# VALLEY NATIONAL BANCORP
# BASEL III REGULATORY CAPITAL DISCLOSURES REPORT
# FOR THE QUARTER ENDED DECEMBER 31, 2022

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# 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 December 31, 2022, Valley had consolidated total assets of $57.5 billion, total net loans of $46.5 billion, total deposits of $47.6 billion and total shareholders’ equity of $6.4 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[*] 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 and the Consolidated Financial Statements for Holding Companies dated December 31, 2022 (FR Y-9C).

## 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 Part1, Item 1A of Valley’s Annual Report on Form 10-K for the year ended December 31, 2022.

[*] 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 December 31, 2022.

### Capital Requirements

Regulatory capital ratios for Valley and the Bank were above the regulatory requirement ratios under the Capital Rule at December 31, 2022. 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.

# 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 December 31, 2022.

*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) | $ 5,136,668 | $ 5,347,422 |
| Retained earnings (including CECL add-back) | 1,253,905 | 2,003,993 |
| Accumulated other comprehensive income (loss), net | (164,002) | (163,518) |
| Regulatory adjustments and deductions made to CET1 | (1,910,912) | (1,903,525) |
| **Total Common Equity Tier 1 Capital** | **4,315,659** | **5,284,372** |
| | | |
| **Additional Tier 1 Capital** | | |
| Preferred Stock | 215,000 | - |
| Total Additional Tier 1 Capital | (159) | - |
| **Tier 1 Capital** | **4,530,500** | **5,284,372** |
| | | |
| **Total Tier 2 Capital** | | |
| Qualifying subordinated debt | 605,000 | - |
| Qualifying allowance for loan and lease losses | 375,139 | 375,139 |
| Non-qualifying capital instruments subject to phase out from Tier 2 Capital | 59,000 | - |
| **Total Risk-based Capital** | **$ 5,569,639** | **$ 5,659,511** |

# 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 December 31, 2022, 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*

| Standardized Approach Risk-Weighted Assets | | ($ in thousands) Total |
|---|---|---|
| Exposures to sovereign entities | $ | 540,044 |
| Exposures to depository institutions, foreign banks, and credit unions | | 261,016 |
| Exposures to public sector entities | | 147,779 |
| Corporate exposures | | 32,553,660 |
| Residential mortgage exposures | | 3,399,831 |
| Statutory multifamily mortgages and pre-sold construction loans | | 5,979,677 |
| High volatility commercial real estate loans | | 53,426 |
| Past due loans | | 399,770 |
| Other assets | | 4,469,464 |
| Cleared transactions | | 3,003 |
| Equity exposures | | 64,908 |
| **Total Risk-Weighted Assets** | **$** | **47,872,578** |

## 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 December 31, 2022, 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.

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 $118 million of eligible retained income as of December 31, 2022.

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 December 31, 2022.

### Regulatory Capital Ratios

The following table presents the regulatory capital ratios and related capital requirements for Valley and the Bank at December 31, 2022.

*Table 3: Regulatory Capital Ratios*

| | Actual Ratio | Minimum Capital Ratio | Capital Conservation Buffer | Minimum Capital Conservation Buffer |
|---|---|---|---|---|
| **Valley** | | | | |
| CET1 Capital | 9.01% | 7.00% | 4.51% | 2.50% |
| Tier 1 Risk-based Capital | 9.46 | 8.50 | 3.46* | 2.50 |
| Total Risk-based Capital | 11.63 | 10.50 | 3.63 | 2.50 |
| **Valley National Bank** | | | | |
| CET1 Capital | 11.06 | 7.00 | 6.56 | 2.50 |
| Tier 1 Risk-based Capital | 11.06 | 8.50 | 5.06 | 2.50 |
| Total Risk-based Capital | 11.84 | 10.50 | 3.84* | 2.50 |

* 3.46% and 3.84% are the capital conservation buffers for Valley and the Bank, respectively, at December 31, 2022.

## 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 Note 5 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 for additional information regarding the loan types.

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, troubled debt restructurings (TDR), and expected TDR loans. The allowance for unfunded credit commitments mainly consists of undisbursed non-cancellable lines of credit, new loan commitments and commercial standby letters of credit valued using a similar methodology as used for loans. 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. Management's estimate of expected losses inherent in these off-balance sheet credit exposures also incorporates estimated utilization rate over the commitment's contractual period or an expected pull-through rate for new loan commitments. To measure the expected credit losses on held to maturity debt securities that have loss expectations, Valley estimates the expected credit losses using a discounted cash flow model developed by a third-party. The amount of ACL is based on ongoing, quarterly assessments by management. See Note 1 to the consolidated financial statements of Valley’s Annual Report on Form 10-K for the year ended December 31, 2022 for further discussion regarding CECL methodology.

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.

## 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 December 31, 2022. On-balance sheet exposures include the spot exposure as of December 31, 2022, and the weekly fourth quarter average exposure amount.

*Table 4: On-Balance Sheet Credit Risk Exposures*

| | | ($ in thousands) |
|---|---|---|
| **On-Balance Sheet Exposures type** | **Total** | **Average** |
| Commercial and industrial | $ 8,804,830 | $ 8,688,005 |
| Commercial real estate | 25,732,033 | 25,233,650 |
| Construction | 3,700,835 | 3,753,155 |
| Residential Mortgage | 5,364,550 | 5,158,615 |
| Consumer | 3,314,952 | 3,252,938 |
| **Total on-balance sheet** | **$ 46,917,200** | **$ 46,086,363** |

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

($ in thousands)

| Exposures | | Total* |
|---|---|---|
| **Total on-balance sheet** | **$** | **46,917,200** |
| Commitments under commercial loans and lines of credit | | 10,262,414 |
| Home equity and other revolving lines of credit | | 1,920,824 |
| Standby letters of credit | | 509,804 |
| Outstanding residential mortgage loan commitments | | 317,108 |
| Commitments under unused lines of credit—credit card | | 116,208 |
| Commitments to sell loans | | 22,008 |
| Commercial letters of credit | | 5,863 |
| **Total off-balance sheet** | | **13,154,229** |
| **Total investment securities** | | **5,150,904** |
| **Derivatives** | | **760,613** |
| **Total credit risk exposure** | **$** | **65,982,946** |

* Beginning March 31, 2023, monthly average balances will be provided for remaining credit risk exposures as enhancements are made to data collection capabilities.

The following table presents the distribution of credit exposure by geography as of December 31, 2022. 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 | $ 2,030,012 | $ 10,399,920 | $ 1,455,664 | $ 907,999 | $ 14,793,595 |
| Florida | 2,316,846 | 7,956,045 | 1,412,092 | 498,723 | 12,183,706 |
| New Jersey | 1,778,539 | 6,049,451 | 1,805,649 | 1,190,865 | 10,824,504 |
| California | 479,433 | 1,040,358 | 96,476 | 45,030 | 1,661,297 |
| Illinois | 217,778 | 429,732 | 4,621 | 34,822 | 686,953 |
| Alabama | 65,215 | 375,300 | 36,550 | 81,583 | 558,648 |
| Other | 1,917,007 | 3,182,062 | 571,616 | 555,930 | 6,226,615 |
| **Total** | **8,804,830** | **29,432,868** | **5,382,668** | **3,314,952** | **46,935,318** |
| Less: Loans held for sale, at fair value | - | - | 18,118 | - | 18,118 |
| **Total loan portfolio** | **$ 8,804,830** | **$ 29,432,868** | **$ 5,364,550** | **$ 3,314,952** | **$ 46,917,200** |

The following table presents the distribution of credit exposure by industry as of December 31, 2022.

*Table 7: Credit Exposure by Industry*

| | | | **($ in thousands)** |
|---|---|---|---|
| | | **Total** | **Percent of Total** |
| **Commercial and industrial** | | | |
| Commercial and industrial | $ | 8,771,250 | 19% |
| Commercial and industrial PPP loans | | 33,580 | - |
| Total commercial and industrial loans | | 8,804,830 | 19 |
| **Commercial real estate** | | | |
| Commercial real estate | | 25,732,033 | 55 |
| Construction | | 3,700,835 | 8 |
| Total commercial real estate loans | | 29,432,868 | 63 |
| **Residential mortgage** | | 5,364,550 | 11 |
| **Consumer** | | | |
| Home equity | | 503,884 | 1 |
| Automobile | | 1,746,225 | 4 |
| Other consumer | | 1,064,843 | 2 |
| **Total consumer loans** | | 3,314,952 | 7 |
| **Total** | **$** | **46,917,200** | **100%** |

Our loan portfolio, totaling $46.9 billion at December 31, 2022, had net loan charge-offs totaling $22.4 million for the fourth quarter of 2022 as compared to net recoveries of loan charge-offs of $5.6 million for the third quarter of 2022. The fourth quarter of 2022 net loan charge-offs primarily related to the partial loan charge-off of one non-accrual commercial and industrial loan participation (with related allowance reserves totaling $30.0 million at September 30, 2022). The provision for credit losses for loans totaled $7.3 million and $1.8 million for the fourth quarter of 2022 and third quarter of 2022, respectively.

As a percentage of total loans, the allowance for credit losses for loans, comprising our allowance for loan losses and unfunded credit commitments, was 1.03% at December 31, 2022, and 1.10% at September 30, 2022. For the fourth quarter of 2022, we recorded a provision for credit losses for loans totaling $7.3 million as compared to $1.8 million for the third quarter of 2022. Overall, the decrease in allowance for credit losses for loans as a percentage of total loans reflects a decline in expected quantitative loss experience, partially offset by the increased economic forecast reserve component of our CECL model at December 31, 2022, as well as the impact of the fourth quarter 2022 loan charge-offs with prior allocated reserves.

See Note 5 to the consolidated financial statements of Valley's Annual Report on Form 10-K for the year ended December 31, 2022 for additional information regarding the allowance for credit losses for loans.

The following tables presents the allowance reconciliation by exposure type from September 30, 2022 to December 31, 2022.

*Table 8: Allowance Reconciliation*

**($ in thousands)**

| | **Commercial and Industrial** | **Commercial Real Estate** | **Residential Mortgage** | **Consumer** | **Total** |
|---|---|---|---|---|---|
| Beginning at September 30, 2022 | $ 154,051 | $ 267,780 | $ 36,157 | $ 17,756 | $ 475,744 |
| Loans charged-off | (22,106) | (388) | (1) | (1,544) | (24,039) |
| Charged-off loans recovered | 1,069 | 13 | 17 | 498 | 1,597 |
| Net (charge-offs) recoveries | (21,037) | (375) | 16 | (1,046) | (22,442) |
| Provision for loan losses | 6,927 | (7,997) | 2,847 | 3,576 | 5,353 |
| Balance at December 31, 2022 | **$ 139,941** | **$ 259,408** | **$ 39,020** | **$ 20,286** | **$ 458,655** |

The following tables presents the distribution of loan maturities by exposure type as of December 31, 2022.

*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 | $ 2,050,332 | $ 3,949,748 | $ 1,124,511 | $ 1,680,239 | $ 8,804,830 |
| Commercial real estate | 2,116,323 | 8,482,432 | 12,040,774 | 3,092,504 | 25,732,033 |
| Construction | 1,414,619 | 1,755,124 | 287,742 | 243,350 | 3,700,835 |
| Residential mortgage | 98,975 | 216,362 | 463,378 | 4,585,835 | 5,364,550 |
| Consumer | 48,512 | 1,060,030 | 2,143,305 | 63,105 | 3,314,952 |
| **Total** | **$ 5,728,761** | **$ 15,463,696** | **$ 16,059,710** | **$ 9,665,033** | **$ 46,917,200** |

The following tables presents commitments and letters of credit maturities by exposure as of December 31, 2022.

*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 | $ 4,200,443 | $ 4,650,017 | $ 1,411,954 | $ 10,262,414 |
| Home equity and other revolving lines of credit | 1,920,824 | - | - | 1,920,824 |
| Standby letters of credit | 462,961 | 39,985 | 6,858 | 509,804 |
| Outstanding residential mortgage loan commitments | 317,108 | - | - | 317,108 |
| Commitments under unused lines of credit—credit card | 79,545 | 36,663 | - | 116,208 |
| Commitments to sell loans | 22,008 | - | - | 22,008 |
| Commercial letters of credit | 5,863 | - | - | 5,863 |
| **Total** | **$ 7,008,752** | **$ 4,726,665** | **$ 1,418,812** | **$ 13,154,229** |

The following table presents the loans past due and non-accrual by geography as of December 31, 2022.

*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 | $ 10,017 | $ 6,044 | $ 211,985 |
| Florida | 12,839 | 804 | 6,984 |
| New Jersey | 20,218 | 429 | 20,359 |
| California | 4,033 | 9,306 | 3,725 |
| Illinois | 45 | 709 | 24 |
| Alabama | 1,175 | - | 2,292 |
| Other | 15,974 | 9,295 | 24,392 |
| **Total** | **$ 64,301** | **$ 26,587** | **$ 269,761** |

The following table presents the loans past due and non-accrual by industry as of December 31, 2022.

*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 | $ 24,369 | $ 18,392 | $ 98,881 |
| Commercial real estate | 9,805 | 2,292 | 68,316 |
| Construction | - | 3,990 | 74,230 |
| Residential mortgage | 19,461 | 1,866 | 25,160 |
| Consumer | 10,666 | 47 | 3,174 |
| **Total** | **$ 64,301** | **$ 26,587** | **$ 269,761** |

# 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 (CRM) department is responsible for monitoring individual exposure in accordance with all lending limits for Valley. Total net credit exposure to the counterparty will be managed so as not to exceed 2% of the Valley's equity as of the prior quarter end.

## Derivative Financial Instruments

The following table provides the gross and net exposure 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 | $ 3,971 | $ 4 |
| Fair value hedge interest rate swaps | 300,000 | - | 29,794 |
| **Total derivatives designated as hedging instruments** | **900,000** | **3,971** | **29,798** |
| **Derivatives not designated as hedging instruments** | | | |
| Interest rate swaps and other contracts | 14,753,330 | 449,280 | 564,678 |
| Foreign currency derivatives | 1,273,735 | 13,709 | 12,604 |
| Mortgage banking derivatives | 31,299 | 167 | 157 |
| **Total derivatives not designated as hedging instruments** | **16,058,364** | **463,156** | **577,439** |
| **Gross derivative values presented in the Consolidated Balance Sheets in the Form 10-K** | **$ 16,958,364** | **$ 467,127** | **$ 607,237** |

As of December 31, 2022, cash collateral received and pledged was $458.0 million and $5.5 million, respectively, and residential mortgage-backed securities pledged as collateral was $68.7 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 December 31, 2022.

*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 | $ 462,989 | $ - | $ 462,989 | $ 12,766 | $ (342,480) | $ 133,275 |
| **Liabilities:** | | | | | | |
| Interest rate swaps | 577,282 | - | 577,282 | (12,766) | (432) | 564,084 |
| Total liabilities | $ 577,282 | $ - | $ 577,282 | $ (12,766) | $ (432) | $ 564,084 |

* 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 December 31, 2022.

*Table 15: Purchased and Sold Credit Derivatives*

| | | | | ($ in thousands) |
|---|---|---|---|---|
| | Purchased | | Sold | |
| **Swap Participations** | **$** | **232,013** | **$** | **142,247** |

# 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 December 31, 2022 and 2021, approximately 75 percent of Valley's gross loans totaling $46.9 billion and $34.2 billion, respectively, consisted of commercial real estate (including construction loans), residential mortgage, and home equity loans. The remaining 25 percent at both December 31, 2022 and 2021, respectively, 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.

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. The weighted average loan-to-value ratio of all residential mortgage originations was 64 percent in 2022 while FICO® (independent objective criteria measuring the creditworthiness of a borrower) scores averaged 765. 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 year ended December 31, 2022.

The following table provides the total exposure that is covered by guarantees by portfolio as of December 31, 2022. 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 | | 21,332 |
| Construction | | 62 |
| Residential Mortgage | | 17 |
| **Total** | **$** | **21,958** |

# VIII. SECURITIZATION

Valley and its subsidiaries did not hold securitization exposures at December 31, 2022.

# IX. EQUITIES NOT SUBJECT TO MARKET RISK RULE

## Equity Risk

The Market Risk Rule 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 December 31, 2022, 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.

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 December 31, 2022.

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

| Equity Investments | | ($ in thousands) Carrying Value |
|---|---|---|
| Non-publicly traded equity investments | $ | 262,340 |
| Publicly traded equity investments | | 24,447 |
| **Total equity investments not subject to the Market Risk rule** | **$** | **286,787** |

Valley had no realized or unrealized gains and losses due to the sale of equity securities during the fourth quarter 2022.

### Capital Requirements of Equity Investment Exposures by Risk-Weighting

The following table presents Valley's equity exposures by type and risk-weight as of December 31, 2022.

*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 | $ | 160,443 | $ | - | 0% |
| Federal Home Loan Bank stock | | 77,613 | | 15,523 | 20 |
| 600% risk-weighted equity exposures | | 10,068 | | 60,408 | 600 |
| Other equity exposures | | 38,663 | | 4,500 | N/A* |
| **Total equity investments not subject to the Market Risk rule** | **$** | **286,787** | **$** | **80,431** | |

***** The weighted average risk-weight is 11.6%.

## 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 December 31, 2022. 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.

The following table indicates net interest income sensitivity as of December 31, 2022.

*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 | $ 136,745 | 7.17% |
| +200 | 95,056 | 4.98 |
| +100 | 49,793 | 2.61 |
| -100 | (42,380) | (2.22) |
| -200 | (92,003) | (4.82) |
| -300 | (124,661) | (6.54) |

## 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 |
| CRM | Credit Risk Management |
| 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 |
| 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 Annual Report Form 10-K and FR Y-9C consolidated financial statement.

*Table 20: Disclosure Mapping Table*

| Disclosure Requirement | 2022 Form 10-K | Q4 2022 FR Y-9C |
|---|---|---|
| **Table 1: Scope of Application** | ▪ Item 1. Business (Business, Basis of Presentation)<br>▪ Summary of Significant Accounting Policies (Note 1)<br>▪ Regulatory and Capital Requirements (Note 17) | - |
| **Table 2: Capital Structure** | ▪ Regulatory and Capital Requirements (Note 17) | - |
| **Table 3: Capital Adequacy** | ▪ Item 1. Business (Risk Management) | ▪ Schedule HC-R |
| **Table 4: Capital Conservation Buffer** | ▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Capital Adequacy)<br>▪ Regulatory and Capital Requirements (Note 17) | - |
| **Table 5: Credit Risk – General Disclosure** | ▪ Item 1. Business (Credit Risk Management and Underwriting Approach, Changes in Loan Portfolio Composition)<br>▪ Summary of Significant Accounting Policies (Note 1)<br>▪ Loans and Allowance for Credit Losses for Loans (Note 5)<br>▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Loan Portfolio, Investment Securities Portfolio)<br>▪ 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** | ▪ Commitments and Contingencies (Note 15) (Derivative Instruments and Hedging Activities)<br>▪ Balance Sheet Offsetting (Note 16) | - |
| **Table 7: Credit Risk Mitigation** | ▪ Item 1. Business (Credit Risk Management and Underwriting Approach, Changes in Loan Portfolio Composition)<br>▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Asset Concentration and Risk Elements)<br>▪ Loans and Allowance for Credit Losses for Loans (Note 5) (Loan Portfolio Risk Elements and Credit Risk Management) | |
| **Table 8: Securitization** | *Not Applicable* | |
| **Table 9: Equities Not Subject to Market Risk Rule** | ▪ Fair Value Measurement of Assets and Liabilities (Note 3) (Assets and Liabilities Measured at Fair Value on a Recurring Basis)<br>▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Interest Rate Sensitivity, Liquidity and Cash Requirements, Capital Adequacy) | |
| **Table 10: Interest Rate Risk for Non-Trading Activities** | ▪ Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Interest Rate Sensitivity) | |