to protect computer equipment upon which these technologies operate against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of our or a third- party service provider ~~'~~**’**s team members or other internal sources. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. We could also become the target of various cyberattacks as a result of our focus on the digital currency industry. The technology underlying CBIT and the instant payments platform on which it operates may not function properly, which may have a material impact on Customers ~~'~~**’** operations and financial condition. This same risk exists on our other technology and processing systems, such as data processing, loan servicing and deposit processing systems that are outsourced to third- party service providers. The importance of CBIT to Customers ~~'~~**’** operations means that any technological problems in its functionality may have a material adverse effect on Customers ~~'~~**’** operations, business model and growth strategy. Many of our larger competitors have substantially greater resources to invest in technological improvements. Third parties upon which we rely for the technology underlying CBIT may not be able to develop, on a cost- effective basis, systems that will enable us to keep pace with such developments. As a result, our larger competitors may be able to offer additional or superior products compared to those that we will be able to provide, which would put us at a competitive disadvantage. We may lose customers seeking new technology- driven products and services to the extent we are unable to provide such products and services. The ability to keep pace with technological change is important and the failure to do so could adversely affect our business, financial condition and results of operations. We are dependent on our information technology and telecommunications systems and third- party service providers, and systems failures, interruptions or breaches of security, or the failure of our third- party service providers to adequately perform their services, could have a material adverse effect on us. Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third- party servicers. We outsource many of our major technology and business process functions, such as data processing, loan servicing and deposit processing systems to third- party service providers. If we do not effectively select, implement and monitor our outsourcing relationships, or if the third- party service providers do not adequately perform their services or are unable to continue to provide services to us as a result of their own operational or technological limitations or financial or other difficulties, our operations may be materially and adversely affected. While we select third- party service providers carefully, we do not control their operations and at times they encounter difficulties, including disruptions in communications, failures to handle current or increased transaction volumes, cyberattacks, security breaches, data corruption or similar events, during which our ability to operate effectively is adversely affected. Certain of our third- party service providers have experienced performance issues, **financial difficulties (** including ~~a vendor that was engaged to assist us in servicing PPP loans and has since filed for Chapter 11~~ bankruptcy ~~protection~~ **) and staff shortages** , and others will in the future. Because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience service denials if demand for such services exceeds capacity or such third- party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and / or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us. In addition, the termination of third- party software licenses or service agreements on which any of our information technology and telecommunications systems are based, or other disruption in our relationships with third- party service providers, could adversely affect our operations, and securing replacement licenses and / or engaging alternative third- party service providers and integrating the related technology and services into our systems could result in increased costs and operational difficulties. We continue to evaluate and implement upgrades and changes to our information technology systems, some of which are significant. Upgrades involve replacing existing systems with successor systems, making changes to existing systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including accurately capturing data and system disruptions, and believe we are taking appropriate action to mitigate the risks through testing, training, and staging implementation, as well as ensuring appropriate commercial contracts are in place with third- party service providers supplying or supporting our information technology initiatives. However, there can be no assurances that we will successfully launch these systems as planned or that they will be implemented without disruptions to our operations. Information technology system disruptions, if not anticipated and appropriately mitigated, or failure to successfully implement new or upgraded systems, could have a material adverse effect on our results of operations. Also, we may have to make a significant investment to repair or replace these systems and could suffer loss of critical data and interruptions or delays in our operations. These risks are heightened where upgrades and changes are made to information technology systems that are integrated with third party systems. In addition, we provide our customers with the ability to bank remotely, including online, over the Internet, through apps and over the telephone. The secure transmission of confidential information over the Internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We spend significant capital and other resources to protect against the threat of security breaches and computer viruses or to alleviate problems caused by security breaches or viruses, and we expect these expenditures to continue in the future. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could materially and adversely affect us. Additionally, financial products and services have become increasingly technology- driven. Our ability to meet the needs of our customers competitively and in a cost- efficient manner is dependent on the ability to keep pace with technological advances **, including recent developments in AI,** and to invest in new technology as it becomes available. Certain competitors may have greater resources to invest in technology and may be better equipped to market new technology- driven products and services. The ability to keep pace with technological change is important, and the failure to do so could have a material adverse impact on our business and therefore on our financial condition and results of operations. **Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of artificial intelligence could adversely affect our business, results of operations, and financial condition. Our business increasingly relies on AI, machine learning and automated decision making to improve our services and our customer' s experience. The regulatory framework around the development and use of these emerging technologies is rapidly evolving, and many federal, state and foreign government bodies and agencies have introduced and / or are currently considering additional laws and regulations. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business. Any of the foregoing, together with developing guidance and / or decisions in this area, may affect our use of AI and our ability to provide and improve our services, require additional compliance measures and changes to our operations and processes, and result in increased compliance costs and potential increases in civil claims against us. Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of AI, machine learning and automated decision making could adversely affect our business, results of operations, and financial condition.** Loss of, or failure to adequately safeguard, confidential or proprietary information may adversely affect our operations, net income or reputation. We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, team members and others. This information is necessary for the conduct of our business activities, including the ongoing maintenance of deposit, loan ~~, investment management~~ and other account relationships for our customers, and receiving instructions and affecting transactions for those customers and other users of our products and services. In addition to confidential information regarding our customers, team members and others, we compile, process, transmit and store proprietary, non- public information concerning our own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf. Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber- attacks. A failure in or breach of our operational or information security systems or those of our third- party service providers, as a result of cyber- attacks or information security breaches or due to team member error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and / or cause losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. If this confidential or proprietary information were to be mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss. Mishandling, misuse or loss of this confidential or proprietary information could occur, for example, if the confidential or proprietary information were **intentionally or** erroneously provided to parties who were not permitted to have the information, either by fault of the systems or our team members or the systems or employees of third parties which have collected, compiled, processed, transmitted or stored the information on our behalf, where the information is intercepted or otherwise inappropriately taken by third parties or where there is a failure or breach of the network, communications or information systems which are used to collect, compile, process, transmit or store the information. Although we employ a variety of physical, procedural and technological safeguards to protect this confidential and proprietary information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, or that if mishandling, misuse or loss of the information did occur, those events would be promptly detected and addressed. Such inadvertent disclosures have occurred and are likely to occur in the future. ~~Such~~ **Any** disclosures **of confidential or proprietary information, whether intentional or unintentional,** subject us to liability for damages, including expenses of credit monitoring for those effected, and reputational damage. Additionally, as information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and / or to investigate and remediate any information security vulnerabilities. Breaches of security measures, computer viruses or malware, fraudulent activity and infrastructure failures could materially and adversely affect our reputation or harm our business **,** including the unauthorized access to or disclosure of data relating to ~~BM Technologies~~ **third- party** serviced deposit account holders ~~. Companies that process and transmit cardholder information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain the information and utilize it for fraudulent transactions~~ . The encryption software and the other technologies we use to provide security for storage, processing and transmission of confidential customer and other information are not always effective to protect against data- security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. **Companies that process and transmit cardholder information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain the information and utilize it for fraudulent transactions.** Unauthorized access to our computer systems or those of our third- party service providers, could result in the theft or publication of the information or the deletion or modification of sensitive records, and could cause interruptions in our operations. Any inability to prevent security breaches could damage our relationships with our ~~higher education institution~~ customers, cause a decrease in transactions by individual cardholders, expose us to liability for unauthorized purchases and subject us to network fines. These claims also could result in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and / or change our business practices. Further, a significant data- security breach could lead to additional regulation, which could impose new and costly compliance obligations. Any material increase in our costs resulting from litigation or additional regulatory burdens being imposed upon us or litigation could have a material adverse effect on our operating revenues and profitability. In addition, our ~~student~~ account holders disclose certain " personally identifiable " information, including ~~student~~ contact information, identification numbers and the amount of credit balances, which they expect we will maintain in confidence. It is possible that hackers, customers or team members acting unlawfully or contrary to our policies or other individuals, could improperly access our or our third- party service providers' systems and obtain or disclose data about our customers. Further, because customer data may also be collected, stored or processed by third- party service providers, it is possible that these third- party service providers could intentionally, negligently or otherwise disclose data about our clients or customers. We rely to a large extent upon sophisticated information technology systems, databases and infrastructure, and take reasonable steps to protect them. However, due to their size, complexity, content and integration with or reliance on third- party systems, they are vulnerable to breakdown, malicious intrusion, natural disaster and random attack, all of which pose a risk of exposure of sensitive data to unauthorized persons or to the public. Our information systems have been, and will continue to be, subject to cybersecurity breaches, which lead to fraudulent activity that can result in identity theft, losses on the part of our banking customers, additional security costs, negative publicity and damage to our reputation and brand. In addition, our customers or team members are the targets of scams that result in the release of sufficient information concerning themselves or their accounts to allow others unauthorized access to their accounts or our systems (e. g., " phishing " and " smishing "). Claims for compensatory or other damages may be brought against us as a result of a breach of our systems or fraudulent activity. If we are unsuccessful in defending against any resulting claims against us, we may be forced to pay damages, which could materially and adversely affect our financial condition and results of operations. Because many of our ~~employees~~ **team members** continue to work remotely on a " hybrid model ", the risk of cybersecurity breaches is increased. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Further, computer viruses, ransomware or malware could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize several preventative and detective security controls in our network, they may be ineffective in preventing computer viruses, ransomware or malware that could damage our relationships with our merchant customers, cause a decrease in transactions by individual cardholders, or cause us to be in non- compliance with applicable network rules and regulations. In addition, our team members, systems and customers are regularly targets of fraudulent activity. A significant incident of fraud or an increase in fraud levels generally involving our products could result in reputational damage to us, which could reduce the use of our products and services. Additionally, significant fraudulent activity related to a specific product offering may lead us to limit or discontinue such product. Such incidents could also lead to a large financial loss as a result of the protection for unauthorized purchases we provide to **certain** ~~BM Technologies~~ customers ~~given that we may be liable~~ for ~~any~~ uncollectible account holder overdrafts and any other losses due to fraud or theft. Such incidents of fraud could also lead to regulatory intervention, which could increase our compliance costs. Compliance with the various complex laws and regulations is costly and time consuming, and failure to comply could have a material adverse effect on our business. Additionally, increased regulatory requirements on our services may increase our costs, which could materially and adversely affect our business, financial condition and results of operations. Accordingly, account data breaches and related fraudulent activity could have a material adverse effect on our future growth prospects, business, financial condition and results of operations. A disruption to our systems or infrastructure could damage our reputation, expose us to legal liability, cause us to lose customers and revenue, result in the unintentional disclosure of confidential information or require us to expend significant efforts and resources or incur significant expense to eliminate these problems and address related data and security concerns. The harm to our business could be even greater if such an event occurs during a period of disproportionately heavy demand for our products or services or traffic on our systems or networks. **Negative public opinion regarding us could adversely affect our business, results of operations, and financial condition. Reputational harm, including as a result of our actual or alleged conduct or public opinion of the financial services industry generally, could adversely affect our business, results of operations, and financial condition. Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business and is expected to increase as our size, profile and product offerings in the financial services industry grows. Negative publicity or reputational harm can result from actual or alleged conduct in a number of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, inadequate protection of customer data, illegal or unauthorized acts taken by third parties that supply products or services to us, the behavior of our team members, the customers with whom we have chosen to do business, the industries in which we operate, corporate initiatives (such as those related to diversity, equity and inclusion or ESG) and negative publicity for other financial institutions. Damage to our reputation could adversely impact our ability to attract new, or maintain existing, loan and deposit customers, team members and business relationships, and could result in the imposition of new regulatory requirements, operational restrictions, enhanced supervision and / or civil money penalties. Further, negative public opinion can expose us to litigation and regulatory action and delay and impede our efforts to raise capital or implement our growth strategy. The proliferation and increasing influence of social media websites, as well as the personal use of social media by our team members and others, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation, adversely affect our stock price or the public' s perception of our stability or viability, or have other negative consequences. Although we have policies and procedures in place intended to detect and prevent conduct by team members and third- party service providers that could potentially harm customers or our reputation, there is no assurance that such policies and procedures will be fully effective in preventing such conduct. Any damage to our reputation could have a material adverse effect on our business, results of operations, and financial condition. Increasing, complex and evolving regulatory, stakeholder, and other third party expectations on ESG matters could adversely affect our reputation, our access to capital and the market price of our securities. Customers is subject to a variety of risks arising from ESG matters as governmental and regulatory bodies, investors, customers, team members and other stakeholders and third parties have been increasingly focused on ESG matters. ESG matters include, among other things, climate risk, hiring practices, the diversity of our work force, and racial and social justice issues involving our personnel, customers and third parties with whom we otherwise do business. Risks arising from ESG matters may adversely affect, among other things, our reputation and the market price of our securities. Further, we may be exposed to negative publicity based on the identity and activities of those to whom we lend and with which we otherwise do business and the public' s view of the approach and performance of our customers and business partners with respect to ESG matters. Any such negative publicity could arise from adverse news coverage in traditional media and could also spread through the use of social media platforms. Customers' relationships and reputation with its existing and prospective customers and third parties with which we do business could be damaged if we were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on our ability to attract and retain customers and team members and could have a negative impact on the market price for securities. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. Additionally, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Unfavorable ratings of Customers may adversely affect investor sentiment towards the Company or the market price of our securities. Further, as we continue to focus on developing ESG practices, and as investor and other stakeholder expectations, voluntary and regulatory ESG disclosure standards and policies continue to evolve, we have expanded and expect to further expand our public disclosures in these areas. Such disclosures may reflect aspirational goals, targets, and other expectations and assumptions, which are necessarily uncertain and may not be realized. Failure to realize (or timely achieve progress on) such aspirational goals and targets could adversely affect our third party ESG ratings, our reputation or otherwise adversely affect us. Increased attention to ESG matters also has caused public officials, including certain state attorneys general, treasurers, and legislators, to take various actions to impact the extent to which ESG principles are considered by private investors. For instance, certain states have enacted laws or issued directives designed to penalize financial institutions that the state believes are boycotting certain industries such as the fossil fuel and firearms industries. These developments illustrate that ESG-based investing has become a divisive political issue. Shifts in investing priorities based on ESG principles may result in adverse effects on the market price of our securities to the extent that investors that give significant weight to such principles determine that the Company has not made sufficient progress on ESG matters. Conversely, the market price of our securities may be adversely affected if a government official or agency seeks to limit the Company' s business with a certain government entity or initiates an investigation or enforcement action because of what is perceived to be the Company' s unwarranted focus on ESG matters.** Prior to our acquisition of the Disbursement Business, the Federal Reserve Board and FDIC took regulatory enforcement action against Higher One, which subjected us to regulatory inquiry and potential regulatory enforcement action, which may result in liabilities adversely affecting our business, financial conditions and / or results of operations or in reputational harm even after BMT ~~'~~ **'** s divestiture. Since August 2013 until the acquisition of the Disbursement Business, we provided deposit accounts and services to college students through Higher One, which had relationships with colleges and universities in the United States, using Higher One' s technological services. Because Higher

One was not a bank, it had to partner with one or more banks to provide the deposit accounts and services to students. Higher One and one of Higher One’ s former bank partners (the “ predecessor bank ”), announced in May 2014 that the Federal Reserve Board notified them that certain disclosures and operating processes of these entities may have violated certain laws and regulations and may result in penalties and restitution. In May 2014, the Federal Reserve also informed us, as one of Higher One’ s bank partners, that it was recommending a regulatory enforcement action be initiated against us based on the same allegations. In July 2014, the predecessor bank referenced above, which no longer is a partner with Higher One, entered into a consent order to cease and desist with the Federal Reserve Board pursuant to which it agreed to pay a total of $ 3. 5 million in civil money penalties and an additional amount that it may be required to pay in restitution to students in the event Higher One is unable to pay the restitution obligations, if any, imposed on Higher One (“ back- up restitution ”). We believe that the circumstances of its relationship with Higher One and the student customers are different than the relationship between us and Higher One and the student customers. In December 2015, Higher One entered into consent orders with both the Federal Reserve Board and the FDIC. Under the consent order with the Federal Reserve Board, Higher One agreed to pay $ 2. 2 million in civil money penalties and $ 24 million in restitution to students. Under the consent order with the FDIC, Higher One agreed to pay an additional $ 2. 2 million in civil money penalties and $ 31 million in restitution to students. In addition, a third partner bank, which is regulated by the FDIC, also entered into a consent order to cease and desist with the FDIC pursuant to which it agreed to pay $ 1. 8 million in civil money penalties and an additional amount in restitution to students in the event Higher One is unable to meet its restitution obligation. We believe that we identified key critical alleged compliance deficiencies within 30 days of first accepting deposits through our relationship with Higher One and caused such deficiencies to be remediated within approximately 120 days. In addition, we understand that the total amount of fees that Higher One collected from students who opened accounts with us during the relevant time period is substantially less than the total fees that Higher One collected from students who opened deposit accounts at the other partner banks during the relevant time period. In addition, as Higher One paid the restitution and deposited such monies to pay the required restitution, we did not expect that backup restitution would be required. Nonetheless, as previously disclosed, we had been in discussions with the Federal Reserve Board regarding these matters from 2013 and in an effort to move forward, on December 6, 2016, we agreed to the issuance by the Federal Reserve Board of a combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Order and agreed to a penalty of $ 960 thousand. We had previously set aside a reserve for the civil money penalty and made payment in 2016. In June 2016, Customers acquired the Disbursement Business of Higher One and subsequently combined that business with BankMobile. Customers successfully launched BankMobile, America ’ s first mobile platform based full- service consumer bank in January 2015. On January 4, 2021, Customers completed the divestiture of BMT, a wholly- owned subsidiary of Customers Bank and a component of BankMobile, which included the Disbursement Business, through a merger with MFAC. We remain subject to the jurisdiction and examination of the Federal Reserve Board, and further action could be taken to the extent we do not comply with the terms of the Order or if the Federal Reserve Board were to identify additional violations of applicable laws and regulations. Any further action could have a material adverse effect on our business, financial conditions and / or results of operations or our reputation. We intend to engage in acquisitions of other businesses from time to time. These acquisitions may not produce revenue or earnings enhancements or cost savings at levels, or within time frames, originally anticipated and may result in unforeseen integration difficulties. Although we currently do not have any agreements or understandings with respect to business acquisitions, we regularly evaluate opportunities to strengthen our current market position by acquiring and investing in banks and in other complementary businesses, or opening new branches, and when appropriate opportunities arise, subject to regulatory approval, we plan to engage in acquisitions of other businesses and in opening new branches. Such transactions could, individually or in the aggregate, have a material effect on our operating results and financial condition, including short and long- term liquidity. Our acquisition activities could be material to our business. For example, we could issue additional shares of Voting Common Stock in a purchase transaction, which could dilute current shareholders’ value or ownership interest. These activities could require us to use a substantial amount of cash or other liquid assets and / or incur debt. In addition, if goodwill recorded in connection with acquisitions were determined to be impaired, then we would be required to recognize a charge against our earnings, which could materially and adversely affect our results of operations during the period in which the impairment was recognized. Our acquisition activities could involve a number of additional risks, including the risks of: • incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating the terms of potential transactions, resulting in our attention being diverted from the operation of our existing business; • using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets; • being potentially exposed to unknown or contingent liabilities of banks and businesses we acquire; • being required to expend time and expense to integrate the operations and personnel of the combined businesses; • experiencing higher operating expenses relative to operating income from the new operations; • creating an adverse effect on our results of operations; • losing key team members and customers as a result of an acquisition that is poorly received; and • incurring significant problems relating to the conversion of the financial and customer data of the entity being acquired into our financial and customer product systems. Additionally, in evaluating potential acquisition opportunities, we may seek to acquire failed banks through FDIC- assisted acquisitions. While the FDIC may, in such acquisitions, provide assistance to mitigate certain risks, such as sharing in exposure to loan losses and providing indemnification against certain liabilities, of the failed institution, we may not be able to accurately estimate our potential exposure to loan losses and other potential liabilities, or the difficulty of integration, in acquiring such institutions. Depending on the condition of any institutions or assets that are acquired, any acquisition may, at least in the near term, materially adversely affect our capital and earnings and, if not successfully integrated following the acquisition, may continue to have such effects. We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with pending or potential acquisitions. Our inability to overcome these risks could have an adverse effect on levels of reported net income, return on equity and return on assets and the ability to achieve our business strategy and maintain market value. Our acquisitions generally will require regulatory approvals, and failure to obtain them would restrict our growth. Although we currently do not have any agreements or understandings with respect to business acquisitions, we may in the future seek to complement and expand our business by pursuing strategic acquisitions of community banking franchises and other businesses. Generally, any acquisition of target financial institutions, banking centers or other banking assets by us may require approval by, and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve Board, the OCC and the FDIC, as well as state banking regulators. In acting on applications, federal banking regulators consider, among other factors: • the effect of the acquisition on competition; • the financial condition, liquidity, results of operations, capital levels and future prospects of the applicant and the bank (s) involved; • the quantity and complexity of previously consummated acquisitions; • the managerial resources of the applicant and the bank (s) involved; • the convenience and needs of the community, including the record of performance under CRA; • the effectiveness of the applicant in combating money laundering activities; and • the extent to which the acquisition would result in greater or more concentrated risks to the stability of the United States banking or financial system. Such regulators could delay or deny our application based on the above criteria or other considerations, which could restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of any acquisition. To the extent that we are unable to increase loans through organic core loan growth, we may be unable to successfully implement our growth strategy, which could materially and adversely affect us. In addition to growing our business through strategic acquisitions, we also intend to grow our business through organic core loan growth. While loan growth has been strong, and our loan balances have increased over the last several fiscal years, if we are unsuccessful in diversifying our loan originations, or if we do not grow the business lines, our results of operations and financial condition could be negatively impacted. We may not be able to effectively manage our growth. Our future operating results and financial condition depend to a large extent on our ability to successfully manage our growth. Our growth has placed, and it may continue to place, significant demands on our operations and management. Whether through additional acquisitions or organic growth, our current plan to expand our business is dependent upon our ability to: • continue to implement and improve our operational, credit underwriting and administration, financial, accounting, enterprise risk management and other internal and disclosure controls and procedures and our reporting systems and processes in order to manage a growing number of client relationships; • comply with changes in, and an increasing number of, laws, rules and regulations, including those of any national securities exchange on which any of our securities become listed; • scale our technology and other systems' platforms; • maintain and attract appropriate staffing; • operate profitably or raise capital; and • support our asset growth with adequate deposits, funding and liquidity while expanding our net interest margin and meeting our customers' and regulators' liquidity requirements. We may not successfully implement improvements to, or integrate, our management information and control systems, credit underwriting and administration, internal and disclosure controls, and procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with new banking centers and banks. Our growth strategy may divert management from our existing business and may require us to incur additional expenditures to expand our administrative and operational infrastructure and, if we are unable to effectively manage and grow our banking franchise, including to the satisfaction of our regulators, we could be materially and adversely affected. In addition, if we are unable to manage our current and future expansion in our operations, we may experience compliance, operational and regulatory problems and delays, have to slow our pace of growth or even stop our market and product expansion, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect us. If we experience difficulties with the development of new business activities or the integration process of acquired businesses, the anticipated benefits of any particular acquisition may not be realized fully, or at all, or may take longer to realize than expected. Additionally, we may be unable to recognize synergies, operating efficiencies, cost projections and / or expected benefits within expected time frames, or at all. We also may not be able to preserve the goodwill of an acquired financial institution. Our growth could lead to increases in our legal, audit, administrative and financial compliance costs, which could materially and adversely affect us. If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses. In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to material risks, such as credit, interest rate, **capital, liquidity,** operational, compliance **legal** and reputational risks. Our risk management methods may prove to be ineffective due to their design, implementation or the degree to which we adhere to them, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our business, financial condition or results of operations. In addition, we could be subject to litigation, particularly from our customers, and sanctions or fines from regulators. Our techniques for managing the risks we face may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate. We are dependent upon maintaining an effective system of internal controls to provide reasonable assurance that transactions and activities are conducted in accordance with established policies and procedures and are captured and reported in the financial statements. Failure to comply with the system of internal controls may result in events or losses which could adversely affect our operations, net income, financial condition, reputation and compliance with laws and regulations. Our system of internal controls, including internal controls over financial reporting, is an important element of our risk management framework. Management regularly reviews and seeks to improve our internal controls, including annual review of key policies and procedures and annual review and testing of key internal controls over financial reporting. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and expectations of employee conduct and can only provide reasonable, not absolute, assurance that the objectives of the internal control structure are met. Any failure or circumvention of our controls and procedures, or failure to comply with regulations related to controls and procedures, could have a material adverse effect on our operations, net income, financial condition, reputation, compliance with laws and regulations, or may result in untimely or inaccurate financial reporting. As management continues to evaluate and work to enhance internal control over financial reporting, it may determine that additional measures are required to address control deficiencies or strengthen internal control over financial reporting. If Customers ~~'~~ **’** remediation efforts do not operate effectively or if it is unsuccessful in implementing or following its remediation efforts, this may result in untimely or inaccurate reporting of Customers ~~'~~ **’** financial results. We may not be able to meet the cash flow requirements of our loan funding obligations, deposit withdrawals, or other business needs and fund our asset growth unless we maintain sufficient liquidity. We must maintain sufficient liquidity to fund our balance sheet growth in order to successfully grow our revenues, make loans, and repay deposit and other liabilities as these mature or are drawn. This liquidity can be gathered in both wholesale and non- wholesale funding markets. Our asset growth over the past few years has been funded with various forms of deposits and wholesale funding, including brokered ~~and wholesale time~~ deposits, FHLB **advances, FRB** advances and Federal funds line borrowings. Total ~~wholesale deposits including~~ brokered ~~and municipal~~ deposits were **37** ~~28. 2~~ % of total deposits at December 31, ~~2022~~ **2023** . Our ~~gross~~ loan to deposit ratio was **74** ~~87. 0~~ % at December 31, ~~2022~~ **2023** . Wholesale funding can cost more than deposits generated from our traditional branch system and customer relationships and is subject to certain practical limits such as our liquidity policy limits, our available collateral for FHLB **and FRB** ~~borrowings~~ - **borrowing** capacity and Federal funds line limits with our lenders. Additionally, regulators consider wholesale funding beyond certain points to be imprudent and might suggest or require that future asset growth be reduced or halted. In the absence of appropriate levels and mix of funding, we might need to reduce interest- earning asset growth through the reduction of current production, sales of loans and / or the sale of participation interests in future and current loans. This might reduce our future growth and net income. The amount of funds loaned to us is generally dependent on the value of the eligible collateral pledged and our financial condition. These lenders could reduce the percentages loaned against various collateral categories, eliminate certain types of collateral and otherwise modify or even terminate their loan programs, if further disruptions in the capital markets occur. Further, the Federal Housing Finance Agency, the regulator of FHLB and other federal home loan banks, launched a comprehensive review of the Federal Home Loan Bank System including the mission, membership eligibility requirements, and operational efficiencies of the federal home loan banks in 2022 **. The Federal Housing Finance Agency issued a final report on its comprehensive review of the Federal Home Loan Bank System in November 2023** . Any change to or termination of our borrowings from the FHLB or correspondent banks could have an adverse effect on our profitability and financial condition, including liquidity. We may not be able to develop and retain a strong core deposit base and other low- cost, stable funding sources. We depend on checking, savings and money market deposit account balances and other forms of customer deposits as a primary source of funding for our lending activities. We expect that our future loan growth will largely depend on our ability to retain and grow a strong, low- cost deposit base. As of December 31, ~~2022~~ **2023** , $ **2. 5 billion, or 75.** 3 ~~. 4 billion, or 79. 8~~ %, of our total time deposits, are scheduled to mature through December 31, ~~2023~~ **2024** . We are working to transition certain of our customers to lower- cost traditional bank deposits as higher- cost funding, such as time deposits, mature and to grow our customer deposits. If interest rates continue to increase, whether due to changes in inflation, monetary policy, competition or other factors, we would expect to pay higher interest rates on deposits, which would increase our funding costs and compress our net interest margin. We may not succeed in moving our deposits to lower- yielding savings and transactions products, which could materially and adversely affect us. In addition, customers, particularly those who may maintain deposits in excess of insured limits, continue to be concerned about the extent to which their deposits are insured by the FDIC. Our customers may withdraw deposits to ensure that their deposits with us are fully insured and may place excess amounts in other institutions or make investments that are perceived as being more secure and / or higher yielding. Further, even if we are able to maintain and grow our deposit base, deposit balances can decrease when customers perceive alternative investments, such as the stock market, will provide a better risk / return tradeoff. If customers move money out of bank deposits, we could lose a relatively low- cost source of funds, increasing our funding costs and reducing our net interest income and net income. Certain deposit balances serviced by ~~BM Technologies~~ **third parties** can vary over the course of the year based on ~~student enrollment and~~ the timing of deposits made into those accounts **and** ~~, with seasonal inflows at~~ the **interest rates being offered** ~~start of each semester that are drawn down until the following semester~~ . Additionally, any such loss of funds could result in lower loan originations and growth, which could materially and adversely affect our results of operations and financial condition, including liquidity. Customers held $ ~~1~~ **307** . ~~1~~ **9** ~~billion~~ **million** and $ 1. ~~8~~ **1** billion of deposits serviced by BM Technologies **under a deposit servicing agreement** as of December 31, **2023 and** 2022 ~~and 2021~~ , respectively ~~. Customers currently expects that approximately half of these serviced deposits will leave Customers Bank by the earlier of BM Technologies' successful completion of the transfer of such deposits to a new sponsor bank or June 30, 2023~~ . The deposit service agreement was scheduled to expire on December 31, 2022. On June 30, 2022, Customers provided a written notice to BM Technologies to terminate the deposit servicing agreement effective December 31, 2022. On November 7, 2022, Customers agreed to extend the deposit servicing agreement to the earlier of BM Technologies ~~'~~ **’** successful completion of the transfer of the serviced deposits to a new sponsor bank or June 30, 2023. **On March 22, 2023,** Customers **agreed to extend the deposit servicing** ~~and BM Technologies are currently negotiating an extension of this~~ agreement with respect to **student- related deposits to** the **earlier of BM Technologies’ successful completion of the transfer of the student- related serviced by BM Technologies to a new sponsor bank or June 30, 2024. The remaining** serviced deposits ~~expected to~~ **in connection with an existing white label relationship, which was also renewed as of March 22, 2023, will** remain at Customers Bank ~~after June 30~~ **and continue to be serviced by BM Technologies. On August 18** , 2023 **, the deposit servicing agreement related to the student- related deposits was further extended to the earlier of BM Technologies’ successful completion of the transfer of the student- related deposits to a new sponsor bank or April 15, 2025. On December 1, 2023, Customers had an outflow of approximately $ 430. 0 million of**

student- related deposits serviced by BM Technologies to a new sponsor bank . Competitors’ technology- driven products and services and improvements to such products and services may adversely affect our ability to generate core deposits through mobile banking. Our organic growth strategy focuses on, among other things, expanding market share through our “ high- tech ” model, which includes remote account opening, remote deposit capture, mobile and digital banking. These technological advances are intended to allow us to generate additional core deposits at a lower cost than generating deposits through opening and operating branch locations. Some of our competitors may have greater resources to invest in technology **, including AI,** and may be better equipped to market new technology- driven products and services. This may result in limiting, reducing or otherwise adversely affecting our growth strategy in this area and our access to deposits through mobile banking. In addition, to the extent we fail to keep pace with technological changes or incur respectively large expenses to implement technological changes, our business, financial condition and results of operations may be adversely affected. We may incur losses due to minority investments in other financial institutions or related companies. We make and **will continue to** consider making additional minority investments in other financial institutions or technology companies in the financial services business, or other unrelated businesses, including for strategic reasons or to see technological improvements or advantages. If we do so, we may not be able to influence the activities of companies in which we invest and may suffer losses due to these activities. We continue to face the risks and challenges associated with BM Technologies following the merger of BMT with Megalith Financial Acquisition Corp. On January 4, 2021, we completed the divestiture of BMT through the merger of BMT with MFAC. In connection with the closing of the divestiture, MFAC changed its name to “ BM Technologies, Inc. ” Our agreement with MFAC relating to the merger of BMT and MFAC provided that the shares issuable by MFAC in connection with the merger would be issued directly to Customers Bancorp shareholders rather than being issued to and held by us. In connection with the divestiture, we have entered into various agreements with BM Technologies, including a transition services agreement, software license agreement, deposit servicing agreement, non- competition agreement and loan agreement for periods ranging from one to ten years. The deposit service agreement was scheduled to expire...... after June 30, 2023. The loan agreement with BM Technologies was terminated early in November 2021. The deposit service agreement was scheduled to expire on December 31,2022.On June 30,2022,Customers provided a written notice to BM Technologies to terminate the deposit servicing agreement effective December 31,2022.On November 7,2022,Customers agreed to extend the deposit servicing agreement to the earlier of BM Technologies ~~’~~**'** successful completion of the transfer of the serviced deposits to a new sponsor bank or June 30,2023.Customers and BM Technologies also agreed to remove Customers ~~’~~**'** obligation under the deposit servicing agreement to pay BM Technologies the interchange maintenance fee which is the difference between the Durbin- exempt and Durbin- recalculated interchange revenues.The other terms of the deposit servicing agreement remain in effect through the new termination date. ~~On March 22,2023,~~ Customers ~~agreed to extend the deposit servicing~~ **and BM Technologies are currently negotiating an extension of this** agreement with respect to the **serviced** ~~student- related~~ deposits **expected** to ~~the earlier of BM Technologies’ successful completion~~ **remain at Customers Bank after June 30,2023.The** transition services agreement with BM Technologies, as amended, expired on March 31, 2022. Customers entered into a special limited agency agreement with BM Technologies, whereby Customers ~~originates~~ **originated** consumer installment loans referred by BM Technologies for an initial period from April 20, 2022 to December 31, 2022, and ~~renews~~ **renewed** annually ~~unless~~ **until its** ~~terminated~~ **termination** ~~by either party~~ **on May 16, 2023** . We are exposed to potential liabilities to the acquirer under the contractual provisions such as representation, warranties and indemnities. If we are unable to address and manage these risks, our business, financial condition and results of operations could be adversely affected. Risks related to Macroeconomic Conditions, COVID- 19, Climate Change and Geopolitical ~~Conflict~~ **Conflicts A continuation of recent turmoil in the financial services industry, and responsive measures to manage it, could have an adverse effect on our stock price, financial position and results of operations. In addition, if we are unable to adequately manage our liquidity, deposits, capital levels, interest rate risk or reputation risk, which have come under greater scrutiny in light of recent bank failures, it could have a material adverse effect on our stock price, financial condition and results of operations. In March 2023, several financial services institutions failed or required outside liquidity support. The impact of this situation has led to market volatility and risk of additional stress to other financial services institutions and the financial services industry generally, in part as a result of increased lack of confidence in the financial services sector. While the U. S. Department of the Treasury, the Federal Reserve, and the FDIC have made statements regarding the safety and soundness of the banking system and taken actions, such as establishing the Bank Term Funding Program as an additional source of liquidity for banks, there is no guarantee that such actions will be successful in restoring customer confidence. As a result of these events, certain of our customers chose, and may choose in the future, to withdraw deposit amounts in favor of keeping deposits at larger financial institutions that may be perceived to be more stable, or seek to switch their existing deposits into other higher yielding alternatives, any of which could materially adversely affect our liquidity, loan funding capacity, net interest margin, capital and results of operations. In addition, these recent events may result in potentially adverse changes to laws or regulations governing banks and bank holding companies, increased oversight by regulatory authorities and / or the imposition of restrictions on certain business activities through supervisory or enforcement activities, including higher capital or liquidity requirements, which could have a material impact on our current and planned business. The cost of resolving the recent bank failures has resulted in action by the FDIC to implement a special assessment to recover the loss to the DIF associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank, at a quarterly rate of 3. 36 basis points of an institution’ s uninsured deposits in excess of $ 5 billion as of December 31, 2022, to be paid over eight quarterly assessment periods. These recent events also have led to a greater focus by regulators and investors on liquidity of existing assets and funding sources for financial institutions, the composition of deposits, including the amount of uninsured deposits, the amount of accumulated other comprehensive loss, capital levels and interest rate risk management. The increased influence of social media and other communication**

channels on the public perception of financial institutions and their operations can create reputation risk, which can adversely affect our stock price or the public' s perception of our stability or viability, even where such concerns are unwarranted. These recent developments, and the likelihood of similar events in the future, require our board of directors and management to effectively respond to these types of events. If we are unable to adequately manage our liquidity, deposits, capital levels, interest rate risk or reputation risk, it could have a material adverse effect on our stock price, financial condition, results of operations or regulatory standing. Worsening general business and economic conditions could materially and adversely affect us. Our business and operations are sensitive to general business and economic conditions in the United States. If the U. S. economy experiences worsening conditions such as a recession, we could be materially and adversely affected. Weak economic conditions may be characterized by deflation or stagflation, instability in debt and equity capital markets, a lack of liquidity and / or depressed prices in the secondary market for mortgage loans, increased delinquencies on loans, residential and commercial real estate price declines and lower home sales and commercial activity. Adverse changes in any of these factors could be detrimental to our business. Our business is also significantly affected by monetary and related policies of the U. S. ~~Federal~~ **federal** ~~Government~~ **government** , its agencies and government- sponsored entities. Adverse changes in economic factors or U. S. ~~Government~~ **government** policies could have a negative effect on us. Over the last several years, there have been several instances where there has been uncertainty regarding the ability of Congress and the President collectively to reach agreement on federal budgetary and spending matters. A period of failure to reach agreement on these matters, particularly if accompanied by an actual or threatened government shutdown, may have an adverse impact on the U. S. economy. Additionally, a prolonged government shutdown may inhibit our ability to evaluate borrower creditworthiness and originate and sell certain government- backed loans. In addition, the U. S. economy contracted into a recession in the first half of 2020, primarily driven by the COVID- 19 pandemic. The U. S. government and the Federal Reserve responded to the pandemic with unprecedented measures. The U. S. economy has since strengthened despite the spread of COVID- 19 variants, with higher inflation and housing values beginning in 2021. Also, the ongoing global supply chain issues and the military conflict between Russia and Ukraine contributed to higher inflation in 2022. In response, the Federal Reserve began normalizing monetary policy with its decision in late 2021 to taper its quantitative easing and raising the federal funds rate beginning in March 2022. Inflation remains elevated, reflecting supply and demand imbalances related to COVID- 19 and its variants, higher food and energy prices from the military conflict between Russia and Ukraine, and broader price pressures. **Recent conflicts in Israel and surrounding areas, and the potential for further expansion of this conflict, create additional uncertainty and potential for market disruption.** The Federal Reserve has raised interest rates significantly throughout 2022 **and in 2023** to lower inflation. While certain factors point to improving economic conditions, including moderating inflation, uncertainty remains regarding the path of the economic recovery and the mitigating impacts of government interventions. Conditions related to inflation, global supply chains, labor market, volatile interest rates, international conflicts, changes in trade policies and other factors, such as real estate values, state and local municipal budget deficits, government spending and the U. S. national debt may, directly and indirectly, adversely affect our financial condition and results of operations. The COVID- 19 and its variants have impacted our business, and the ultimate impact on our business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including their scope, duration and severity and actions taken by governmental authorities in response to COVID- 19 and its variants. The COVID- 19 and its variants have negatively impacted the global economy, disrupted global supply chains, created significant volatility and disruption in financial markets and the labor market. Furthermore, the economic impact of COVID- 19 and its variants have influenced and could further influence the recognition of credit losses in our loan and lease portfolios. Similarly, because of changing economic and market conditions affecting issuers, the securities we hold may lose value. Our business operations may also be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with COVID- 19 and its variants. The extent to which COVID- 19 and its variants impact our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including: • The duration, extent, and severity of COVID- 19 and its variants. Continuing spread and rise of new variants could affect significantly more households and businesses, or cause additional limitations on commercial activity, increased unemployment, increased property vacancy rates and general economic and financial instability. The continuation of the disease may also negatively impact regional economic conditions for a period of time, resulting in declines in loan demand and collateral values. The duration and severity of the disease continues to be impossible to predict, as is the potential for a seasonal or other resurgence. We may continue to see the economic effects of COVID- 19 and its variants even after the national emergency and public health emergency declarations are lifted, which is expected to continue to affect our business, financial position, results of operations and prospects. • The response of governmental authorities. Many of the actions of governmental authorities, including eviction forbearance, suspension of mortgage and other loan payments and foreclosures, enacted during the outbreak of COVID- 19 have ended. The end of various governmental support may have negative impacts on our customers including increased risk of delinquencies, defaults, foreclosures and losses on our loans. • The effect on our customers, counterparties, ~~employees~~ **team members** , and third- party service providers. COVID- 19 and its associated consequences and uncertainties have affecting individuals, households, and businesses differently and unevenly. Negative impacts on our customers could result in increased risk of delinquencies, defaults, foreclosures and losses on our loans. • The effect on economies and markets. Whether the actions of governmental and nongovernmental authorities will be successful in mitigating the adverse effects of COVID- 19 is unclear. National, regional, and local economies and markets could suffer disruptions that are lasting. Governmental actions are meaningfully influencing the interest- rate environment and financial- market activity and could have lasting effects on taxes and other economic factors, which could adversely affect our results of operations and financial condition. To the extent COVID- 19 and its variants continue to adversely affect the economy, and / or adversely affects our business, results of operations or financial condition, it may also have the effect of increasing the likelihood and / or magnitude of other risks described herein, including those risks related to business operations, industry / market, our securities and credit, or risks described in our other filings with the SEC. We are a participating lender in SBA' s PPP program and have originated a significant number of loans under this program, which may result in a material amount of PPP loans remaining on our consolidated balance sheets at a very low yield for an extended period of time. The PPP, originally established under the CARES Act and extended under the Economic Aid Act and CAA, authorized financial institutions to make federally- guaranteed loans to qualifying small businesses and non- profit organizations. These loans carry an interest rate of 1 % per annum and a maturity of 2 years for loans originated prior to June 5, 2020 and 5 years for loans originated on or after June 5, 2020. The PPP provides that such loans may be forgiven if the borrowers meet certain requirements with respect to maintaining employee headcount and payroll and the use of the loan proceeds after the loan is originated. The initial phase of the PPP, after being extended multiple times by Congress, expired on August 8, 2020. However, on January 11, 2021, the SBA reopened the PPP for First Draw PPP loans to small business and non- profit organizations that did not receive a loan through the initial PPP phase. Further, on January 13, 2021, the SBA reopened the PPP for Second Draw loans to small businesses and non- profit organizations that did receive a loan through the initial PPP phase. At least $ 25 billion had been set aside for Second Draw PPP loans to eligible borrowers with a maximum of 10 employees or for loans of $ 250, 000 or less to eligible borrowers in low or moderate income neighborhoods. Generally, businesses with more than 300 employees and / or less than a 25 percent reduction in gross receipts between comparable quarters in 2019 and 2020 were not eligible for Second Draw loans. Further, maximum loan amounts were increased for accommodation and food service businesses. On March 11, 2021, the American Rescue Plan Act of 2021 was enacted expanding eligibility for first and second round of PPP loans and revising the exclusions from payroll costs for purposes of loan forgiveness. The PPP ended on May 31, 2021. As of December 31, ~~2022~~ **2023** , we had PPP loans with outstanding balances of $ ~~1~~ **74** . ~~0~~ **7** ~~billion~~ **million** . Our PPP participation was very significant especially compared to the participation of similarly sized and larger competitor financial institutions. Considering our immediate response to originate PPP loans, the loans originated under this program may present potential fraud or other risks, increasing the risk that loan forgiveness may not be obtained by the borrowers and that the guaranty may not be honored and may result in increased provision expense or charge- offs. In addition, there is risk that the borrowers may not qualify for the loan forgiveness feature due to the conduct of the borrower after the loan is originated. Further, although the SBA has streamlined the loan forgiveness process for loans $ 150, 000 or less, these factors may result in us having to hold a significant amount of these low- yield loans on our books for a significant period of time. We will continue to face increased operational demands and pressures as we monitor and service our PPP loan portfolio, process applications for loan forgiveness and pursue recourse under the SBA guarantees. We have been subjected to regulatory audits and investigations related to our PPP program and could be subject to additional litigation and further investigation and scrutiny by our regulators, Congress, the SBA, the U. S. Treasury Department and other government agencies related to our PPP participation. Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business. The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The U. S. Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. Such initiatives are expected to continue, including potentially increasing supervisory expectations with respect to banks ~~'~~ **'** risk management practices, accounting for the effects of climate change in stress testing scenarios and systematic risk assessments, revising expectations for credit portfolio concentrations based on climate related factors, and encouraging investment by banks in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes and new reporting obligations, each of which may require Customers to expend significant capital and incur compliance, operating, maintenance and remediation costs. Given the lack of empirical data on the credit and other financial risks posed by climate change, it is impossible to predict how climate change may impact our financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks to Customers. For example, weather disasters, shifts in local climates and other disruptions related to climate change may adversely affect the value of real properties securing our loans, which could diminish the value of our loan portfolio. Such events may also cause reductions in regional and local economic activity that may have an adverse effect on our customers, which could limit our ability to raise and invest capital in these areas and communities, each of which could have a material adverse effect on our financial condition and results of operations. Severe weather, natural disasters, public health issues, acts of war or terrorism, and other external events could significantly impact our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, adversely impact our team member base, cause significant property damage, result in loss of revenue, and cause us to incur additional expenses. For example, one of our locations experienced flooding and incurred property damage in 2021 as a result. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. Risks Related to the Regulation of Our Industry Our business, financial condition, results of operations and future prospects could be adversely affected by the highly regulated environment in which we operate, including the effects of heightened regulatory requirements applicable to banks with assets in excess of $ 10 billion. As a bank holding company, we are subject to federal supervision and regulation. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards, may limit our operations significantly and control the methods by which we conduct business, just as they limit those of other banking organizations. In addition, compliance with laws and regulations can be difficult and costly, and changes to laws and regulations can impose additional compliance costs. The Dodd- Frank Act, which imposes significant regulatory and compliance changes on financial institutions, is an example of this type of federal regulation. Many of these regulations are intended to protect depositors, customers, the public, the banking system as a whole, or the FDIC insurance funds, not ~~stockholders~~ **shareholders** . Regulatory requirements and discretion affect our lending practices, capital structure, investment practices, dividend policy and many other aspects of our business. There are laws and regulations which restrict transactions between us and our subsidiaries. These requirements may constrain our operations, and the adoption of new laws and changes to or repeal of existing laws may have a further impact on our business, financial condition, results of operations and future prospects. Also, the burden imposed by those federal and state regulations may place banks in general, including Customers Bank in particular, at a competitive disadvantage compared to their non- banking competitors. We are also subject to requirements with respect to the confidentiality of information obtained from clients concerning their identities, business and personal financial information, employment and other matters. We require our team members to agree to keep all such information confidential, and we monitor compliance. Failure to comply with confidentiality requirements could result in material liability and adversely affect our business, financial condition, results of operations and future prospects. Bank holding companies and financial institutions are extensively regulated and currently face an uncertain regulatory environment. Applicable laws, regulations, interpretations, enforcement policies and accounting principles have been subject to significant changes in recent years and may be subject to significant future changes **. The recent turmoil in the banking industry has increased the likelihood of additional regulation and heightened supervision** . Future changes may have a material adverse effect on our business, financial condition and results of operations. Federal and state regulatory agencies may adopt changes to their regulations or change the manner in which existing regulations are applied or interpreted. We cannot predict the substance or effect of pending or future legislation or regulation or the application of laws and regulations on us. Compliance with current and potential regulation, as well as regulatory scrutiny, may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner by requiring us to expend significant time, effort and resources to ensure compliance and respond to any regulatory inquiries or investigations. In addition, press coverage and other public statements that assert some form of wrongdoing by financial services companies (including press coverage and public statements that do not involve us) have and may in the future result in regulatory inquiries or investigations, which, independent of the outcome, may be time- consuming and expensive and may divert time, effort and resources from our business. Evolving regulations and guidance concerning executive compensation may also impose limitations on us that affect our ability to compete successfully for executive and management talent. In addition, given the current economic and financial environment, regulators may elect to alter standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, certain risk management or other operational practices for financial services companies in a manner that impacts our ability to implement our strategy and could affect us in substantial and unpredictable ways and could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the regulatory agencies have extremely broad direction in their interpretation of the regulations and laws and their interpretation of the quality of our loan portfolio, securities portfolio and other assets. If any regulatory agency' s assessment of the quality of our assets, operations, lending practices, investment practices, capital structure or other assets of our business differs from our assessment, we may be required to take additional charges or undertake or refrain from undertaking actions that would have the effect of materially reducing our earnings, capital ratios and share price. Because our total assets ~~exceeded~~ -- **exceed** $ 10 billion ~~at December 31, 2019~~ , we and our bank subsidiary ~~became~~ **are** subject to increased regulatory requirements ~~in 2020~~ . The Dodd- Frank Act and its implementing regulations impose various additional requirements on bank holding companies with $ 10 billion or more in total assets. In addition, banks with $ 10 billion or more in total assets are primarily examined by the CFPB with respect to various federal consumer financial protection laws and regulations. As **an** ~~a relatively new~~ agency with evolving regulations and practices, there is some uncertainty as to how the CFPB' s examination and regulatory authority might impact our business. Further, the possibility of future changes in the authority of the CFPB by Congress or the current administration is uncertain, and we cannot predict the impact, if any, changes to the CFPB may have on our business. With respect to deposit- taking activities, banks with assets in excess of $ 10 billion are subject to two ~~changes~~ **material rules** . First, these institutions are subject to a deposit assessment based on a new scorecard issued by the FDIC. This scorecard considers, among other things, the bank' s CAMELS rating, results of asset- related stress testing and funding- related stress, as well as our use of core deposits, among other things. Depending on the results of the bank' s performance under that scorecard, the total base assessment rate is between 1. 5 to 40 basis points. Any increase in our bank subsidiary' s deposit insurance assessments may result in an increased expense related to our use of deposits as a funding source. Additionally, banks with over $ 10 billion in total assets are no longer exempt from the requirements of the Federal Reserve' s rules on interchange transaction fees for debit cards. This means that, as of July 1, 2020, our bank subsidiary is limited to receiving only a " reasonable " interchange transaction fee for any debit card transactions processed using debit cards issued by our bank subsidiary to our customers. The Federal Reserve has determined that it is unreasonable for a bank with more than $ 10 billion in total assets to receive more than $ 0. 21 plus 5 basis points of the transaction plus a $ 0. 01 fraud adjustment for an interchange transaction fee for debit card transactions. This reduction in the amount of interchange fees we receive for electronic debit interchange ~~reduced our revenues in 2020, and will continue to affect~~ **affected** our results of operations ~~for the duration of~~ **through early 2023, after which Customers and BM Technologies removed Customers' obligation under** the Deposit Servicing Agreement ~~with~~ **to pay** BM Technologies **the interchange maintenance fee which is the difference between the Durbin- exempt and Durbin- recalculated interchange revenues. In October 2023, the Federal Reserve proposed updates to all three components of the interchange fee cap based on the latest data reported to the Federal Reserve Board by large debit card issuers concerning transactions performed in 2021**

. Our regulators may also consider our compliance with these regulatory requirements when examining our operations generally or considering any request for regulatory approval we may make, even requests for approvals on unrelated matters. We operate in a highly regulated environment, and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could materially and adversely affect us. We are subject to extensive regulation, supervision and legislation that govern almost all aspects of our operations. Intended to protect customers, depositors and the FDIC' s DIF and not our shareholders, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities, limit the dividends or distributions that we can pay, restrict the ability of our subsidiary bank to engage in transactions with the Bancorp, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than under generally accepted accounting principles. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs and may make certain products impermissible or uneconomic. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, reputational harm, fines and other penalties, any of which could materially and adversely affect us. Further, any new laws, rules and regulations could make compliance more difficult or expensive and also materially and adversely affect us. Provisions of the Dodd- Frank Act prohibit incentive compensation arrangements that would encourage inappropriate risk taking at covered financial institutions, which includes a bank or bank holding company with $ 1 billion or more in assets, such as the Company. These prohibitions may adversely affect our ability to retain and attract executives and other high- performing team members or our ability to compete with companies that are not subject to such provisions. Our use of third- party service providers and our other ongoing third- party business relationships are subject to increasing regulatory requirements and attention. We regularly use third- party service providers as part of our business and have other ongoing business relationships with other third parties, including BM Technologies after the completion of the divestiture of BMT on January 4, 2021. These types of third- party relationships are subject to increasingly demanding regulatory requirements and attention by federal banking regulators. Regulation requires us to perform enhanced due diligence, perform ongoing monitoring and control our third- party service providers and other ongoing third- party business relationships. In certain cases, we may be required to renegotiate our agreements with these third- party service providers to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third- party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third- party service providers or other ongoing third- party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on our business, **reputation,** financial condition or results of operations. We are subject to numerous laws and governmental regulations and to regular examinations by our regulators of our business and compliance with laws and regulations, and our failure to comply with such laws and regulations or to adequately address any matters identified during our examinations could materially and adversely affect us. Federal banking agencies regularly conduct comprehensive examinations of our business, including our compliance with applicable laws, regulations and policies. Examination reports and ratings (which often are not publicly available) and other aspects of this supervisory framework can materially impact the conduct, organic and acquisition growth and profitability of our business. Our regulators have extensive discretion in their supervisory and enforcement activities and may impose a variety of remedial actions, conditions or limitations on our business operations if, as a result of an examination, they determined that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we or our management were in violation of any law, regulation or policy. Examples of those actions, conditions or limitations include enjoining " unsafe or unsound " practices, requiring affirmative actions to correct any conditions resulting from any asserted violation of law, issuing administrative orders that can be judicially enforced, directing increases in our capital, assessing civil monetary penalties against our officers or directors, removing officers and directors and, if a conclusion was reached that the offending conditions cannot be corrected, or there is an imminent risk of loss to depositors, terminating our deposit insurance. Other actions, formal or informal, that may be imposed could restrict our growth, including regulatory denials to expand branches, relocate, add subsidiaries and affiliates, expand into new financial activities or merge with or purchase other financial institutions. The timing of these examinations, including the timing of the resolution of any issues identified by our regulators in the examinations and the final determination by them with respect to the imposition of any remedial actions, conditions or limitations on our business operations, is generally not within our control. We also could suffer reputational harm in the event of any perceived or actual noncompliance with certain laws and regulations. If we become subject to such regulatory actions, we could be materially and adversely affected. Other litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities. Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of state and federal prosecutors on banks and the financial services industry generally. This focus has only intensified since the latest financial crisis and due to COVID- 19 pandemic and related federal and state government responses, with regulators and prosecutors focusing on a variety of financial institution practices and requirements, including our origination and servicing of PPP loans and granting of deferments under the CARES Act, as amended by the CAA, and the Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus. We **are regularly** ~~may, from time to time, be~~ the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental agencies regarding our business. Legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could be material to our business, results of operations, financial condition and cash flows, depending on, among other factors, the level of our earnings for that period and could have a material adverse effect on our business, financial condition or results of operations. The FDIC' s restoration plan and the related increased assessment rate could materially and adversely affect us. The FDIC insures deposits at FDIC- insured depository institutions up to applicable limits. The amount of a particular institution' s deposit insurance assessment is based on that institution' s risk classification under an FDIC risk- based assessment system. An institution' s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. In October 2022, FDIC issued a final rule to increase the initial base deposit insurance assessment rate by two basis points for all insured depository institutions beginning in 2023. **In November 2023, FDIC issued a final rule to implement a special assessment to recover the loss to the DIF associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank, at a quarterly rate of 3. 36 basis points of an institution' s uninsured deposits in excess of $ 5 billion as of December 31, 2022, to be paid over eight quarterly assessment periods. Customers recorded $ 3. 7 million of FDIC special assessment in the consolidated statement of income for the year ended December 31, 2023.** We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures **, or any special assessment is insufficient to cover a loss to the DIF** , we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially and adversely affect us, including reducing our profitability or limiting our ability to pursue certain business opportunities. The Federal Reserve may require us to commit capital resources to support our subsidiary bank. As a matter of policy, the Federal Reserve, which examines us and our subsidiaries, expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the " source of strength " doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under this requirement, we could be required to provide financial assistance to Customers Bank or any other subsidiary banks we may own in the future should they experience financial distress. A capital injection may be required at times when we do not have the resources to provide it, and therefore, we may be required to borrow the funds or raise additional equity capital from third parties. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In the event of a bank holding company' s bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company' s general unsecured creditors, including the holders of its indebtedness. Any financing that must be done by the holding company in order to make the required capital injection may be difficult and expensive and may not be available on attractive terms, or at all, which likely would have a material adverse effect on us. We are subject to stringent capital requirements which may adversely impact return on equity, require additional capital raises, or limit the ability to pay dividends or repurchase shares. In September 2010, the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. Basel III narrowed the definition of capital, introduced requirements for minimum Tier 1 common capital, increased requirements for minimum Tier 1 capital and total risk- based capital, and changed risk- weighting methodologies. Basel III was fully phased in by January 1, 2019. In July 2013, the Federal Reserve adopted a final rule regarding new capital requirements pursuant to Basel III. These rules, which became effective on January 1, 2015, for community banks, increased the required amount of regulatory capital that we must hold, and failure to comply with the capital rules will lead to limitations on the dividend payments to us by Customers Bank and other elective distributions. In December 2017, the Basel Committee on Banking Supervision published standards that it described as the finalization of the Basel III regulatory framework ~~(commonly referred to as Basel IV)~~ . Among other things, these standards revise the Basel Committee' s standardized approach for credit risk and provide a new standardized approach for operational risk capital. Under the ~~Basel framework, these standards generally became effective on January 1, 2022, with an aggregate output floor phasing in through January 1, 2027. Under the~~ current U. S. capital rules, operational risk capital requirements and a capital floor apply only to advanced- approaches institutions and not to us. The impact of ~~Basel IV~~ **any changes to the capital regulatory framework** on us will depend on the manner in which it is implemented by the federal bank regulators. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The federal Bank Secrecy Act, the Uniting and Strengthening America by PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U. S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the DOJ, Drug Enforcement Administration and IRS. There is also increased scrutiny of compliance with the rules enforced by OFAC. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions (such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans), which could materially and adversely affect us. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business. Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered " predatory. " These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make. Loans that we make through certain federal programs are dependent on the Federal Government' s continuation and support of these programs and on our compliance with their requirements. We participate in various U. S. ~~Government~~ **government** agency guarantee programs, including PPP and other programs operated by the SBA. We are responsible for following all applicable U. S. ~~Government~~ **government** agency regulations, guidelines and policies whenever we originate loans as part of these guarantee programs. If we or any third- party service providers we have engaged to assist us with such programs fail to follow any applicable regulations, guidelines or policies associated with a particular guarantee program, any loans we originate as part of that program may lose the associated guarantee, exposing us to credit risk to which we would not otherwise have been exposed or underwritten as part of our origination process for U. S. ~~Government~~ **government** agency guaranteed loans, or result in our inability to continue originating loans under such programs. The loss of any guarantees for loans we have extended under U. S. ~~Government~~ **government** agency guarantee programs or the loss of our ability to participate in such programs could have a material adverse effect on our business, financial condition or results of operations. We are ~~subject~~ **Subject** to ~~regulatory~~ **Regulatory** ~~restrictions~~ **Restrictions** on ~~transactions~~ **Transactions** with ~~our~~ **Our** ~~affiliates~~ **Affiliates** and ~~related~~ **Related** ~~parties~~ **Parties** .Failure to ~~comply~~ **Comply** with ~~such~~ **Such** ~~regulations~~ **Regulations** ~~could~~ **Could** ~~materially~~ **Materially** and ~~adversely~~ **Adversely** ~~affect~~ **Affect** ~~us~~ **Us** .There are various legal restrictions on the extent to which the Company may borrow or otherwise engage in certain types of transactions with the Bank or their respective affiliates and related parties.Under the Federal Reserve Act and the Federal Reserve' s Regulation W,the Bank is subject to quantitative and qualitative limits on extensions of credit (including credit exposure arising from repurchase and reverse repurchase agreements,securities borrowing and derivative transactions),purchases of assets,and certain other transactions with the Company or its other affiliates.Additionally,transactions between the Bank,on the one hand,and the Company or its affiliates,on the other hand,are required to be on arm' s length terms.Transactions between the Bank and its affiliates must be consistent with standards of safety and soundness.The Bank has had,and may be expected to have in the future,banking and other business transactions in the ordinary course of business with affiliates of the Company and the Bank,and their respective executive officers,directors,principal shareholders,their immediate families and affiliated companies (commonly referred to as related parties).The failure of the Company or the Bank to comply with the regulatory restrictions applicable to Customers and the Bank could materially and adversely affect the Company and the Bank. Taxes Reviews performed by the Internal Revenue Service and state **and local** taxing authorities for the fiscal years that remain open for investigation may result in a change to income taxes recorded in our consolidated financial statements and adversely affect our results of operations. We are subject to U. S. federal income tax as well as income tax of various ~~states~~ - **state and local taxing authorities** ~~primarily in the mid- Atlantic region of the United States~~ . Generally, Customers is no longer subject to examination by federal, state, and local taxing authorities for years prior to the year ended December 31, ~~2019~~ **2020** , with the exception of New **Jersey** ~~York State~~ and New York City. **Income** ~~In January 2023, Customers settled the audit examination with New York State to which a reserve for an uncertain~~ tax ~~position was recognized at December 31~~ **laws and regulations are often complex and our judgments** , ~~2022~~ **interpretations or applications of such tax laws and regulations could be challenged by taxing authorities** . **Any such challenges** ~~It is reasonably possible~~ that **are not resolved in** ~~the balance of unrecognized tax benefits could increase or~~ **our** ~~decrease over the next twelve months due to the completion of tax authorities' examinations or the expiration of statutes of limitations. While the net effect on the total unrecognized tax benefits during the next twelve months cannot be reasonably estimated, Customers expects a $ 1. 3 million reduction in unrecognized tax benefits in 2023 due to the settlement of the New York State examination, of which $ 0. 6 million will affect the effective tax rate. Customers is currently under audit by New York City for~~ **favor** ~~the 2016- 2017 tax years. The result of the review~~ could result in increased recognition of income tax expense in our consolidated financial statements as well as possible ~~fines~~ **interest** and penalties. Changes in U. S. federal, state or local tax laws may negatively impact our financial performance. We are subject to changes in tax law that could increase Customers ~~'~~ **'** effective tax rates. These **tax** law changes may be retroactive to previous periods and as a result could negatively affect Customers ~~'~~ **'** current and future financial performance. **A** ~~In December 2017, the Tax Act was signed into law, which resulted in significant changes to the Code. The Tax Act reduced Customers' Federal corporate income tax rate to 21 % beginning in 2018. However, the Tax Act also imposed limitations on Customers' ability to take certain deductions, such as the deduction for FDIC deposit insurance premiums, which partially offset the increase in net income from the lower tax rate. In addition, a~~ number of ~~the~~ changes to the Code were introduced through **the Tax Act,** the CARES Act and the CAA, and some of the provisions are set to expire in future years. There is substantial uncertainty concerning whether those expiring provisions will be extended, or whether future legislation will further revise the Code. Also, the current administration has indicated it may propose increases to the federal corporate statutory tax rate. An increase in the federal corporate tax rate may increase our tax provision expense. We are unable to predict whether these changes, or other proposals, will ultimately be enacted. We are Subject to Regulatory Restrictions on...... affect the Company and the Bank. Risks Related to Our Securities Risks Related to Our Voting Common Stock The trading volume in our common stock may generally be less than that of other larger financial services companies. Although the shares of our common stock are listed on the NYSE, the trading volume in our common stock may generally be less than that of many other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of willing buyers and sellers of our common stock at any given time, which presence will be dependent upon the individual decisions of investors, over which we have no control. Illiquidity of the stock market, or in the trading of our common stock on the NYSE, could have a material adverse effect on the value of your shares, particularly if significant sales of our common stock, or the expectation of significant sales, were to occur. We do not expect to pay cash dividends on our common stock in the ~~foreseeable~~ **near** future, and our ability to pay dividends is subject to regulatory limitations. We have not historically declared nor paid cash dividends on our common stock, and we do not expect to do so in the near future. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, the ability to service any equity or debt obligations senior to the common stock, our planned growth in assets and other factors deemed relevant by the board of directors. We must be current in the payment of dividends to holders of our Series E and Series F Preferred Stock before any dividends can be paid on our common stock. In addition, as a bank holding company, we are subject to general regulatory restrictions on the payment of cash and in- kind dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which, depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Further, various federal and state statutory provisions limit the amount of dividends that our bank subsidiary can pay to us as its holding company without regulatory approval. See " Market Price of Common Stock and Dividends – Dividends on Common Stock " below for further detail regarding restrictions on our ability to pay dividends. We may issue additional shares of our common stock in the future which could adversely affect the value or voting power of our outstanding common stock. Actual or anticipated issuances or sales of substantial amounts of our common stock in the future could cause the value of our common stock to decline significantly and make it more difficult for us to sell equity or equity- related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and the issuance of any equity- related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. Actual issuances of our common stock could also significantly dilute the voting power of the common stock. We have also made **and will continue to make** grants of restricted stock units and stock options with respect to shares of our common stock to our directors and certain team members ~~. We may also issue further equity- based awards in the future~~ . As such shares are issued upon vesting and as such options may be exercised and the underlying shares are or become freely tradeable, the value or voting power of our common stock may be adversely affected, and our ability to sell more equity or equity- related securities could also be adversely affected. We are not required to issue any additional equity securities to existing holders of our common stock on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities, warrants or options, will generally dilute the holdings of our existing holders of common stock, and such issuances or the perception of such issuances may reduce the market price of our common stock. Our outstanding preferred stock has preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to holders of our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital- raising efforts is uncertain. Thus, holders of our common stock bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the value of our common stock. Future issuances of debt securities, which would rank senior to our common stock upon our liquidation, and future issuances of equity securities, which would dilute the holdings of our existing holders of common stock and may be senior to our common stock for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of our common stock. In the future, we may issue additional debt or equity securities or incur other borrowings. Upon our liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before holders of our common stock. If we incur debt in the future, our future interest costs could increase and adversely affect our liquidity, cash flows and results of operations. Provisions in our articles of incorporation and bylaws may inhibit a takeover of us, which could discourage transactions that would otherwise be in the best interests of our shareholders and could entrench management. Provisions of our articles of incorporation and bylaws and applicable provisions of Pennsylvania law and the federal CBCA may delay, inhibit or prevent someone from gaining control of our business through a tender offer, business combination, proxy contest or some other method even though some of our shareholders might believe a change in control is desirable. They might also increase the costs of completing a transaction in which we acquire another financial services business, merge with another financial institution or sell our business to another financial institution. These increased costs could reduce the value of the shares held by our shareholders upon completion of these types of transactions. Shareholders may be deemed to be acting in concert or otherwise in control of us and our bank subsidiaries, which could impose prior approval requirements and result in adverse regulatory consequences for such holders. We are a bank holding company regulated by the Federal Reserve. Any entity (including a " group " composed of natural persons) owning 25 % or more of a class of our outstanding shares of voting stock, or a lesser percentage if such holder or group otherwise exercises a " controlling influence " over us, may be subject to regulation as a " bank holding company " in accordance with the BHC Act. In addition, (i) any bank holding company or foreign bank with a U. S. presence is required to obtain the approval of the Federal Reserve under the BHC Act to acquire or retain 5 % or more of a class of our outstanding shares of voting stock and (ii) any person other than a bank holding company may be required to obtain prior regulatory approval under the CBCA to acquire or retain 10 % or more of our outstanding shares of voting stock. Any shareholder that is deemed to " control " the company for bank regulatory purposes would become subject to prior approval requirements and ongoing regulation and supervision. Such a holder may be required to divest amounts equal to or exceeding 5 % of the voting shares of investments that may be deemed incompatible with bank holding company status, such as an investment in a company engaged in non- financial activities. Regulatory determination of " control " of a depository institution or holding company is based on all of the relevant facts and circumstances. Potential investors are advised to consult with their legal counsel regarding the applicable regulations and requirements. Our common stock owned by holders determined by a bank regulatory agency to be acting in concert would be aggregated for purposes of determining whether those holders have control of a bank or bank holding company. Each shareholder obtaining control that is a " company " would be required to register as a bank holding company. " Acting in concert " generally means knowing participation in a joint activity or parallel action towards the common goal of acquiring control of a bank or a parent company, whether or not pursuant to an express agreement. The manner in which this definition is applied in individual circumstances can vary and cannot always be predicted with certainty. Many factors can lead to a finding of acting in concert, including where: (i) the shareholders are commonly controlled or managed; (ii) the shareholders are parties to an oral or written agreement or understanding regarding the acquisition, voting or transfer of control of voting securities of a bank or bank holding company; (iii) the shareholders each own stock in a bank and are also management officials, controlling shareholders, partners or trustees of another company or (iv) both a shareholder and a controlling shareholder, partner, trustee or management official of such shareholder own equity in the bank or bank holding company. Our directors and executive officers can influence the outcome of shareholder votes and, in some cases, shareholders may not have the opportunity to evaluate and affect the investment decision regarding potential investment, acquisition or disposition transactions. As of December 31, ~~2022~~ **2023** , our directors and executive officers, as a group, owned a total of ~~1~~ **2** , ~~912~~ **354** , ~~564~~ **917** shares of common stock and exercisable options to purchase up to an additional ~~726~~ **625** , ~~788~~ **123** shares of common stock, which potentially gives them, as a group, the ability to control approximately ~~8~~ **9** . ~~15~~ **48** % of the outstanding common stock. In addition, a director of Customers Bank who is not a director or executive officer of Customers Bancorp owns an additional ~~13~~ **1** , 000 shares of common stock, which if combined with the directors and executive officers of Customers Bancorp, potentially gives them, as a group, the ability to control approximately ~~8~~ **9** . ~~19~~ **48** % of the outstanding common stock. We believe ownership of stock causes directors and officers to have the same interests as shareholders, but it also gives them the ability to vote as shareholders for matters that are in their personal interest, which may be contrary to the wishes of other shareholders. Shareholders will not necessarily be provided with an opportunity to evaluate the specific merits or risks of one or more potential investment, acquisition or disposition transactions. Any decision regarding a potential investment or acquisition transaction will be made by our board of directors. Except in limited circumstances as required by applicable law, consummation of an acquisition will not require the approval of holders of common stock. Accordingly, shareholders may not have an opportunity to evaluate and affect the board of directors ~~'~~ **’** decision regarding most potential investment or acquisition transactions and / or certain disposition transactions. The FDIC' s policy statement imposing restrictions and criteria on private investors in failed bank acquisitions will apply to us and our investors. In August 2009, the FDIC issued a policy statement imposing restrictions and criteria on private investors in failed bank acquisitions. The policy statement is broad in scope and both complex and potentially ambiguous in its application. In most cases, it would apply to an investor with more than 5 % of the total voting power of an acquired depository institution or its holding company; but in certain circumstances, it could apply to investors holding fewer voting shares. The policy statement will be applied to us if we make additional failed bank acquisitions from the FDIC or if the FDIC changes its interpretation of the policy statement or determines at some future date that it should be applied because of our circumstances. Investors subject to the policy statement could be prohibited from selling or transferring their interests for three years. They also would be required to provide the FDIC with information about the investor and all entities in the investor' s ownership chain, including information on the size of the capital fund or funds, its diversification, its return profile, its marketing documents, and its management team and business model. Investors owning 80 % or more of two or more banks or savings associations would be required to pledge their proportionate interests in each institution to cross- guarantee the FDIC against losses to the DIF. Under the policy statement, the FDIC also could prohibit investment through ownership structures involving multiple investment vehicles that are owned or controlled by the same parent company. Investors that directly or indirectly hold 10 % or more of the equity of a bank or savings association in receivership also would not be eligible to bid to become investors in the deposit liabilities of that failed institution. In addition, an investor using ownership structures with entities that are domiciled in bank- secrecy jurisdictions would not be eligible to own a direct or indirect interest in an insured depository institution unless the investor' s parent company is subject to comprehensive consolidated supervision as recognized by the Federal Reserve, and the investor enters into certain agreements with the U. S. bank regulators regarding access to information, maintenance of records and compliance with U. S. banking laws and regulations. If the policy statement applies, we (including any failed bank we acquire) could be required to maintain a ratio of Tier 1 common equity to total assets of at least 10 % for a period of three years and thereafter maintain a capital level sufficient to be well capitalized under regulatory standards during the remaining period of ownership of the investors. Bank subsidiaries also may be prohibited from extending any new credit to investors that own at least 10 % of our equity. Risks Related to Our Fixed- to- Floating- Rate Non- Cumulative Perpetual Preferred Stock, Series E and Series F The shares of our Series E and Series F Preferred Stock are equity securities and are subordinate to our existing and future indebtedness. The shares of Series E and Series F Preferred Stock are equity interests in Customers Bancorp and do not constitute indebtedness of Customers Bancorp or any of our subsidiaries and rank junior to all of our existing and future indebtedness and other non- equity claims with respect to assets available to satisfy claims against us, including claims in the event of our liquidation. During the year ended December 31, 2021, we redeemed all of the outstanding shares of Series C and Series D Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient funds to pay amounts due on any or all of the Series E and Series F Preferred Stock then outstanding. We may not pay dividends on the shares of Series E and Series F Preferred Stock. Dividends on the shares of Series E and Series F Preferred Stock are payable only if declared by our board of directors or a duly authorized committee of the board. As a bank holding company, we are subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which, depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Further, various federal and state statutory provisions limit the amount of dividends that our bank subsidiary can pay to us as its holding company without regulatory approval. Dividends on the shares of Series E and Series F Preferred Stock are non- cumulative. Dividends on the shares of Series E and Series F Preferred Stock are payable only when, as and if authorized and declared by our board of directors or a duly authorized committee of the board. Consequently, if our board of directors or a duly authorized committee of the board does not authorize and declare a dividend for any dividend period, holders of the Series E and Series F Preferred Stock will not be entitled to receive any such dividend, and such unpaid dividend will cease to accrue or be payable. If we do not declare and pay dividends on the Series E and Series F Preferred Stock, the market prices of the shares of Series E and Series F Preferred Stock may decline. Our ability to pay dividends on the shares of Series E and Series F Preferred Stock is dependent on dividends and distributions we receive from our subsidiaries, which are subject to regulatory and other limitations. Our principal source of cash flow is dividends from Customers Bank. We cannot assure you that Customers Bank will, in any circumstances, pay dividends to us. If Customers Bank fails to make dividend payments or other permitted distributions to us, and sufficient cash is not otherwise available, we may not be able to make dividend payments on the Series E and Series F Preferred Stock. Various federal and state statutes, regulations and rules limit, directly or indirectly, the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval. In particular, dividend and other distributions from Customers Bank to us would require notice to or approval of the applicable regulatory authority. There can be no assurances that we would receive such approval. In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary’ s liquidation or otherwise, and, as a result, the ability of a holder of Series E and Series F Preferred Stock to benefit indirectly from such distribution, will be subject to the prior claims of preferred equity holders and creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, shares of the Series E and Series F Preferred Stock are effectively subordinated to all existing and future liabilities and any outstanding preferred equity of our subsidiaries. Holders of Series E and Series F Preferred Stock should not expect us to redeem their shares when they first become redeemable at our option or on any particular date thereafter, and our ability to redeem the shares will be subject to the prior approval of the Federal Reserve. Our Series E and Series F Preferred Stock are perpetual equity securities, meaning that they have no maturity date or mandatory redemption date, and the shares are not redeemable at the option of the holders thereof. During the year ended December 31, 2021, we redeemed all of the outstanding shares of Series C and Series D Preferred Stock. However, any determination we make at any time to propose a redemption of the Series E and Series F Preferred Stock will depend upon a number of factors, including our evaluation of our capital position, the composition of our shareholders’ equity and general market conditions at that time. In addition, our right to redeem the Series E and Series F Preferred Stock is subject to any limitations established by the Federal Reserve. Under the Federal Reserve’ s risk- based capital guidelines applicable to bank holding companies, any redemption of the Series E and Series F Preferred Stock is subject to prior approval of the Federal Reserve. There can be no assurance that the Federal Reserve will approve any such redemption. We may be able to redeem the Series E and Series F Preferred Stock before their initial redemption dates upon a “ regulatory capital treatment event. ” We may be able to redeem the Series E and Series F Preferred Stock before their respective initial redemption dates, in whole but not in part, upon the occurrence of certain events involving the capital treatment of the Series E and Series F Preferred Stock, as applicable. In particular, upon our determination in good faith that an event has occurred that would constitute a “ regulatory capital treatment event, ” with respect to a particular series of the preferred stock, we may redeem that particular series of securities in whole, but not in part, upon the prior approval of the Federal Reserve. Holders of Series E and Series F Preferred stock have limited voting rights. Holders of Series E and Series F Preferred Stock have no voting rights with respect to matters that generally require the approval of voting shareholders. However, holders of Series E and Series F Preferred Stock will have the right to vote in the event of non- payments of dividends under certain circumstances, with respect to authorizing classes or series of preferred stock senior to the Series E and Series F Preferred Stock, as applicable, and with respect to certain fundamental changes in the terms of the Series E and Series F Preferred Stock, as applicable, or as otherwise required by law. General market conditions and unpredictable factors could adversely affect market prices for the Series E and Series F Preferred Stock. There can be no assurance regarding the market prices for the Series E and Series F Preferred Stock. A variety of factors, many of which are beyond our control, could influence the market prices, including: • whether we declare or fail to declare dividends on the series of preferred stock from time to time; • our operating performance, financial condition and prospects or the operating performance, financial condition and prospects of our competitors; • real or anticipated changes in the credit ratings (if any) assigned to the Series E and Series F Preferred Stock or our other securities; • our creditworthiness; • changes in interest rates and expectations regarding changes in rates; • our issuance of additional preferred equity; • the market for similar securities; • developments in the securities, credit and housing markets, and developments with respect to financial institutions generally; and • economic, financial, corporate, securities market, geopolitical, regulatory or judicial events that affect us, the banking industry or the financial markets generally. The Series E and Series F Preferred Stock may not have an active trading market. Although the shares of Series E and Series F Preferred Stock are listed on the NYSE, an active trading market may not be established or maintained for the shares, and transaction costs could be high. As a result, the difference between bid and ask prices in any secondary market could be substantial. The Series E and Series F Preferred Stock may be junior or equal in rights and preferences to preferred stock we may issue in the future. Our Series E and Series F Preferred Stock rank equally. Although we do not currently have outstanding preferred stock that ranks senior to the Series E and Series F Preferred Stock, the Series E and Series F Preferred Stock may rank junior to other preferred stock we may issue in the future that by its terms is expressly senior in rights and preferences to the Series E and Series F Preferred Stock, although the affirmative vote or consent of the holders of at least two- thirds of all outstanding shares of the affected class of preferred stock is required to issue any shares of stock ranking senior in rights and preferences to such class. Any preferred stock that ranks senior to the Series E and Series F Preferred Stock in the future would have priority in payment of dividends and the making of distributions in the event of any liquidation, dissolution or winding up of Customers Bancorp. Additional issuances by us of preferred stock ranking equally with Series E and Series F Preferred Stock do not generally require the approval of holders of the Series E and Series F Preferred Stock. ~~We intend to calculate the floating rate dividends payable on our Series E and Series F Preferred Stock based on three- month SOFR instead of three- month LIBOR. The dividend rate on our Series E Preferred Stock is currently a floating rate per annum equal to three- month LIBOR as determined on the related dividend determination date plus a spread of 5. 14 %. The dividend rate on our Series F Preferred Stock is currently a floating rate per annum equal to three- month LIBOR as determined on the related dividend determination date plus a spread of 4. 762 %. As a result of the winding- down of the use of LIBOR as a financial benchmark, in July 2023, on the date for payment of dividends on our Series E Preferred Stock and Series F Preferred Stock, we will calculate the dividends payable on shares of our Series E Preferred Stock based on a floating rate per annum equal to three- month SOFR as determined on the related dividend determination date plus a spread of 5. 14 % and the dividends payable on shares of our Series F Preferred Stock based on a floating rate per annum equal to three- month SOFR as determined on the related dividend determination date plus a spread of 4. 762 %. SOFR has a very limited history, and its historical performance is not indicative of future performance. The Federal Reserve began to publish SOFR in April 2018; therefore, SOFR has limited performance history and no actual investment based on the performance of SOFR was possible before April 2018. The level of SOFR during the floating rate period for our Series E Preferred Stock and Series F Preferred Stock may bear little or no relation to the historical level of SOFR. Furthermore, the future performance of SOFR is impossible to predict and, as a result, no future performance of SOFR or our Series E Preferred Stock and Series F Preferred Stock may be inferred from any historical performance data. Changes in the levels of SOFR will affect the return on, and trading price of, our Series E Preferred Stock and Series F Preferred Stock, but it is impossible to predict whether such levels will rise or fall. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in other benchmark or market rates, such as U. S. dollar LIBOR, during corresponding periods. The composition and characteristics of SOFR are not the same as those of U. S. dollar LIBOR and any failure of SOFR to gain market acceptance could adversely affect the Series E Preferred Stock and Series F Preferred Stock. SOFR was developed for use in certain U. S. dollar derivatives and other financial contracts as an alternative to the U. S. dollar LIBOR in part because it is considered representative of general funding conditions in the overnight Treasury repo market. However, as a rate based on transactions secured by U. S. Treasury securities, it does not measure bank- specific credit risk and, as a result, is less likely to correlate with the unsecured short- term funding costs of banks. In addition, SOFR is an overnight rate, while U. S. dollar LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as U. S. dollar LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility, or global or regional economic, financial, political, regulatory, judicial or other events. The differences between SOFR and U. S. dollar LIBOR may mean that market participants would not consider SOFR a suitable substitute or successor for all of the purposes for which U. S. dollar LIBOR historically has been used, which may, in turn, lessen market acceptance of SOFR. If SOFR does not prove to be widely used in securities that are similar or comparable to the Series E Preferred Stock and Series F Preferred Stock, the trading price of those securities may be adversely affected.~~ Risks Related to Our Senior Notes and Subordinated Notes Our 2. 875 % Senior Notes, 4. 5 % Senior Notes, 6. 125 % Subordinated Notes and 5. 375 % Subordinated Notes contain limited covenants. The terms of our 2. 875 % Senior Notes and 4. 5 % Senior Notes, which we refer to as the Senior Notes, and 6. 125 % and 5. 375 % Subordinated Notes, which we refer to as the Subordinated Notes, generally do not prohibit us from incurring additional debt or other liabilities. If we incur additional debt or liabilities, our ability to pay our obligations on the Senior Notes and Subordinated Notes could be adversely affected. In addition, the terms of our Senior Notes and Subordinated Notes do not require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, do not protect holders of those notes in the event that we experience material adverse changes in our financial condition or results of operations. Holders of the Senior Notes and Subordinated Notes also have limited protection in the event of a highly leveraged transaction, reorganization, default under our existing indebtedness, restructuring, merger or similar transaction. Our ability to make interest and principal payments on the Senior Notes and Subordinated Notes is dependent on dividends and distributions we receive from our subsidiaries, which are subject to regulatory and other limitations. Our principal source of cash flow is dividends from Customers Bank. We cannot assure you that Customers Bank will, in any circumstances, pay dividends to us. If Customers Bank fails to make dividend payments to us, and sufficient cash is not otherwise available, we may not be able to make interest and principal payments on the Senior Notes and Subordinated Notes. Various federal and state statutes, regulations and rules limit, directly or indirectly, the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval. In particular, dividend and other distributions from Customers Bank to us would require notice to or approval of the applicable regulatory authority. There can be no assurances that we would receive such approval. In addition, our right to participate in any distribution of assets of any of our subsidiaries upon the subsidiary' s liquidation or otherwise, and, as a result, the ability of a holder of the 2. 875 % Senior Notes and 4. 5 % Senior Notes to benefit indirectly from such distribution will be subject to the prior claims of preferred equity holders and creditors of that subsidiary, except to the extent that any of our claims as a creditor of such subsidiary may be recognized. As a result, the 2. 875 % Senior Notes and 4. 5 % Senior Notes are effectively subordinated to all existing and future liabilities and any outstanding preferred equity of our subsidiaries. We may not be able to generate sufficient cash to service our debt obligations, including our obligations under the Senior Notes and Subordinated Notes. Our ability to make payments on and to refinance our indebtedness, including the Senior

Notes and Subordinated Notes will depend on our financial and operating performance, including dividends payable to us from Customers Bank, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes. If our cash flows and capital resources and dividends from Customers Bank are insufficient to fund our debt service obligations, we may be unable to provide new loans, other products or to fund our obligations to existing customers and otherwise implement our business plans. As a result, we may be unable to meet our scheduled debt service obligations. In the absence of sufficient operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations or seek to restructure our indebtedness, including the notes. We may not be able to consummate these transactions, and these proceeds may not be adequate to meet our debt service obligations when due. The Senior Notes and Subordinated Notes are our unsecured obligations. The Senior Notes will rank equal in right of payment with all of our secured and unsecured senior indebtedness and will rank senior in right of payment to all of our subordinated indebtedness. Although the Senior Notes are " senior notes, " they will be effectively subordinated to all liabilities of our subsidiaries. Because the Senior Notes are unsecured, they will be effectively subordinated to all of our future secured senior indebtedness to the extent of the value of the assets securing such indebtedness. The Subordinated Notes will rank equal in right of payment with all of our secured and unsecured subordinated indebtedness and will rank junior in right of payment to all of our senior indebtedness, including the Senior Notes. As is the case with the Senior Notes, the Subordinated Notes are effectively subordinated to all liabilities of our subsidiaries. Because the Subordinated Notes are unsecured, they will be effectively subordinated to all of our future secured subordinated indebtedness to the extent of the value of the assets securing such indebtedness. The Senior Notes and Subordinated Notes may not have an active trading market. The Senior Notes and 6. 125 % Subordinated Notes are not listed on any securities exchange, and there is no active trading market for these notes. Although the 5. 375 % Subordinated Notes are listed on the NYSE, there is no guarantee that a trading market will develop or be maintained. In addition to the other factors described below, the lack of a trading market for the Senior Notes and Subordinated Notes may adversely affect the holder' s ability to sell the notes and the prices at which the notes may be sold. The prices realizable from sales of the Senior Notes and Subordinated Notes in any secondary market also will be affected by the supply and demand of the notes, the interest rate, the ranking and a number of other factors, including: • yields on U. S. Treasury obligations and expectations about future interest rates; • actual or anticipated changes in our financial condition or results, including our levels of indebtedness; • general economic conditions and expectations regarding the effects of national policies; • investors' views of securities issued by both holding companies and similar financial service firms; and • the market for similar securities. General Risk Factors Downgrades in U. S. government and federal agency securities could adversely affect us. The long- term impact of the downgrade of the U. S. government and federal agencies from an AAA to an AA credit rating is still uncertain. However, in addition to causing economic and financial market disruptions, the downgrade, and any future downgrades and / or failures to raise the U. S. debt limit if necessary in the future, could, among other things, materially adversely affect the market value of the U. S. and other government and governmental agency securities owned by us, the availability of those securities **to be used** as collateral for borrowing and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition. In particular, it could increase interest rates and disrupt payment systems, money markets, and long- term or short- term fixed- income markets, adversely affecting the cost and availability of funding, which could negatively affect profitability. Also, the adverse consequences as a result of the downgrade could extend to the borrowers of the loans we make and, as a result, could adversely affect our borrowers' ability to repay their loans. We may not be able to maintain consistent earnings or profitability. Although we made profit for the years 2011 through ~~2022~~ **2023** , there can be no assurance that we will be able to remain profitable in future periods, or, if profitable, that our overall earnings will remain consistent or increase in the future. Our earnings also may be reduced by increased expenses associated with increased assets, such as additional team member compensation expense, and increased interest expense on any liabilities incurred or deposits solicited to fund increases in assets. If earnings do not grow proportionately with our assets or equity, our overall profitability may be adversely affected.