VALLEY NATIONAL BANCORP
BASEL III REGULATORY CAPITAL DISCLOSURES REPORT
March 31, 2023

CONTENTS

INTRODUCTION

Background

Valley National Bancorp (Valley), headquartered in Wayne, New Jersey, is a New Jersey corporation organized in 1983 and is registered as a bank holding company and a financial holding company with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended (“Holding Company Act”). As of March 31, 2023, Valley had consolidated total assets of $64.3 billion, total net loans of $48.2 billion, total deposits of $47.6 billion and total shareholders’ equity of $6.5 billion.

Valley's principal subsidiary, Valley National Bank (commonly referred to as the “Bank” in this report), has been chartered as a national banking association under the laws of the United States since 1927. Valley and the Bank offer a full suite of national and regional banking solutions through various commercial, private banking, retail, insurance and wealth management financial services products. Valley provides personalized services and customized solutions to assist its customers with their financial service needs. Our solutions include, but are not limited to, traditional consumer and commercial deposit and lending products, commercial real estate financing, asset-based loans, small business loans, equipment financing, insurance and wealth management solutions, and personal financing solutions, such as residential mortgages, home equity loans and automobile financing. Valley also offers niche financial services, including loan and deposit products for homeowners’ associations, insurance premium financing, cannabis-related business banking and venture banking, which we offer nationally.

Valley also provides convenient account access to customers through a number of account management services, including access to more than 200 branch locations and commercial banking offices across New Jersey, New York, Florida, Alabama, California, and Illinois; online, mobile and telephone banking; drive-in and night deposit services; ATMs; remote deposit capture; and safe deposit facilities. In addition, certain international banking services are available to customers, including standby letters of credit, documentary letters of credit and related products, and certain ancillary services, such as foreign exchange transactions, documentary collections, and foreign wire transfers.

This document, along with Valley’s public filings, present the Regulatory Capital Disclosures in compliance with Basel III[1] as set forth in 12 CFR 217.63 – Disclosures (“Pillar III”) by institutions regulated by the Federal Reserve Board (“Federal Reserve”). The information presented in this document should be read jointly with Valley National Bancorp’s Annual Report on Form 10-K for the year ended December 31, 2022, Quarterly Report on Form 10-Q for the quarter ending March 31, 2023 as well as the FR Y-9C for March 31, 2023.

Forward-Looking Statements

This report, both in MD&A and elsewhere, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about management’s confidence and strategies and management’s expectations about our business, new and existing programs and products, acquisitions, relationships, opportunities, taxation, technology, market conditions and economic expectations. These statements may be identified by such forward-looking terminology as “intend,” “should,” “expect,” “believe,” “view,” “opportunity,” “allow,” “continues,” “reflects,” “typically,” “usually,” “anticipate,” “may,” “estimate,” “outlook,” “project” or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from such forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include but are not limited to those risk factors disclosed under the “Risk Factors” section in Part I, Item 1A on Valley's Annual Report on Form 10-K for the year ended December 31, 2022 and Part II, Item 1A of Valley’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

[1] Basel III or “the Capital Rule”

I. SCOPE OF APPLICATION

General

The Capital Rule applies to Valley, the Bank and all other entities in which Valley has controlling interest. Valley's consolidated subsidiaries include the Bank, as well as subsidiaries with the following primary functions: an insurance agency offering property and casualty, life and health insurance; asset management advisers that are registered investment adviser with the Securities and Exchange Commission (SEC); registered securities broker-dealers with the SEC and members of the Financial Industry Regulatory Authority (FINRA); a title insurance agency in New York which also provides services in New Jersey; an advisory firm specializing in the investment and management of tax credits; and a subsidiary which specializes in health care equipment lending and other commercial equipment leases. Valley Financial Management, Inc. (VFM) and Valley Insurance Services, Inc. (VIS) are subsidiaries for which the total capital requirement is deducted.

Basis of Consolidation

The consolidated financial statements of Valley include the accounts of the Bank and all other entities in which Valley has a controlling financial interest. The accounting and reporting policies of Valley conform to U.S. generally accepted accounting principles (U.S. GAAP) and general practices within the financial services industry. In accordance with applicable accounting standards, Valley does not consolidate statutory trusts established for the sole purpose of issuing trust preferred securities and related trust common securities.

Restrictions on the Transfer of Funds or Total Capital

This section does not apply to Valley, as it does not have restrictions on the transfer of funds or capital as of March 31, 2023.

Capital Requirements

Regulatory capital ratios for Valley and the Bank were above the regulatory requirement ratios under the Capital Rule at March 31, 2023. For more information see Note 17 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 and the "Capital Adequacy" section in Part I, Item 2 on Form 10-Q for the quarter ended March 31, 2023.

II. CAPITAL STRUCTURE

Summary of Capital

Valley and the Bank are subject to the regulatory capital requirements administered by the Federal Reserve Bank and the OCC. Valley manages its capital to meet its internal capital targets with the objective of maintaining capital levels that exceed the regulatory requirements. Valley's capital structure includes the following elements: (1) Common Equity Tier 1 (CET1) capital, which primarily includes common shareholders' equity, subject to certain regulatory adjustments and deductions; (2) Additional Tier 1 capital, which includes perpetual preferred stock and certain other qualifying capital instruments; and (3) Tier 2 capital, includes primarily qualifying subordinated debt and qualifying allowance for credit losses (ACL), as well as, among other things, certain trust preferred securities.

Regulatory Capital Tiers

The following table presents Valley's total risk-based capital and the components of capital used in calculating CET1 capital, Additional Tier 1 capital, and Tier 2 capital at March 31, 2023.

Table 1: Regulatory Capital Components

($ in thousands)

Regulatory Capital Components	Valley National Bancorp	Valley National Bank
Common Equity Tier 1 Capital		
Common stock and surplus (net of treasury stock)	$ 5,144,557	$ 5,347,422
Retained earnings (including CECL add-back)	1,324,620	2,073,466
Accumulated other comprehensive income (loss), net	(143,647)	(143,189)
Regulatory adjustments and deductions made to CET1	(1,922,990)	(1,915,602)
Total Common Equity Tier 1 Capital	**4,402,540**	**5,362,097**
Additional Tier 1 Capital		
Preferred Stock	215,000	—
Total Additional Tier 1 Capital	(159)	—
Tier 1 Capital	**4,617,381**	**5,362,097**
Total Tier 2 Capital		
Qualifying subordinated debt	605,000	—
Qualifying allowance for loan and lease losses	374,812	374,812
Non-qualifying capital instruments subject to phase out from Tier 2 Capital	59,000	—
Total Risk-based Capital	**$ 5,656,193**	**$ 5,736,909**

III. CAPITAL ADEQUACY

Internal Capital Adequacy Process

Valley exercises prudent capital management to maintain capital levels that adequately support its strategic initiatives and business activities.

Valley's Board performs its risk oversight function through several standing committees, including the Board Risk Committee. The Board Risk Committee supports the Board's oversight of management's enterprise-wide risk management framework and risk culture, which are each intended to align with Valley's strategic plan. The Board Risk Committee also determines the appropriateness of Valley's capital levels in consideration of its business activities, growth objectives, and risk appetite.

Management utilizes the enterprise-wide risk management framework to holistically manage and monitor risks across the organization and to aggregate and manage the risk appetite approved by the Board. The Board Risk Committee also recommends to the Board acceptable risk tolerances related to strategic, credit, interest rate, price, liquidity, compliance, operational (including cyber and information security risk), and reputation risks, oversees risk management within those tolerances and monitors compliance with applicable laws and regulations. With guidance from and oversight by the Board Risk Committee, management continually refines and enhances its risk management policies, procedures, and monitoring programs to adapt to changing risks.

While Valley is no longer required to publish company-run annual stress tests under the Dodd-Frank Act, it continues to internally run stress tests of its capital position that are subject to review by Valley's primary regulators in efforts to appropriately monitor capital adequacy under stressful environments. Further, Valley makes every effort to ensure that its capital ratios will remain in excess of required minimums and at levels that adequately protect Valley during times of potential stress.

Components of Risk-Weighted Assets

The following table presents Valley's standardized approach risk-weighted assets as of March 31, 2023, using the categorization based on the standardized definitions and per the Pillar III requirements. Currently, Valley has no risk-weighted assets exposure for supranational entities and multilateral development banks (MDBs), default fund contributions, unsettled transactions, and securitization exposures.

Table 2: Standardized Approach Risk-Weighted Assets

		($ in thousands)
Standardized Approach Risk-Weighted Assets		**Total**
Exposures to sovereign entities		536,942
Exposures to depository institutions, foreign banks, and credit unions		262,259
Exposures to public sector entities		145,634
Corporate exposures		33,706,686
Residential mortgage exposures		3,485,392
Statutory multifamily mortgages and pre-sold construction loans		6,369,146
High volatility commercial real estate loans		53,523
Past due loans		347,433
Other assets		3,878,335
Cleared transactions		1,004
Equity exposures		37,423
Total Risk-Weighted Assets	**$**	**48,823,777**

IV. CAPITAL CONSERVATION BUFFER AND CAPITAL RATIOS

Capital Conservation Buffer

The Basel III rules require Valley and the Bank to have a minimum Capital Conservation Buffer (CCB) of 2.5% on top of the minimum required risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of (i) CET1 to risk-weighted assets, (ii) Tier 1 capital to risk-weighted assets or (iii) Total capital to risk-weighted assets above the respective minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and discretionary bonus payments to executive officers based on the amount of the shortfall. Basel III also requires deductions from and adjustments to its various capital components. The CCB is calculated as the lowest of the (i) CET1 ratio less the CET1 stated minimum ratio requirement, (ii) Tier 1 ratio less the Tier 1 stated minimum ratio requirement, and (iii) Total capital ratio less the Total capital stated minimum ratio requirement. Valley and the Bank both surpass the CCB requirements. Valley's capital ratios were all above the minimum levels required to be considered a "well-capitalized" financial institution as of March 31, 2023, under the "prompt corrective action" regulations. For reference see Note 17 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 and the "Capital Adequacy" section in Part I, Item 2 of Valley's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

The maximum dollar amount that a banking organization can pay in the form of discretionary bonus payments or capital distributions during the current quarter is equal to the maximum payout ratio multiplied by the banking organization's eligible retained income. Eligible retained income is defined for Basel III as the greater of a banking organization's net income (as reported in the banking organization's quarterly regulatory reports) for the four quarters preceding the current quarter, net of any capital distributions and associated tax effects not already reflected in net income or the average of the most recent four quarters' net income. Valley had $360 million of eligible retained income as of March 31, 2023.

Valley is not subject to any limitations on its capital distributions or discretionary bonus payments to executive officers, as its capital levels exceeded defined minimums, inclusive of the capital conservation buffer, at March 31, 2023.

Regulatory Capital Ratios

The following table presents the regulatory capital ratios and related capital requirements for Valley and the Bank at March 31, 2023.

Table 3: Regulatory Capital Ratios

	Actual Ratio	Minimum Capital Ratio	Capital Conservation Buffer		Minimum Capital Conservation Buffer
Valley					
CET1 Capital	9.02%	7.00%	4.52%		2.50%
Tier 1 Risk-based Capital	9.46	8.50	3.46	*	2.50
Total Risk-based Capital	11.58	10.50	3.58		2.50
Valley National Bank					
CET1 Capital	10.99	7.00	6.49		2.50
Tier 1 Risk-based Capital	10.99	8.50	4.99		2.50
Total Risk-based Capital	11.75	10.50	3.75	*	2.50

* 3.46% and 3.75% are the capital conservation buffers for Valley and the Bank, respectively, at March 31, 2023
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V. CREDIT RISK: GENERAL DISCLOSURES

Credit Risk Management

For all loan types, Valley adheres to a credit policy designed to minimize credit risk while generating the maximum income given the level of risk appetite. Management reviews and approves these policies and procedures on a regular basis with subsequent approval by the Board of Directors annually. Credit authority relating to a significant dollar percentage of the overall portfolio is centralized and controlled by the Credit Risk Management Division and by a Credit Committee. A reporting system supplements the review process by providing management with frequent reports concerning loan production, loan quality, internal loan classifications, concentrations of credit, loan delinquencies, nonperforming and potential problem loans. Loan portfolio diversification is an important factor utilized by Valley to manage the portfolio's risk across business sectors, geographic markets and through cyclical economic circumstances.

Valley's historical and current loan underwriting practice prohibits the origination of payment option adjustable residential mortgages which allow for negative interest amortization and subprime loans. Virtually all of the residential mortgage loan originations in recent years have conformed to rules requiring documentation of income, assets sufficient to close the transactions and debt to income ratios that support the borrower's ability to repay under the loan's proposed terms and conditions. These rules are applied to all loans originated for retention in portfolio or for sale in the secondary market.

See Notes 5 and 8 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, respectively, for additional information.

Valley maintains an allowance for credit losses (ACL) for financial assets measured at amortized cost. The ACL consists of the allowance for loan losses and unfunded loan commitments (combined the "allowance of credit losses for loans"), and the allowance for credit losses for held to maturity securities. The estimate of expected credit losses under the current expected credit losses (CECL) methodology is based on relevant information about the past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. CECL methodology to estimate the allowance for loan losses has two components: (i) a collective reserve component for estimated lifetime expected credit losses for pools of loans that share common risk characteristics and (ii) an individual reserve component for loans that do not share risk characteristics, consisting of collateral dependent loans. Valley also maintains a separate allowance for unfunded credit commitments mainly consisting of undisbursed non-cancellable lines of credit, new loan commitments and commercial standby letters of credit.

Valley estimated the collective ACL using a current expected credit losses methodology which is based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the loan balances. In estimating the component of the allowance on a collective basis, we use a transition matrix model which calculates an expected life of loan loss percentage for each loan pool by generating probability of default and loss given default metrics. The metrics are based on the migration of loans within the commercial and industrial loan categories from performing to loss by credit quality rating or delinquency categories using historical life-of-loan analysis periods for each loan portfolio pool and the severity of loss based on the aggregate net lifetime losses. The model's expected losses based on loss history are adjusted for qualitative factors. Among other things, these adjustments include and account for differences in: (i) the impact of the reasonable and supportable economic forecast, relative probability weightings and reversion period, (ii) other asset specific risks to the extent that they do not exist in the historical loss information, and (iii) net expected recoveries of charged-off loan balances. These adjustments are based on qualitative factors not reflected in the quantitative model but are likely to impact the measurement of estimated credit losses. The expected lifetime loss rate is the life of loan loss percentage from the transition matrix model plus the impact of the adjustments for qualitative factors. The expected credit losses are the product of multiplying the model’s expected lifetime loss rate by the exposure at default at period end on an undiscounted basis.

Valley utilizes a two-year reasonable and supportable forecast period followed by a one-year period over which estimated losses revert to historical loss experience for the remaining life of the loan on a straight-line basis. The forecasts consist of a multi-scenario economic forecast model to estimate future credit losses and is governed by a cross-functional committee. The committee meets each quarter to determine which economic scenarios developed by Moody's will be incorporated into the model, as well as the relative probability weightings of the selected scenarios, based upon all readily available information. The model projects economic variables under each scenario based on detailed statistical analyses. We have identified and selected key variables that most closely correlated to our historical credit performance, which include: GDP, unemployment and the Case-Shiller Home Price Index.

For further discussion regarding CECL methodology see Note 1 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 and the "Allowance for Credit Losses for Loans" section in Part I, Item 2 on Form 10-Q for the quarter ended March 31, 2023.

For more information regarding Valley’s policy for determining past due or delinquency status, placing loans on nonaccrual, returning loans to accrual status, and charging-off uncollectible amounts, refer to the “Summary of Significant Accounting Policies (Note 1)” section of Valley’s Annual Report on Form 10-K for the year ended December 31, 2022.

Credit Risk Exposures

The following tables provide the exposure information for the credit portfolios including on- and off-balance sheet exposures, debt securities, and derivatives as of March 31, 2023. On-balance sheet exposures include the spot exposure as of March 31, 2023, and the weekly average for the first quarter 2023 exposure amount.

Table 4: On-Balance Sheet Credit Risk Exposures

		($ in thousands)
On-Balance Sheet Exposures type	**Total**	**Average**
Commercial and industrial	$ 9,043,946	$ 8,754,853
Commercial real estate	27,051,111	26,555,421
Construction	3,725,967	3,780,615
Residential Mortgage	5,486,280	5,363,421
Consumer	3,352,662	3,405,061
Total on-balance sheet	**$ 48,659,966**	**$ 47,859,371**

Table 5: Off-Balance Sheet, Investment Securities, and Derivatives Credit Risk Exposures

($ in thousands)

Exposures		**Total**
Total on-balance sheet	**$**	**48,659,966**
Commitments under commercial loans and lines of credit		10,717,805
Home equity and other revolving lines of credit		2,056,275
Standby letters of credit		501,830
Outstanding residential mortgage loan commitments		284,533
Commitments under unused lines of credit—credit card		123,475
Commitments to sell loans		28,771
Commercial letters of credit		39,680
Total off-balance sheet		**13,752,369**
Total investment securities		**5,161,822**
Derivatives		**698,857**
Total credit risk exposure	**$**	**68,273,014**

The following table presents the distribution of credit exposure by geography as of March 31, 2023. For the tables below, geography is considered as the location of the collateral for exposures collateralized by real estate.

Table 6: Credit Exposures by Geography

($ in thousands)

State	**Commercial and Industrial**	**Commercial Real Estate**	**Residential**	**Consumer**	**Total**
New York	$ 2,034,783	$ 10,567,761	$ 1,495,902	$ 949,419	$ 15,047,865
Florida	2,469,104	8,105,522	1,461,983	510,299	12,546,908
New Jersey	1,751,238	6,309,902	1,838,539	1,192,245	11,091,924
California	468,944	1,057,495	95,711	46,592	1,668,742
Illinois	252,735	431,291	4,634	34,578	723,238
Alabama	66,708	410,857	38,023	79,329	594,917
Other	2,000,434	3,894,250	568,706	540,200	7,003,590
Total	**9,043,946**	**30,777,078**	**5,503,498**	**3,352,662**	**48,677,184**
Less: Loans held for sale, at fair value	—	—	17,218	—	17,218
Total loan portfolio	**$ 9,043,946**	**$ 30,777,078**	**$ 5,486,280**	**$ 3,352,662**	**$ 48,659,966**

The following table presents the distribution of credit exposure by industry as of March 31, 2023.

Table 7: Credit Exposure by Industry

			($ in thousands)
		Total	**Percent of Total**
Commercial and industrial		9,043,946	19%
Commercial real estate			
Commercial real estate		27,051,111	56%
Construction		3,725,967	7%
Total commercial real estate loans		30,777,078	63%
Residential mortgage		5,486,280	11%
Consumer			
Home equity		516,592	1%
Automobile		1,717,141	4%
Other consumer		1,118,929	2%
Total consumer loans		3,352,662	7%
Total	**$**	**48,659,966**	**100%**

Net loan charge-offs totaled $30.4 million for the first quarter of 2023 compared to $22.4 million for the fourth quarter 2022 and net recoveries of loan charge-offs $50 thousand for the first quarter 2022. The first quarter 2023 net loan charge-offs largely related to one commercial and industrial loan participation charged-off. This loan was fully reserved for in our allowance for loan losses as of December 31, 2022 and its remaining balance, net of charge-offs, was immaterial at March 31, 2023. The amount of net loan charge-offs and the low level of individual loan charge-offs for the first quarter 2023 continued to trend within management's expectations for the credit quality of the loan portfolio at March 31, 2023.

The allowance for credit losses for loans, comprised of our allowance for loan losses and unfunded credit commitments, as a percentage of total loans was 0.95% at March 31, 2023, and 1.03% at December 31, 2022. During the first quarter of 2023, the provision for credit losses for loans totaled $9.5 million as compared to $7.3 million for the fourth quarter of 2022. At March 31, 2023, our allowance for credit losses for loans as a percentage of total loans decreased as compared to December 31, 2022 largely due to the impact of the first quarter 2023 loan charge-offs with prior allocated reserves. The reduction in allocated reserves for specific loans was partially offset by a moderate uptick in in non-economic qualitative reserves for commercial and industrial loans within our CECL model at March 31, 2023. The economic component of our current CECL model was relatively stable as compared to December 31, 2022.

For additional information regarding the allowance for credit losses for loans see Notes 5 and 8 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, respectively.

The following tables presents the allowance reconciliation by exposure type from December 31, 2022 to March 31, 2023.

Table 8: Allowance Reconciliation

($ in thousands)

	Commercial and Industrial	**Commercial Real Estate**	**Residential Mortgage**	**Consumer**	**Total**
Beginning at December 31, 2022	$ 139,941	$ 259,408	$ 39,020	$ 20,286	$ 458,655
Impact of the adoption of ASU No. 2022-02	(739)	(589)	(12)	(28)	(1,368)
Beginning balance, adjusted	139,202	258,819	39,008	20,258	457,287
Loans charged-off	(26,047)	(5,698)	—	(828)	(32,573)
Charged-off loans recovered	1,399	24	21	761	2,205
Net (charge-offs) recoveries	(24,648)	(5,674)	21	(67)	(30,368)
Provision (credit) for loan losses	13,438	(9,813)	2,679	3,675	9,979
Balance at March 31, 2023	**$ 127,992**	**$ 243,332**	**$ 41,708**	**$ 23,866**	**$ 436,898**

The following tables presents the distribution of loan maturities by exposure type as of March 31, 2023.

Table 9: Loan Maturities by Exposure Type

($ in thousands)

	1 Year or Less	**1 to 5 Years**	**5 to 15 Years**	**Greater than 15 Years**	**Total**
Commercial and industrial	$ 2,324,020	$ 3,915,782	$ 1,100,226	$ 1,703,918	$ 9,043,946
Commercial real estate	2,374,099	9,350,487	12,189,369	3,137,156	27,051,111
Construction	1,514,371	1,702,254	273,774	235,568	3,725,967
Residential mortgage	91,550	232,752	453,875	4,708,103	5,486,280
Consumer	47,341	1,049,670	2,191,187	64,464	3,352,662
Total	**$ 6,351,381**	**$ 16,250,945**	**$ 16,208,431**	**$ 9,849,209**	**$ 48,659,966**

The following tables presents commitments and letters of credit maturities by exposure as of March 31, 2023.

Table 10: Commitments and Letters of Credit Maturities by Exposure Type

($ in thousands)

	1 Year or Less	**1 to 5 Years**	**Greater than 5 Years**	**Total**
Commitments under commercial loans and lines of credit	$ 4,528,327	$ 4,835,096	$ 1,354,382	$ 10,717,805
Home equity and other revolving lines of credit	2,056,275	—	—	2,056,275
Standby letters of credit	457,567	37,405	6,858	501,830
Outstanding residential mortgage loan commitments	284,533	—	—	284,533
Commitments under unused lines of credit—credit card	123,475	—	—	123,475
Commitments to sell loans	28,771	—	—	28,771
Commercial letters of credit	39,680	—	—	39,680
Total	**$ 7,518,628**	**$ 4,872,501**	**$ 1,361,240**	**$ 13,752,369**

The following table presents the loans past due and non-accrual by geography as of March 31, 2023.

Table 11: Past Due and Non-Accrual Loans by Geography

($ in thousands)

	30-89 Days Past Due	90 or More Days Past Due	Non-Accrual Loans
New York	$ 49,393	$ 7,329	$ 184,819
Florida	11,158	2,275	6,809
New Jersey	7,653	2,385	19,680
California	206	3,111	3,739
Illinois	—	584	16
Alabama	155	—	2,247
Other	13,945	2,108	24,684
Total	**$ 82,510**	**$ 17,792**	**$ 241,994**

The following table presents the loans past due and non-accrual by industry as of March 31, 2023.

Table 12: Past Due and Non-Accrual Loans by Industry

($ in thousands)

	30-89 Days Past Due	90 or More Days Past Due	Non-Accrual Loans
Commercial and industrial	$ 44,834	$ 8,927	$ 78,606
Commercial real estate	13,580	—	67,938
Construction	—	6,450	68,649
Residential mortgage	14,732	1,668	23,483
Consumer	9,364	747	3,318
Total	**$ 82,510**	**$ 17,792**	**$ 241,994**

VI. GENERAL DISCLOSURES FOR COUNTERPARTY CREDIT RISK-RELATED EXPOSURES

Counterparty Credit Risk Management

Valley is exposed to counterparty credit risk when one of the parties it makes transactions with may fail to complete contractual obligations. This risk comes from various types of transactions such as: securities sold under agreement to repurchase, margin loans, transactions cleared through a central counterparty, syndicated risk participants and derivatives contracts. Existing agreements are structured in a manner that there would be no change in collateral posting requirements in the event of Valley's credit downgrade.

Management attempts to minimize counterparty credit risk through credit approvals, limits, monitoring procedures, and obtaining collateral where appropriate. Credit risk exposure associated with derivative contracts is managed in conjunction with Valley's consolidated counterparty risk management process. Valley's counterparties and the related risk limits monitored by management are periodically reviewed and approved by the Board of Directors.

Certain financial instruments, including certain over the counter (OTC) derivatives (mostly interest rate swaps) and repurchase agreements (accounted for as secured long-term borrowings), may be eligible for offset in the consolidated statements of financial condition and/or subject to master netting arrangements or similar agreements. OTC derivatives include interest rate swaps executed and settled bilaterally with counterparties without the use of an organized exchange or central clearing house. The credit risk associated with bilateral OTC derivatives is managed through obtaining collateral and enforceable master netting agreements.

Valley is party to master netting arrangements with its financial institution counterparties; however, Valley does not offset assets and liabilities under these arrangements for financial statement presentation purposes. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral, usually in the form of cash or marketable investment securities, is posted by the counterparty with net liability positions in accordance with contract thresholds. Master repurchase agreements which include "right of set-off" provisions generally have a legally enforceable right to offset recognized amounts. In such cases, the collateral would be used to settle the fair value of the swap or repurchase agreement should Valley be in default. Total amount of collateral held or pledged cannot exceed the net derivative fair values with the counterparty.

Valley utilizes Current Exposure Methodology (CEM) which is an OCC approved method for calculating credit exposure resulting from a derivative transaction for the purpose of calculating a bank's adherence to its legal lending limit under Dodd-Frank Act Section 610. Under CEM, Valley calculates the credit exposure for derivative transactions by adding the current exposure (the greater of zero or the mark-to-market value) and the Potential Future Exposure (PFE) (calculated by multiplying the notional amount by a specific conversion factor which varies based on the type and remaining maturity of the contract) of the derivative transactions. CEM incorporates additional calculations for netting arrangements and collateral and uses multipliers that are tailored to computing the PFE of derivative transactions. In addition, because of its use in the capital rules, the CEM is familiar to both industry and regulators as an available measure of derivative exposure and its use for measuring credit exposure under the lending limits rule would therefore introduce less burden and operational risk than would the use of a different methodology for regulatory purposes. Valley's Credit Risk Management Department is responsible for monitoring individual exposures in accordance with all lending limits for Valley. Total net credit exposure to the counterparty is managed to not exceed 2% of the Valley's equity as of the prior quarter end. At March 31, 2023, Valley was compliant with the counterparty limit.

Derivative Financial Instruments

The following table provides the gross information for Valley's counterparty credit risk-related exposures.

Table 13: Derivative Financial Instruments

($ in thousands)

	Notional Amount	Other Assets	Other Liabilities
Cash flow hedge interest rate swaps	$ 600,000	$ 7,866	$ —
Fair value hedge interest rate swaps	300,000	—	27,858
Total derivatives designated as hedging instruments	**900,000**	**7,866**	**27,858**
Derivatives not designated as hedging instruments			
Interest rate swaps and other contracts	15,298,441	429,195	457,508
Foreign currency derivatives	1,848,883	9,540	8,944
Mortgage banking derivatives	51,106	148	242
Total derivatives not designated as hedging instruments	**17,198,430**	**438,883**	**466,694**
Gross derivative values presented in the Consolidated Balance Sheets in the Form 10-Q	$ 18,098,430	$ 446,749	$ 494,552

As of March 31, 2023, cash collateral received and pledged was $330.6 million and $4.7 million, respectively, and residential mortgage-backed securities pledged as collateral in derivative transactions was $68.5 million.

The table below presents information about Valley's financial instruments that are eligible for offset in the consolidated statements of financial condition as of March 31, 2023.

Table 14: Eligible Financial Instruments

($ in thousands)

	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Financial Instruments	Cash Collateral*	Net Amount
Assets:						
Interest rate swaps	$ 437,061	$ —	$ 437,061	$ 30,473	$ (301,740)	$ 165,794
Liabilities:						
Interest rate swaps	$ 485,366	$ —	$ 485,366	$ (30,473)	$ (681)	$ 454,212

* Cash collateral received from or pledged to our counterparties in relation to market value exposures of OTC derivative contacts in an asset/liability position.

The following table provides the notional amount of purchased and sold credit derivatives related to risk participation agreements with external lenders as of March 31, 2023.

Table 15: Purchased and Sold Credit Derivatives

($ in thousands)

	Purchased	Sold
Swap Participations	$ 263,677	$ 145,522

VII. CREDIT RISK MITIGATION

General Credit Risk Mitigation

Loans are well documented in accordance with specific and detailed underwriting policies and verification procedures. General underwriting guidance is consistent across all loan types with possible variations in procedures and due diligence dictated by specific loan requests. Due diligence standards require acquisition and verification of sufficient financial information to determine a borrower's or guarantor's credit worthiness, capital support, capacity to repay, collateral support, and character. Credit worthiness is generally verified using personal or business credit reports from independent credit reporting agencies. Capacity to repay the loan is based on verifiable liquidity and earnings capacity as shown on financial statements and/or tax returns, banking activity levels, operating statements, rent rolls or independent verification of employment. Finally, collateral valuation is determined via appraisals from independent, bank-approved, certified, or licensed property appraisers, valuation services, or readily available market resources.

Credit Concentrations

As of March 31, 2023 approximately 76% of Valley's gross loans totaling $48.7 billion consisted of commercial real estate (including construction loans), residential mortgage, and home equity loans. The remaining 24% at March 31, 2023 consisted of loans not collateralized by real estate. Valley has no internally planned changes that would significantly impact the current composition of our loan portfolio by loan type. However, Valley has continued to diversify the types of borrowers within our geographic concentrations in New Jersey, the New York City metropolitan area, and Florida.

The majority of Valley's lending activity occurs in northern and central New Jersey, the greater New York City metro area, Florida, California, Illinois, and Alabama. Valley has recently expanded commercial lending to select targeted markets beyond our historical geographic footprint. In addition to its primary markets, automobile loans are originated in several other contiguous states. Valley endeavors to maintain a diversified portfolio with regards to borrower and collateral type in an effort to minimize the impacts of a potential downward turn in any single industry.

Due to the level of its underwriting standards applied to all loans, management believes the out of market loans generally present no more risk than those made within the market. However, each loan or group of loans made outside of Valley's primary markets poses different geographic risks based upon the economy of that particular region.

For Valley's commercial loan portfolio, comprised of commercial and industrial loans, commercial real estate loans, and construction loans, commercially focused credit underwriters are responsible for risk assessment and periodically evaluating overall creditworthiness of a borrower. Additionally, efforts are made to limit concentrations of credit to minimize the impact of a downturn in any one economic sector. Valley believes its loan portfolio is diversified as to type of borrower and loan. However, most of the loans collateralized by real estate are in New Jersey, New York and Florida presenting a geographical credit risk if there was a further significant broad-based deterioration in economic conditions within these regions.

At March 31, 2023, commercial real estate loans collateralized by office buildings were approximately $3.1 billion of the $27.1 billion portfolio. These loans are geographically disbursed largely across Florida, Alabama, New Jersey, New York, and Manhattan with a combined weighted average loan to value ratio of 54% percent and debt service coverage ratio of 1.90.

Consumer loans are comprised of residential mortgage loans, home equity loans, automobile loans and other consumer loans. Residential mortgage loans are secured by 1-4 family properties mostly located in New Jersey, New York, and Florida. Valley provides mortgage loans secured by homes beyond this primary geographic area; however, lending outside this primary area has generally consisted of loans made in support of existing customer relationships, as well as targeted purchases of certain loans guaranteed by third parties. Valley's mortgage loan originations are comprised of both jumbo (i.e., loans with balances above conventional conforming loan limits) and conventional loans based on underwriting standards that generally comply with Fannie Mae and/or Freddie Mac requirements. Home equity and automobile loans are secured loans and are made based on an evaluation of the collateral and the borrower's creditworthiness.

Management realizes that some degree of risk must be expected in the normal course of lending activities. Allowances are maintained to absorb such lifetime expected credit losses inherent in the portfolio. For more information see the "Loan Portfolio Risk Elements and Credit Risk Management" section within Note 5 of the consolidated financial statements of Valley's Annual Report on Form 10-K for the quarter ended December 31, 2022.

The following table provides the total exposure that is covered by guarantees by portfolio as of March 31, 2023. The guarantees are Small Business Administration (SBA) guaranteed loans with a 0% risk-weighting. Valley does not utilize credit derivatives for the purposes of calculating risk-weighted assets.

Table 16: Total Exposure Covered by Guarantees

	($ in thousands) Exposure Covered by Guarantees
Commercial and industrial	$ 547
Commercial real estate	22,961
Construction	62
Residential Mortgage	16
Total	**$ 23,586**

VIII. SECURITIZATION

Valley and its subsidiaries did not hold securitization exposures at March 31, 2023.

IX. EQUITIES NOT SUBJECT TO MARKET RISK RULE

Equity Risk

The Market Risk Rule under the Federal Reserve's regulatory capital framework applies to institutions with aggregate trading assets and liabilities of greater than $1 billion or 10% of quarter-end total assets. Both Valley and the Bank had aggregate trading assets and liabilities below the limit at March 31, 2023, and therefore are not subject to the Market Risk Rule.

Valley owns equity securities, not held for trading purposes, consisting of a publicly traded mutual fund, Community Reinvestment Act (CRA) investment fund and an investment related to the development of new financial technologies that are carried at quoted prices in active markets.

See additional information on equity risk pertaining to capital gains and valuation of equity holdings not subject to market risk rule under "Interest Rate Sensitivity," "Liquidity and Cash Requirements" and "Capital Adequacy" sections in the Annual Report on Form 10-K for the year ended December 31,2022 and "Interest Rate Risk", "Liquidity and Cash Requirements" and "Capital Adequacy" in Part I, Item 2 on Form 10-Q for the quarter ended March 31, 2023.

In accordance with Basel III requirements, Valley utilized the simple risk-weighted approach to determine risk-weighted assets for equity exposures. The risk-weighted amount of Valley's equity exposure is based on the adjusted carrying value of the equity exposure.

Book Value and Fair Value of Equity Exposures Not Subject to the Market Risk Rule

The following table presents Valley's equity investments not subject to the Market Risk rule as of March 31, 2023.

Table 17: Equity Investments Not Subject to the Market Risk Rule

		($ in thousands)
Equity Investments		**Carrying Value**
Non-publicly traded equity investments		573,406
Publicly traded equity investments		23,635
Total equity investments not subject to the Market Risk rule	**$**	**597,041**

Valley had no realized or unrealized gains and losses due to the sale of equity securities during the first quarter 2023.

Capital Requirements of Equity Investment Exposures by Risk-Weighting

The following table presents Valley's equity exposures by type and risk-weight as of March 31, 2023.

Table 18: Equity Exposures by Type and Risk-Weight

					($ in thousands)
Simple Risk-Weighted Approach		**Exposures**		**Risk-Weighted Assets**	**Risk-Weight**
Federal Reserve Bank stock	$	160,423	$	—	—%
Federal Home Loan Bank stock		387,263		77,453	20
Equity exposures		50,152		37,423	74.6
Total equity investments not subject to the Market Risk rule	**$**	**597,838**	**$**	**114,876**	

***** Includes the weighted average risk-weight among various equity exposures

X. INTEREST RATE RISK FOR NON-TRADING ACTIVITIES

Interest rate risk results from changes in interest rates which may impact the re-pricing of assets and liabilities in different amounts or at different dates. Managing interest risk is a crucial component of the Asset/Liability Management Committee (the "Committee"). Interest rate risk can be defined as the exposure of interest rate sensitive assets and liabilities to the movement in interest rates. The Committee is responsible for managing such risks and establishing policies that monitor and coordinate sources and uses of funds. At least quarterly, the Committee is presented with management reports on interest rate risk exposures including the current risk profile, as well as recent and long-term trends.

Valley uses a simulation model to analyze net interest income sensitivity to movements in interest rates. The simulation model projects net interest income based on various interest rate scenarios over a 12-month and 24-month period. The model is based on the actual maturity and re-pricing characteristics of rate sensitive assets and liabilities. The model incorporates certain assumptions which management believes to be reasonable regarding the impact of changing interest rates and the prepayment assumptions of certain assets and liabilities as of March 31, 2023. The model assumes immediate changes in interest rates without any proactive change in the composition or size of the balance sheet, or other future actions that management might undertake to mitigate this risk.

The assumptions used in the net interest income simulation are inherently uncertain. Actual results may differ significantly from those presented in the table below due to the frequency and timing of changes in interest rates and changes in spreads between maturity and re-pricing categories. Commercial loan prepayment assumptions are based on historical performance; consumer prepayment assumptions are based on forward-looking estimations from Valley's ALM prepayment model. The behavior of non-maturity deposits assumption is based on a recent study of the Bank's deposits by a third-party advisor. Overall, net interest income is affected by changes in interest rates and cash flows from our loan and investment portfolios. Valley actively manages these cash flows in conjunction with liability mix, duration, and interest rates to optimize the net interest income, while structuring the balance sheet in response to actual or potential changes in interest rates. Additionally, net interest income is impacted by the level of competition within our marketplace. Competition can negatively impact the level of interest rates attainable on loans and increase the cost of deposits, which may result in downward pressure on our net interest margin in future periods. Other factors, including, but not limited to, the slope of the yield curve and projected cash flows will impact our net interest income results and may increase or decrease the level of asset sensitivity of our balance sheet. For more information see – "Interest Rate Sensitivity" in the Annual Report on Form 10-K for the year ended December 31,2022 and "Interest Rate Risk" in Part I, Item 2 on Form 10-Q for the quarter ended March 31, 2023.

The following table indicates net interest income sensitivity as of March 31, 2023.

Table 19: Changes in Interest Rates

($ in thousands)

	Estimated Change in Net Income Interest	
Changes In Interest Rate (in bps)	**Dollar Change**	**Percentage Change**
+300	$ 148,153	8.19%
+200	98,911	5.47
+100	49,316	2.73
-100	(33,830)	(1.87)
-200	(75,645)	(4.18)
-300	(131,350)	(7.26)

APPENDIX

ACL	Allowance for Credit Losses
BPS	Basis points
CCB	Capital Conservation Buffer
CECL	Current Expected Credit Losses
CEM	Current Exposure Methodology
CET1	Common Equity Tier 1
CRA	Community Reinvestment Act
FINRA	Financial Industry Regulatory Authority
FR Y-9C	Consolidated Financial Statements for Bank Holding Companies
GAAP	Generally accepted accounting principles
MD&A	Management discussion and analysis
MDB	Multilateral development banks
Market Risk Rule	Market Risk Capital Rule (FR 4201; OMB No. 7100-0314)
OCC	Office of the Comptroller of the Currency
OTC	Over the counter
PPP	Paycheck Protection Program
PFE	Potential Future Exposure
SBA	Small Business Administration
SEC	Securities and Exchange Commission
TDR	Troubled debt restructuring
The Bank	Valley National Bank
The Company or Valley	Valley National Bancorp
The Committee	Asset/Liability Management Committee
VFM	Valley Financial Management, Inc.
VIS	Valley Insurance Services

The following table presents a summary of references to Valley's Quarterly Report on Form 10-Q, Annual Report Form 10-K and FR Y-9C consolidated financial statement.

Table 20: Disclosure Mapping Table

Disclosure Requirement	Q1 2023 Form 10-Q	2022 Form 10-K	Q1 2023 FR Y-9C
Table 1: Scope of Application	▪ Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Capital Adequacy)	▪ Item 1. Business (Business, Basis of Presentation) ▪ Summary of Significant Accounting Policies (Note 1) ▪ Regulatory and Capital Requirements (Note 17)	-
Table 2: Capital Structure	▪ Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Capital Adequacy)	▪ Regulatory and Capital Requirements (Note 17)	-
Table 3: Capital Adequacy	Not Applicable	▪ Item 1. Business (Risk Management)	▪ Schedule HC-R
Table 4: Capital Conservation Buffer	▪ Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Capital Adequacy)	▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Capital Adequacy) ▪ Regulatory and Capital Requirements (Note 17)	-
Table 5: Credit Risk – General Disclosure	▪ Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Investment Securities Portfolio, Loan Portfolio, Allowance for Credit Losses for Loans) ▪ New Authoritative Accounting Guidance (Note 5) ▪ Loans and Allowance for Credit Losses for Loans (Note 8)	▪ Item 1. Business (Credit Risk Management and Underwriting Approach, Changes in Loan Portfolio Composition) ▪ Summary of Significant Accounting Policies (Note 1) ▪ Loans and Allowance for Credit Losses for Loans (Note 5) ▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Loan Portfolio, Investment Securities Portfolio) ▪ Commitments and Contingencies (Note 15) (Financial Instruments with Off-balance Sheet Risk)	▪ Schedule HC-R
Table 6: General Disclosures for Counterparty Credit Risk Related Exposures	▪ Derivative Instruments and Hedging Activities (Note 13) ▪ Balance Sheet Offsetting (Note 14)	▪ Commitments and Contingencies (Note 15) (Derivative Instruments and Hedging Activities) ▪ Balance Sheet Offsetting (Note 16)	-

Disclosure Requirement	Q1 2023 Form 10-Q	2022 Form 10-K	Q1 2023 FR Y-9C
Table 7: Credit Risk Mitigation	▪ Loans and Allowance for Credit Losses on Loans (Note 8)	▪ Item 1. Business (Credit Risk Management and Underwriting Approach, Changes in Loan Portfolio Composition) ▪ Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Asset Concentration and Risk Elements) ▪ Loans and Allowance for Credit Losses for Loans (Note 5) (Loan Portfolio Risk Elements and Credit Risk Management)	
Table 8: Securitization	Not Applicable	Not Applicable	
Table 9: Equities Not Subject to Market Risk Rule	▪ Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Interest Rate Risk , Liquidity and Cash Requirements, Capital Adequacy) ▪ Fair Value Measurement of Assets and Liabilities (Note 6)	▪ Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Interest Rate Sensitivity, Liquidity and Cash Requirements, Capital Adequacy) ▪ Fair Value Measurement of Assets and Liabilities (Note 3) (Assets and Liabilities Measured at Fair Value on a Recurring Basis)	
Table 10: Interest Rate Risk for Non-Trading Activities	▪ Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Interest Rate Risk)	▪ Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Interest Rate Sensitivity)	