2016 ANNUAL REPORT • FORM 10-K & PROXY STATEMENT

MISSION STATEMENT

We are committed to maximizing shareholder value by consistently contributing to the financial success of our customers and the communities we serve. We believe responsible lending and meeting the needs of our communities is a business principle that is supportive of individual, community and corporate growth. This is accomplished through building and improving customer access channels and services while achieving our Community Reinvestment Act requirements. We are committed to delivering financial solutions through exceptional service based on honest, ethical and sound banking principles.

Valley
National
Bank

Valley National Bank

"We remain committed to delivering shareholder value while embracing the same core values and guiding principles that our Bank was built on in 1927."

LETTER TO OUR SHAREHOLDERS

Valley delivered a year of solid earnings for its shareholders in 2016. We are particularly proud of this as low interest rates have resulted in a low margin environment for the banking industry and the costs of banking regulations continue to inflate core operating expenses. Despite these challenges, we increased earnings in 2016 and we achieved significant progress on our strategic initiatives.

Our core strategy is focused around three principle areas: enhancing non-interest revenue, reducing operating expenses and expanding our customer base. Over the long-run our business model is one that allows us to increase earnings and compete effectively, as we meet the needs of our customers, communities and associates.

In 2016, we executed on a number of major initiatives including the rationalization of our branch network. As part of our effort to meet the changing needs of our growing customer base, we will continue to monitor branch usage patterns, evaluate distribution channels and other factors to ensure an exceptional customer experience. We continue to be disciplined about our operating expenses as during 2016 we recognized nearly $20 million in reduced operating costs.

Financial Highlights

Valley is committed to being a premier commercial banking franchise with a diversified balance sheet, and characterized as an asset generator in three of the best markets on the east coast. With disciplined execution from our leadership, we are confident in achieving our long-term performance objectives.

Our return on average tangible shareholders' equity increased 45 percent from 7.66 percent in the previous year to 11.07 percent in 2016. Net income for the year ended December 31, 2016 was $168.1 million, or $0.63 per diluted common share, compared to 2015 earnings of $103.0 million, or $0.42 per diluted common share. Despite a 12 percent increase in net interest income, our net interest margin was weighed down by low market interest rates throughout the year. However, inflation expectations have recently increased and we are optimistic that interest rate spreads can continue to move back towards longer-run levels, as seen late in the fourth quarter of 2016.

Solid Loan Growth

Our earnings continued to benefit from strong loan growth. Total loans for 2016 increased over 7 percent from December 31, 2015. Commercial activity was brisk across all of Valley's geographic locations, as each of our markets experienced significant expansion in new originations from the prior year. Our commercial lending segment had over $12 billion in outstanding loans at December 31, 2016. Commercial and industrial lines of business contributed significantly to our performance with loans increasing approximately 4 percent compared to the prior year while Commercial Real Estate lending increased nearly 17 percent over the prior year. This growth is especially impressive given the fierce competition that exists in all three of our major markets.

Our entry into the demographically attractive Florida markets continues to serve as a catalyst for improved growth. Our commercial lending teams in Florida continue to become a larger contributor to the overall growth of the commercial loan portfolio. As of December 31, 2016 total commercial loans in Florida accounted for 12 percent of the total for the entire Bank.

Fueled by our widely popular $499 mortgage refinance program, residential mortgage originations grew 60 percent compared to the prior year. As we manage through the dynamic interest rate environment and find ways to improve our returns using less capital, we are committed to generating sustainable non-interest revenue over the long-run from this line of business. The gain on sale of mortgage loans increased over 400 percent from $4 million in the previous year to over $22 million in 2016.

We would like to emphasize the fact that our improved financial results were accomplished while still maintaining our traditionally high credit quality. At year end, total non-performing assets amounted to $49.4 million, only 0.22 percent of total assets.

Our Associates

Our success is the result of the dedication and hard work of more than 2,800 associates who commit themselves to upholding our values with the highest standards every day. The growth of our franchise is driven by these professionals who excel in their efforts to build solid banking relationships.

Listening to our associates is very important to us. We provide a number of opportunities for them to collaborate and share their feedback with senior management so that we can work together to improve our work environment and facilitate meaningful change. We continue to invest in our associates by providing the training, resources and tools they need to thrive in today's evolving business environment.

Invested in Our Communities

Supporting the growth of strong, vibrant communities is something that we embrace passionately at Valley. Each year, we contribute to organizations focused on improving our communities, affordable housing, giving time, educational resources and dollars to advance their good work. With a sustained focus on our community reinvestment responsibilities in 2016, we were able to touch more lives and support the needs of more people.

More than 1,500 of our colleagues supported outreach initiatives by providing services to many low- and moderate-income individuals and small businesses throughout three states. These services included financial literacy workshops, fraud prevention seminars, homeownership presentations and small business financing events, among other services. We continue to partner with local nonprofit and community organizations to understand and identify areas where our talents and contributions can make a difference in the lives of the people we serve.

We take an active role in supporting our communities' economic development by providing loans and investments to affordable housing projects, not-for-profit community service organizations, low- and moderate-income neighborhood revitalization and stabilization programs and businesses that create economic growth. In 2016 alone, Valley invested in over $318 million in community development loans.

The Look Ahead

This past year we developed a strategic framework that we are confident will support long-term value for shareholders and customers. As part of our strategic vision for the future, we announced several important changes at the executive management level. With an expanded leadership team in place, we have been transforming culturally, structurally and operationally. Ira Robbins, who has been instrumental in developing our growth and efficiency strategies with over 20 years of banking experience, assumed the position of President of Valley National Bank. Rudy Schupp, past President and CEO of 1st United Bank and an accomplished leader in the financial services industry with over 40 years of banking experience, was named President of Valley National Bancorp and Chief Banking Officer of Valley National Bank. The promotions of both of these experienced and proven leaders emphasize our commitment to the Bank's efficiency and growth initiatives and address Valley's long-term succession plans in a prudent and meaningful manner.

We also restructured our Senior Executive Management Team with several new appointments. Dianne Grenz, a 22-year veteran and proven leader at Valley, was promoted to Senior Executive Vice President and Chief Consumer Banking Officer. Thomas Iadanza, a seasoned and highly successful commercial lender with over 35 years of experience, was promoted to Senior Executive Vice President and Chief Lending Officer. Ronald Janis, who has represented Valley since 1983, joined our company to serve as Senior Executive Vice President and General Counsel. These three talented banking professionals will serve a vital role in developing Valley's key strategies and culture.

Technology Roadmap

As part of our strategic focus to increase our customer base, we recognize the need to ensure that our customers have the ability to interact with the Bank in any manner they choose. Our customers desire increased flexibility, efficiency and accessibility in their banking relationship. As cross-generational customer demands evolve, we continue to diversify and enhance our digital distribution channels. To support this digital banking experience, we took steps in 2016 to recruit new talent led by our new Executive Vice President and Chief Information Officer, Robert Bardusch. He brings a wide breadth of experience to his role and will help provide strategic direction on a multitude of fronts.

A key enabler to our long-term success will be our focus on four strategic areas in technology and operations. We aim to modernize our infrastructure and empower our associates with enhanced mobile capabilities; create a digitally powered company with robust loan origination and customer relationship management systems; develop a data driven culture that drives deep insights and real-time decisioning and; provide a customer-centric experience by enhancing our digital channels to drive satisfaction and trust.

Balanced Investment and Expense Discipline

While Valley has shown its ability to produce strong growth in 2016, exceptional financial performance requires a commitment to accomplishing growth on an expense platform that is efficient and effective and delivering an exceptional customer experience. In December, 2016, Valley announced a company-wide earnings enhancement initiative titled Project LIFT. The LIFT program will seek to identify both additional operating expense reduction and revenue enhancement opportunities, which together are anticipated to contribute to sustainable improvement in our earnings for years to come. This project provides us with an opportunity to improve operating efficiency and performance and enhance the performance culture throughout all facets of the Bank. We expect to emerge from this process a stronger, more efficient organization that will be able to provide enhanced benefits to our customers, associates and shareholders.

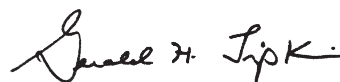
Optimizing Our Business

To provide consistent and sustainable shareholder returns over the long-run, it is essential that we monitor and rationalize the deployment of capital to our lines of business. Diversifying our revenue stream through wealth management, cash value lines of credit, premium financing and other lending services continues to be a key focus for our organization.

One of our strategic initiatives is to develop a sustainable model in which we can originate and sell residential mortgage loans in any interest rate environment. To that end, we recruited Kevin Chittenden to serve as our new Executive Vice President and Chief Residential Lending Officer. Kevin is an experienced and proven mortgage banking leader who will shape our residential lending strategy. Our goal is to build a high performance, full-line mortgage origination business and make Valley a top residential mortgage lender throughout our footprint by integrating the right mix of people, processes and technology.

We are committed to improving and transforming the client experience across all touchpoints. These investments are intended to make Valley essential to our customers' needs and serve as a key differentiator for us in the marketplace.

We remain committed to delivering shareholder value while embracing the same core values and guiding principles that our Bank was built on in 1927. On behalf of our Board of Directors, the Valley management team and our valued associates, we thank you for your trust, confidence and continued support.



Gerald H. Lipkin
Chairman & CEO

SENIOR EXECUTIVE MANAGEMENT TEAM

Rudy E. Schupp
President of Valley National Bancorp
Chief Banking Officer

Gerald H. Lipkin
Chairman of the Board
& Chief Executive Officer

Ira Robbins
President of Valley National Bank

Established in 1927, Valley National Bank is one of the largest commercial banks headquartered in New Jersey with convenient locations throughout New Jersey, New York and Florida.

SENIOR EXECUTIVE MANAGEMENT TEAM

Alan D. Eskow
Senior Executive Vice President
Chief Financial Officer & Secretary

Dianne M. Grenz
Senior Executive Vice President
Chief Consumer Banking Officer

Thomas A. Iadanza
Senior Executive Vice President
Chief Lending Officer

Ronald H. Janis
Senior Executive Vice President
General Counsel

EXECUTIVE MANAGEMENT TEAM

Robert J. Bardusch
Executive Vice President
Chief Information Officer

Kevin Chittenden
Executive Vice President
Chief Residential Lending Officer

Bernadette M. Mueller
Executive Vice President
CRA Officer

Andrea T. Onorato
Executive Vice President
Chief Administrative Officer

Melissa Scofield
Executive Vice President
Chief Risk Officer

SHAREHOLDER RELATIONS

Corporate Headquarters

Valley National Bancorp
1455 Valley Road
Wayne, New Jersey 07470
(973) 305-8800

Form 10-K

You may obtain a copy of Valley National Bancorp's 2016 Annual Report on Form 10-K by submitting a request in writing to:

Tina Zarkadas
Assistant Vice President
Shareholder Relations Specialist
Valley National Bank
1455 Valley Road
Wayne, NJ 07470
tzarkadas@valleynationalbank.com

Financial Information

Investors, security analysts and others seeking financial information should submit a request in writing to:

Alan D. Eskow, CPA
Senior Executive Vice President
Chief Financial Officer
& Corporate Secretary
Valley National Bancorp
1455 Valley Road
Wayne, New Jersey 07470
aeskow@valleynationalbank.com

Shareholder Inquiries, Dividend Reinvestment Plan, and Registrar and Transfer Agent

For information regarding shareholder accounts of common stock or Valley's Dividend Reinvestment Plan, please contact the Registrar and Transfer Agent or Valley National Bancorp:

American Stock Transfer
& Trust Company
6201 15th Avenue
Brooklyn, New York 11219
Attn: Shareholder Relations Dept.
(877) 681-8028
Dividend Reinvestment Plan
(800) 278-4353

Valley National Bancorp
Attn: Shareholder Relations Dept.
(800) 522-4100, extension 3380
(973) 305-3380

Stock Listing

Valley National Bancorp common stock is traded on the New York Stock Exchange under the symbol VLY.

Annual Meeting

April 27, 2017
9:00 AM

Valley National Bancorp
100 Furler Street
Totowa, New Jersey 07512

We would like to extend a special thank you to Peter Crocitto and Albert L. Engel for their years of service and wish them well in their retirement.

Peter Crocitto
Senior Executive Vice President
& Chief Operating Officer

Albert L. Engel
Executive Vice President
& Chief Retail Lending Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-11277

VALLEY NATIONAL BANCORP
(Exact name of registrant as specified in its charter)

New Jersey	22-2477875
(State or other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
1455 Valley Road Wayne, NJ	**07470**
(Address of principal executive office)	**(Zip code)**

973-305-8800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, no par value	New York Stock Exchange
Non-Cumulative Perpetual Preferred Stock, Series A, no par value	New York Stock Exchange
Warrants to purchase Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	☑		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $2.2 billion on June 30, 2016.

There were 263,838,587 shares of Common Stock outstanding at February 23, 2017.

Documents incorporated by reference:

Certain portions of the registrant's Definitive Proxy Statement (the "2017 Proxy Statement") for the 2017 Annual Meeting of Shareholders to be held April 27, 2017 will be incorporated by reference in Part III. The 2017 Proxy Statement will be filed within 120 days of December 31, 2016.

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PART I

Item 1. Business

The disclosures set forth in this item are qualified by Item 1A—Risk Factors and the section captioned "Cautionary Statement Concerning Forward-Looking Statements" in Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations of this report and other cautionary statements set forth elsewhere in this report.

Valley National Bancorp, headquartered in Wayne, New Jersey, is a New Jersey corporation organized in 1983 and is registered as a bank 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"). The words "Valley," "the Company," "we," "our" and "us" refer to Valley National Bancorp and its wholly owned subsidiaries, unless we indicate otherwise. At December 31, 2016, Valley had consolidated total assets of $22.9 billion, total net loans of $17.1 billion, total deposits of $17.7 billion and total shareholders' equity of $2.4 billion. In addition to its principal subsidiary, Valley National Bank (commonly referred to as the "Bank" in this report), Valley owns all of the voting and common shares of GCB Capital Trust III and State Bancorp Capital Trusts I and II through which trust preferred securities were issued. These trusts are not consolidated subsidiaries. See Note 11 to the consolidated financial statements.

Valley National Bank is a national banking association chartered in 1927 under the laws of the United States. Currently, the Bank has 209 branches serving northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, and Florida. The Bank offers a full range of commercial, retail, insurance and wealth management financial services products. The Bank also provides a variety of banking services including automated teller machines, telephone and internet banking, remote deposit capture, overdraft facilities, drive-in and night deposit services, and safe deposit facilities. In addition, certain international banking services to customers including standby letters of credit, documentary letters of credit and related products, and certain ancillary services such as foreign exchange, documentary collections, foreign wire transfers and the maintenance of foreign bank accounts are available products and services, as well as transaction accounts for non-resident aliens.

Valley National Bank's wholly-owned subsidiaries are all included in the consolidated financial statements of Valley (See Exhibit 21 at Part IV, Item 15 for a list of subsidiaries). These subsidiaries include, but are not limited to:

- an all-line insurance agency offering property and casualty, life and health insurance;
- an asset management adviser that is a registered investment adviser with Securities and Exchange Commission (SEC);
- title insurance agencies in New Jersey, New York and Florida;
- subsidiaries which hold, maintain and manage investment assets for the Bank;
- a subsidiary which owns and services auto loans;
- a subsidiary which specializes in health care equipment lending and other commercial equipment leases; and
- a subsidiary which owns and services New York commercial loans.

The Bank's subsidiaries also include real estate investment trust subsidiaries (the REIT subsidiaries) which own real estate related investments and a REIT subsidiary, which owns some of the real estate utilized by the Bank and related real estate investments. Except for Valley's REIT subsidiaries, all subsidiaries mentioned above are directly or indirectly wholly owned by the Bank. Because each REIT must have 100 or more shareholders to qualify as a REIT, each REIT has issued less than 20 percent of their outstanding non-voting preferred stock to individuals, most of whom are current and former (non-executive officer) Bank employees. The Bank owns the remaining preferred stock and all the common stock of the REITs.

Recent Acquisitions

Valley has grown significantly in the past five years primarily through bank acquisitions that expanded our branch footprint into Florida and Long Island, New York. Recent bank transactions are discussed further below.

CNLBancshares, Inc. On December 1, 2015, Valley completed its acquisition of CNLBancshares, Inc. (CNL) and its wholly-owned subsidiary, CNLBank, headquartered in Orlando, Florida, a commercial bank with approximately $1.6 billion in assets, $825 million in loans, $1.2 billion in deposits and 16 branch offices on the date of its acquisition by Valley. The CNL acquisition increased Valley's Florida branch network (first started with the acquisition of 1st United Bancorp, Inc. in 2014 discussed further below) to a total of 31 branches (after 5 branch closures mostly resulting from branch efficiency efforts during 2016) covering most major markets in central and southern Florida. The acquired branches allow us to service Florida's west coast markets of Naples, Bonita Springs, Fort Myers and Sarasota. We also added three offices in the Jacksonville area and expanded our presence

in the Orlando market. The common shareholders of CNL received 0.705 of a share of Valley common stock for each CNL share they owned prior to the merger. The total consideration for the acquisition was approximately $230 million, consisting of 20.6 million shares of Valley common stock.

1st United Bancorp, Inc. On November 1, 2014, Valley acquired 1st United Bancorp, Inc. (1st United) and its wholly-owned subsidiary, 1st United Bank, a commercial bank with approximately $1.7 billion in assets, $1.2 billion in loans, and $1.4 billion in deposits, after purchase accounting adjustments. The 1st United acquisition gave Valley its first Florida branch network consisting of 20 branch offices covering some of the most attractive urban banking markets in Florida, including locations throughout southeast Florida, the Treasure Coast, central Florida and central Gulf Coast regions. The common shareholders of 1st United received 0.89 of a share of Valley common stock for each 1st United share they owned prior to the merger. The total consideration for the acquisition was approximately $300 million, consisting of 30.7 million shares of Valley common stock and $8.9 million of cash consideration paid to 1st United stock option holders. In conjunction with the merger, Valley shareholders approved an amendment of its certificate of incorporation to increase its authorized common shares by 100 million shares during the third quarter of 2014.

In connection with the 1st United acquisition, we acquired loans and other real estate owned subject to Federal Deposit Insurance Corporation (FDIC) loss-share agreements (referred to as "covered loans" and "covered OREO", together "covered assets"). The FDIC loss-share agreements relate to three previous FDIC-assisted acquisitions completed by 1st United from 2009 to 2011. The Bank shares losses on covered assets in accordance with provisions of each loss-share agreement. The vast majority of Valley's covered loans totaling $70.4 million, or 0.4 percent of our total loans, at December 31, 2016 are covered by commercial loan and single-family (residential) loss sharing agreements acquired from 1st United that will expire between 2017 and 2021.

State Bancorp, Inc. On January 1, 2012, Valley acquired State Bancorp, Inc. (State Bancorp), the holding company for State Bank of Long Island, a commercial bank with approximately $1.7 billion in assets, $1.1 billion in loans, and $1.4 billion in deposits and 16 branches in Nassau, Suffolk, Queens, and Manhattan at December 31, 2011. Of the acquired branch offices, 12 remain within our 38 branch network in New York and are located in Long Island and Queens. The common shareholders of State Bancorp received a fixed one- for- one exchange ratio for Valley National Bancorp common stock. The total consideration for the all stock acquisition equaled $208 million.

Additionally, a warrant issued by State Bancorp (in connection with its previously redeemed preferred stock issuance) to the U.S. Treasury in December 2008 was assumed by Valley as of the acquisition date. The ten-year warrant to purchase up to 489 thousand of Valley common shares has an exercise price of $11.30 per share, and is exercisable on a net exercise basis until December 5, 2018. At the request of the U.S. Treasury, the warrant shares were individually sold at public auction in May 2015. All of the warrants remained outstanding and unexercised at December 31, 2016.

Business Segments

Our business segments are reassessed by management, at least on an annual basis, to ensure the proper identification and reporting of our operating segments. Valley currently reports the results of its operations and manages its business through four business segments: commercial lending, consumer lending, investment management, and corporate and other adjustments. Valley's Wealth Management Division comprised of trust, asset management and insurance services, is included in the consumer lending segment. See Note 22 to the consolidated financial statements for details of the financial performance of our business segments. We offer a variety of products and services within the commercial and consumer lending segments as described below.

Commercial Lending Segment

Commercial and Industrial Loans. Commercial and industrial loans totaled approximately $2.6 billion and represented 15.3 percent of the total loan portfolio at December 31, 2016. We make commercial loans to small and middle market businesses most often located in the New Jersey and New York area, as well as Florida which accounted for approximately 7 percent of the $2.6 billion in commercial and industrial loans at December 31, 2016. A significant proportion of Valley's commercial and industrial loan portfolio is granted to long-standing customers of proven ability, strong repayment performance, and high character. Underwriting standards are designed to assess the borrower's ability to generate recurring cash flow sufficient to meet the debt service requirements of loans granted. While such recurring cash flow serves as the primary source of repayment, most of the loans are collateralized by borrower assets intended to serve as a secondary source of repayment should the need arise. Anticipated cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value, or in the case of loans secured by accounts receivable, the ability of the borrower to collect all amounts due from its customers. Our loan decisions include consideration of a borrower's willingness to repay debts, collateral coverage, standing in the community and other forms of support. Strong consideration is given to long-term existing customers that have maintained a favorable relationship with the Bank. Commercial loan products offered consist of term loans for equipment purchases, working capital lines of credit that assist our customers' financing of accounts receivable and inventory, and commercial mortgages for owner occupied properties. Working capital advances are generally used to finance seasonal requirements and are repaid at the end of the cycle. Short-term commercial business loans may be collateralized by a lien on accounts receivable, inventory, equipment and/or partly collateralized

by real estate. Short-term loans may also be made on an unsecured basis based on a borrower's financial strength and past performance. Whenever possible, we obtain the personal guarantee of the borrower's principals to mitigate the risk. Unsecured loans, when made, are generally granted to the Bank's most creditworthy borrowers. Unsecured commercial and industrial loans totaled $455.5 million at December 31, 2016. In addition, we provide financing to the medical equipment leasing market through our leasing subsidiary, Highland Capital Corp.

The commercial portfolio also includes approximately $151 million of taxi medallion loans (including $19.1 million of contractual outstanding balances within our purchased credit-impaired loan portfolio) at December 31, 2016, most of which consist of loans to fleet owners of New York City medallions. Valley's historical lending criteria has been conservative in regards to capping both the loan amounts and market valuations for taxi medallions, as well as obtaining personal guarantees whenever possible. While a substantial majority of loans in this portfolio are performing at December 31, 2016, we will continue to closely monitor this portfolio's performance and the potential impact of the changes in market valuations for taxi medallions due to competing car service providers and other factors.

Commercial Real Estate Loans. Commercial real estate and construction loans totaled $9.5 billion and represented 55.4 percent of the total loan portfolio at December 31, 2016. We originate commercial real estate loans that are largely secured by multi-unit residential property and non-owner occupied commercial, industrial, and retail property within New Jersey, New York, Pennsylvania and Florida. Loans originated from our Florida lending operations represented 14.5 percent of the $9.5 billion in total commercial real estate loans at December 31, 2016. Loans are generally written on an adjustable basis with rates tied to a specifically identified market rate index. Adjustment periods generally range between five to ten years and repayment is generally structured on a fully amortizing basis for terms up to thirty years. Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans but generally they involve larger principal balances and longer repayment periods as compared to commercial and industrial loans. Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real property. Repayment of most loans is dependent upon the cash flow generated from the property securing the loan or the business that occupies the property. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy and accordingly, conservative loan to value ratios are required at origination, as well as stress tested to evaluate the impact of market changes relating to key underwriting elements. The properties securing the commercial real estate portfolio represent diverse types, with most properties located within Valley's primary markets. With respect to loans to developers and builders, we originate and manage construction loans structured on either a revolving or a non-revolving basis, depending on the nature of the underlying development project. Our construction loans totaling approximately $825 million at December 31, 2016 are generally secured by the real estate to be developed and may also be secured by additional real estate to mitigate the risk. Non-revolving construction loans often involve the disbursement of substantially all committed funds with repayment substantially dependent on the successful completion and sale, or lease, of the project. Sources of repayment for these types of loans may be from pre-committed permanent loans from other lenders, sales of developed property, or an interim loan commitment from Valley until permanent financing is obtained elsewhere. Revolving construction loans (generally relating to single-family residential construction) are controlled with loan advances dependent upon the presale of housing units financed. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Consumer Lending Segment

Residential Mortgage Loans. Residential mortgage loans totaled $2.9 billion and represented 16.6 percent of the total loan portfolio at December 31, 2016. We offer a full range of residential mortgage loans for the purpose of purchasing or refinancing one-to-four family residential properties. Our residential mortgage loans include fixed and variable interest rate loans generally located in counties where we have a branch presence in New Jersey, New York and Florida, as well as contiguous counties, if applicable, including eastern Pennsylvania. Valley's ability to be repaid on such loans is closely linked to the economic and real estate market conditions in our lending markets. We occasionally make mortgage loans secured by homes beyond this primary geographic area; however, lending outside this primary area is generally made in support of existing customer relationships. Mortgage loan originations are based on underwriting standards that generally comply with Fannie Mae and/or Freddie Mac requirements. Appraisals and valuations of real estate collateral are contracted directly with independent appraisers or from valuation services and not through appraisal management companies. The Bank's appraisal management policy and procedure is in accordance with regulatory requirements and guidance issued by the Bank's primary regulator. Credit scoring, using FICO® and other proprietary, credit scoring models is employed in the ultimate, judgmental credit decision by Valley's underwriting staff. Valley does not use third party contract underwriting services. In deciding whether to originate each residential mortgage, Valley considers the qualifications of the borrower, the value of the underlying property and other factors that we believe are predictive of future loan performance. Valley originated first mortgages are generally fixed-rate amortizing loans with 10 year to 30 year maturities. Valley's non-amortizing (i.e., interest-only) residential mortgage loan portfolio was immaterial at December 31, 2016. The small amount of interest-only loans is running off year over year, as Valley has no longer originated this type of residential mortgage loan product for many years.

The Bank is also a servicer of residential mortgage portfolios, and it is compensated for loan administrative services performed for mortgage servicing rights purchased in the secondary market and loans originated and sold by the Bank. See Note 8 to the consolidated financial statements for further details.

Other Consumer Loans. Other consumer loans totaled $2.2 billion and represented 12.7 percent of the total loan portfolio at December 31, 2016. Our other consumer loan portfolio is primarily comprised of direct and indirect automobile loans, home equity loans and lines of credit, loans secured by the cash surrender value of life insurance, and to a lesser extent, secured and unsecured other consumer loans (including credit card loans). Valley is an auto lender in New Jersey, New York, Pennsylvania, Florida, Connecticut and Delaware offering indirect auto loans secured by either new or used automobiles. Automobile originations (including light truck and sport utility vehicles) are largely produced via indirect channels, originated through approved automobile dealers. Valley acquired an immaterial amount of automobile loans from both the CNL and 1st United acquisitions in 2015 and 2014, respectively, as auto lending was not a focus of the acquired operations. However, we implemented our indirect auto lending model in Florida during 2015 using our New Jersey based underwriting and loan servicing platform. The new Florida auto dealer network generated $36.4 million and $11.5 million of auto loans in 2016 and 2015, respectively. Home equity lending consists of both fixed and variable interest rate products mainly to provide home equity loans to our residential mortgage customers or take a secondary position to another lender's first lien position within the footprint of our primary lending territory. We generally will not exceed a combined (i.e., first and second mortgage) loan-to-value ratio of 75 percent when originating a home equity loan. Other consumer loans include direct consumer term loans, both secured and unsecured. From time to time, the Bank will also purchase prime consumer loans originated by and serviced by other financial institutions based on several factors, including current secondary market rates, excess liquidity and other asset/liability management strategies. Unsecured consumer loans totaled approximately $20.6 million, including $7.0 million of credit card loans, at December 31, 2016.

Wealth Management. Our Wealth Management Division provides coordinated and integrated delivery of asset management advisory, general insurance, title insurance and trust services. Asset management advisory services include investment services for individuals and small to medium sized businesses, trusts and custom tailored investment strategies designed for various types of retirement plans. Trust services include living and testamentary trusts, investment management, custodial and escrow services, and estate administration, primarily to individuals.

Investment Management Segment

Although we are primarily focused on our lending and wealth management services, a large portion of our income is generated through investments in various types of securities, and depending on our liquid cash position, federal funds sold and interest-bearing deposits with banks (primarily the Federal Reserve Bank of New York), as part of our asset/liability management strategies. As of December 31, 2016, our total investment securities and interest bearing deposits with banks were $3.2 billion and $171.7 million, respectively. See the "Investment Securities Portfolio" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) and Note 4 to the consolidated financial statements for additional information concerning our investment securities.

Changes in Loan Portfolio Composition

At December 31, 2016, approximately 75 percent of Valley's gross loans totaling $17.2 billion consisted of commercial real estate (including construction loans), residential mortgage, and home equity loans as compared to 74 percent at December 31, 2015. The remaining 25 percent and 26 percent at December 31, 2016 and 2015, 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, we have continued to diversify the geographic concentrations (primarily the New Jersey and New York City Metropolitan area) within our loan portfolio through our bank acquisitions in Florida during both 2014 and 2015 (see table and discussion below). Many external factors outlined in "Item 1A. Risk Factors", the "Executive Summary" section of our MD&A, and elsewhere in this report may impact our ability to maintain the current composition of our loan portfolio. See the "Loan Portfolio" section of our MD&A in this report for further discussion of our loan composition and concentration risks.

The following table presents the loan portfolio segments by state as an approximate percentage of each applicable segment and our percentage of total loans by state at December 31, 2016.

	Percentage of Loan Portfolio Segment:				
	Commercial and Industrial	Commercial Real Estate	Residential	Consumer	% of Total Loans
New Jersey	43%	32%	68%	48%	42%
New York	42	46	10	26	37
Florida	2	16	8	7	12
Pennsylvania	1	2	2	12	3
California	2	*	8	1	2
Connecticut	1	1	*	3	1
Other	9	3	4	3	3
Total	100%	100%	100%	100%	100%

* Represents less than one percent of the loan portfolio segment.

The percentage of total loans for New Jersey, New York and Florida was 44 percent, 34 percent and 12 percent at December 31, 2015, respectively, as compared to the percentages shown in the table above at December 31, 2016. The percentage of loans by loan portfolio segment and by total loans presented for all other states above did not materially change from December 31, 2015.

Risk Management

Effective risk management is critical to our success. Financial institutions must manage a variety of business risks that can significantly affect their financial performance. Significant risks we confront are credit risks and asset/liability management risks, which include interest rate and liquidity risks. Credit risk is the risk of not collecting payments pursuant to the contractual terms of loan, lease and investment assets. 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. Liquidity risk is the risk that we will be unable to fund obligations to loan customers, depositors or other creditors at a reasonable cost.

Valley's Board performs its risk oversight function primarily through several standing committees, including the Risk Committee, all of which report to the full Board. The Risk Committee assists the Board by, among other things, establishing an enterprise-wide risk management framework that is appropriate for Valley's capital, business activities, size and risk appetite. The Risk Committee also reviews and recommends to the Board appropriate risk tolerances and limits for credit, compliance, interest rate, liquidity, operational, strategic and price risk (and ensures that risk is managed within those tolerances), and monitors compliance with laws and regulations. With guidance from and oversight by the Risk Committee, management continually refines and enhances its risk management policies and procedures to maintain effective risk management programs and processes.

Additionally, The Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") mandated that stress tests be developed and performed to ensure that financial institutions have sufficient capital to absorb losses and support operations during multiple economic and bank scenarios. On October 9, 2012, the Federal Reserve Board (FRB) published final rules implementing the stress testing requirements for banks, such as the Bank, with total consolidated assets of more than $10.0 billion but less than $50.0 billion. These rules set forth the timing and type of stress test activities, as well as rules governing controls, oversight and disclosure. On July 28, 2016, we submitted our latest stress testing results, utilizing data as of December 31, 2015, to the FRB. The full disclosure of the stress testing results, including the results for Valley National Bank, a summary of the supervisory severely adverse scenario and additional information regarding the methodologies used to conduct the stress test may be found on the Shareholder Relations section of our website (www.valleynationalbank.com) under the Dodd-Frank Act Stress Test Reports section. Through the stress testing program that has been implemented and reviewed by the Risk Committee, Valley complies with current regulations. The results of stress testing activities are considered in combination with other risk management and monitoring practices to maintain an effective risk management program.

Credit Risk Management and Underwriting Approach

Credit risk management. For all loan types, we adhere to a credit policy designed to minimize credit risk while generating the maximum income given the level of risk. 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, concentrations of credit, loan delinquencies, non-performing, and potential problem loans. Loan portfolio diversification is an important factor utilized by us to manage the portfolio's risk across business sectors and through cyclical economic circumstances.

Our 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 our 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 our portfolio or for sale in the secondary market.

Loan Underwriting and Loan documentation. 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. Capital support is determined by acquisition of independent verifications of deposits, investments or other assets. 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.

Types of collateral. Loan collateral, when required, may consist of any one or a combination of the following asset types depending upon the loan type and intended purpose: commercial or residential real estate; general business assets including working assets such as accounts receivable, inventory, or fixed assets such as equipment or rolling stock; marketable securities or other forms of liquid assets such as bank deposits or cash surrender value of life insurance; automobiles; or other assets wherein adequate protective value can be established and/or verified by reliable outside independent appraisers. In addition to these types of collateral, we, in many cases, will obtain the personal guarantee of the borrower's principals to mitigate the risk of certain commercial and industrial loans and commercial real estate loans.

Many times, we will underwrite loans to legal entities formed for the limited purpose of the business which is being financed. Credit granted to these entities and the ultimate repayment of such loans is primarily based on the cash flow generated from the property securing the loan or the business that occupies the property. The underlying real property securing the loans is considered a secondary source of repayment, and normally such loans are also supported by guarantees of the legal entity members. Absent such guarantees or approval by our credit committee, our policy requires that the loan to value ratio (at origination) should not exceed 60 percent, except for certain low risk loan categories where the loan to value ratio requirement may be higher, based on the estimated market value of the property as established by an independent licensed appraiser.

Reevaluation of collateral values. Commercial loan renewals, refinancing and other subsequent transactions that include the advancement of new funds or result in the extension of the amortization period beyond the original term, require a new or updated appraisal. Renewals, refinancing and other subsequent transactions that do not include the advancement of new funds (other than for reasonable closing costs) or, in the case of commercial loans, the extension of the amortization period beyond the original term, do not require a new appraisal unless management believes there has been a material change in market conditions or the physical aspects of the property which may negatively impact collectability of our loan. In general, the period of time an appraisal continues to be relevant will vary depending upon the circumstances affecting the property and the marketplace. Examples of factors that could cause material changes to reported values include the passage of time, the volatility of the local market, the availability of financing, the inventory of competing properties, new improvements to, or lack of maintenance of, the subject or competing surrounding properties, changes in zoning and environmental contamination.

Certain impaired loans are reported at the fair value of the underlying collateral (less estimated selling costs) if repayment is expected solely from the collateral and are commonly referred to as "collateral dependent impaired loans." Collateral values for such loans are typically estimated using individual appraisals performed every 12 months (or 18 months for impaired loans no greater than $1 million with current loan to value ratios less than 75 percent). Between scheduled appraisals, property values are monitored within the commercial portfolio by reference to recent trends in commercial property sales as published by leading industry sources. Property values are monitored within the residential mortgage portfolio by reference to available market indicators, including real estate price indices within Valley's primary lending areas.

All refinanced residential mortgage loans require new appraisals for loans held in our loan portfolio. However, certain residential mortgage loans may be originated for sale and sold without new appraisals when the investor (Fannie Mae or Freddie Mac) presents a refinance of an existing government sponsored enterprise loan without the benefit of a new appraisal. Additionally, all loan types are assessed for full or partial charge-off when they are between 90 and 120 days past due (or sooner when the borrowers' obligation has been released in bankruptcy) based upon their estimated net realizable value. See Note 1 to our consolidated financial statements for additional information concerning our loan portfolio risk elements, credit risk management and our loan charge-off policy.

Loan Renewals and Modifications

In the normal course of our lending business, we may renew loans to existing customers upon maturity of the existing loan. These renewals are granted provided that the new loan meets our standard underwriting criteria for such loan type. Additionally, on a case-by-case basis, we may extend, restructure, or otherwise modify the terms of existing loans from time to time to remain competitive and retain certain profitable customers, as well as assist customers who may be experiencing financial difficulties. If the borrower is experiencing financial difficulties and a concession has been made at the time of such modification, the loan is classified as a troubled debt restructured loan (TDR).

The majority of the concessions made for TDRs involve lowering the monthly payments on loans through either a reduction in interest rate below a market rate, an extension of the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate, or a combination of these two methods. The concessions rarely result in the forgiveness of principal or accrued interest. In addition, Valley frequently obtains additional collateral or guarantor support when modifying such loans. If the borrower has demonstrated performance under the previous terms and Valley's underwriting process shows the borrower has the capacity to continue to perform under the restructured terms, the loan will continue to accrue interest. Non-accruing restructured loans may be returned to accrual status when there has been a sustained period of repayment performance (generally six consecutive months of payments) and both principal and interest are deemed collectible.

Extension of Credit to Past Due Borrowers

Loans are placed on non-accrual status generally when they become 90 days past due and the full and timely collection of principal and interest becomes uncertain. Valley's historic and current policy prohibits the advancement of additional funds on non-accrual and TDR loans, except under certain workout plans if such extension of credit is intended to mitigate losses.

Loans Originated by Third Parties

From time to time, the Bank makes purchases of commercial real estate loans and loan participations, residential mortgage loans, automobile loans, and other loan types, originated by, and sometimes serviced by, other financial institutions. The purchase decision is usually based on several factors, including current loan origination volumes, market interest rates, excess liquidity, our continuous efforts to meet the credit needs of certain borrowers under Community Reinvestment Act, as well as other asset/liability management strategies. All of the purchased loans are selected using Valley's normal underwriting criteria at the time of purchase, or in some cases guaranteed by third parties. Purchased commercial real estate participation loans are generally seasoned loans with expected shorter durations. Additionally, each purchased participation loan is stress-tested by Valley to assure its credit quality.

Purchased commercial real estate loans, residential mortgage loans and automobile loans (excluding purchased credit-impaired loans acquired in business combinations or FDIC-assisted transactions) totaled approximately $1.3 billion, $818.6 million and $4.7 million, respectively, at December 31, 2016 representing 15.24 percent, 30.50 percent and 0.41 percent of our total commercial real estate, residential mortgage and automobile loan portfolios, respectively. At December 31, 2016, the commercial real estate loans originated by third parties had loans past due 30 days or more totaling 0.67 percent of these loans as compared to 0.27 percent for our total commercial real estate portfolio, including all delinquencies. Residential mortgage loans originated by third parties had loans past due 30 days or more totaling 1.11 percent of these loans at December 31, 2016 as compared to 0.64 percent for our total residential mortgage portfolio. The purchased automobile portfolio had loans past due 30 days or more totaling 0.84 percent of these loans at December 31, 2016 as compared to 0.36 percent for our total automobile loan portfolio.

Additionally, Valley has performed credit due diligence on the majority of the loans acquired in our bank acquisitions and FDIC-assisted transactions (disclosed under the "Recent Acquisitions" section above) in determining the estimated cash flows receivable from such loans. See the "Loan Portfolio" section of Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations of this report below for additional information.

Competition

Valley National Bank is one of the largest commercial banks headquartered in New Jersey, with its primary markets located in northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, and Florida. Valley ranked 17th in competitive ranking and market share based on the deposits reported by 213 FDIC-insured financial institutions in the New York, Northern New Jersey and Long Island deposit market as of June 30, 2016. The FDIC also ranked Valley 9th, 40th and 30th in the states of New Jersey, New York and Florida, respectively, based on deposit market share as of June 30, 2016. Our FDIC deposit market share ranking improved in Florida from 40th one year earlier due, in large part, to the assumption of $1.2 billion in deposits from the acquisition of CNL. While our FDIC rankings reflect a solid foundation in our primary markets, the market for banking and bank-related services is highly competitive and we face substantial competition in all phases of our operations. In addition to the FDIC-insured commercial banks in our principal metropolitan markets, we also compete with other providers of financial services such as savings institutions, credit unions, mutual funds, captive finance companies, mortgage companies, title agencies, asset managers, insurance companies and a growing list of other local, regional and national companies which offer various financial services. Many of these competitors may have fewer regulatory constraints, broader geographic service areas, greater capital, and, in some cases, lower cost structures.

In addition, competition has further intensified as a result of recent changes in regulation, and advances in technology and product delivery systems. We face strong competition for our borrowers, depositors, and other customers from Fintech companies that provide innovative web-based solutions to traditional retail banking services and products. Fintech companies tend to have stronger operating efficiencies and less regulatory burdens than their traditional bank counterparts, including Valley. Within our markets, we also compete with some of the largest financial institutions in the world that have greater human and financial resources are able to offer a large range of products and services at competitive rates and prices. Nevertheless, we believe we can compete effectively as a result of utilizing various strategies including our long history of local customer service and convenience as part of a relationship management culture, in conjunction with the pricing of loans and deposits. Our customers are influenced by the convenience, quality of service from our knowledgeable staff, personal contacts and attention to customer needs, as well as availability of products and services and related pricing. We provide such convenience through our banking network of 209 branches, an extensive ATM network of 224 locations, and our 24-hour telephone and on-line banking systems.

We continually review our pricing, products, locations, alternative delivery channels and various acquisition prospects, and periodically engage in discussions regarding possible acquisitions to maintain and enhance our competitive position.

Personnel

At December 31, 2016, Valley National Bank and its subsidiaries employed 2,828 full-time equivalent persons. Management considers relations with its employees to be satisfactory.

Executive Officers

Name	Age at December 31, 2016	Executive Officer Since	Office
Gerald H. Lipkin	75	1975	Chairman of the Board and Chief Executive Officer of Valley and Valley National Bank
Ira D. Robbins	42	2009	Senior Executive Vice President of Valley and President of Valley National Bank
Rudy E. Schupp	66	2014	President of Valley and Chief Banking Officer of Valley National Bank
Alan D. Eskow	68	1993	Senior Executive Vice President, Chief Financial Officer and Corporate Secretary of Valley and Valley National Bank
Dianne M. Grenz	54	2014	Senior Executive Vice President of Valley and Chief Consumer Banking Officer of Valley National Bank
Thomas A. Iadanza	58	2015	Senior Executive Vice President of Valley and Chief Lending Officer of Valley National Bank
Ronald H. Janis	68	2017	Senior Executive Vice President and General Counsel of Valley and Valley National Bank
Robert J. Bardusch	51	2016	Executive Vice President of Valley and Chief Information Officer of Valley National Bank
Kevin Chittenden	52	2016	Executive Vice President of Valley and Chief Residential Lending Officer of Valley National Bank
Bernadette M. Mueller	58	2009	Executive Vice President of Valley and Valley National Bank
Andrea T. Onorato	59	2014	Executive Vice President of Valley and Valley National Bank
Melissa F. Scofield	57	2015	Executive Vice President of Valley and Valley National Bank
Mitchell L. Crandell	46	2007	First Senior Vice President, Chief Accounting Officer of Valley and Valley National Bank
Sherry Ambrosini	61	2014	First Senior Vice President of Valley National Bank

All officers serve at the pleasure of the Board of Directors.

Available Information

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments thereto available on our website at www.valleynationalbank.com without charge as soon as reasonably practicable after filing or furnishing them to the SEC. Also available on the website are Valley's Code of Conduct and Ethics that applies to all of our employees including our executive officers and directors, Valley's Audit Committee Charter, Valley's Compensation and Human Resources Committee Charter, Valley's Nominating and Corporate Governance Committee Charter, and Valley's Corporate Governance Guidelines.

Additionally, we will provide without charge a copy of our Annual Report on Form 10-K or the Code of Conduct and Ethics to any shareholder by mail. Requests should be sent to Valley National Bancorp, Attention: Shareholder Relations, 1455 Valley Road, Wayne, NJ 07470.

SUPERVISION AND REGULATION

The banking industry is highly regulated. Statutory and regulatory controls increase a bank holding company's cost of doing business and limit the options of its management to deploy assets and maximize income. The following discussion is not intended to be a complete list of all the activities regulated by the banking laws or of the impact of such laws and regulations on Valley or Valley National Bank. It is intended only to briefly summarize some material provisions.

Bank Holding Company Regulation

Valley is a bank holding company within the meaning of the Holding Company Act. As a bank holding company, Valley is supervised by the FRB and is required to file reports with the FRB and provide such additional information as the FRB may require.

The Holding Company Act prohibits Valley, with certain exceptions, from acquiring direct or indirect ownership or control of more than five percent of the voting shares of any company which is not a bank and from engaging in any business other than

that of banking, managing and controlling banks or furnishing services to subsidiary banks, except that it may, upon application, engage in, and may own shares of companies engaged in, certain businesses found by the FRB to be so closely related to banking "as to be a proper incident thereto." The Holding Company Act requires prior approval by the FRB of the acquisition by Valley of more than five percent of the voting stock of any other bank. Satisfactory capital ratios, Community Reinvestment Act ratings, and anti-money laundering policies are generally prerequisites to obtaining federal regulatory approval to make acquisitions. The policy of the FRB provides that a bank holding company is expected to act as a source of financial strength to its subsidiary bank and to commit resources to support the subsidiary bank in circumstances in which it might not do so absent that policy. Acquisitions through the Bank require approval of the Office of the Comptroller of the Currency (OCC). The Holding Company Act does not place territorial restrictions on the activities of non-bank subsidiaries of bank holding companies. The Gramm-Leach-Bliley Act, discussed below, allows Valley to expand into insurance, securities and other activities that are financial in nature if Valley elects to become a financial holding company.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 enables bank holding companies to acquire banks in states other than its home state and to open branches in other states, subject to certain restrictions. The Dodd-Frank Act, discussed below, authorized interstate *de novo* branching regardless of state law.

Regulation of Bank Subsidiary

Valley National Bank is subject to the supervision of, and to regular examination by, the OCC. Various laws and the regulations thereunder applicable to Valley and its bank subsidiary impose restrictions and requirements in many areas, including capital requirements, the maintenance of reserves, establishment of new offices, the making of loans and investments, consumer protection, employment practices, bank acquisitions and entry into new types of business. There are various legal limitations, including Sections 23A and 23B of the Federal Reserve Act, which govern the extent to which a bank subsidiary may finance or otherwise supply funds to its holding company or its holding company's non-bank subsidiaries. Under federal law, no bank subsidiary may, subject to certain limited exceptions, make loans or extensions of credit to, or investments in the securities of, its parent or the non-bank subsidiaries of its parent (other than direct subsidiaries of such bank which are not financial subsidiaries) or take their securities as collateral for loans to any borrower. Each bank subsidiary is also subject to collateral security requirements for any loans or extensions of credit permitted by such exceptions.

Capital Requirements

Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), each federal banking agency has promulgated regulations, specifying the levels at which a financial institution would be considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," and to take certain mandatory and discretionary supervisory actions based on the capital level of the institution. To qualify to engage in financial activities under the Gramm-Leach-Bliley Act, all depository institutions must be "well capitalized." The financial holding company of a national bank will be put under directives to raise its capital levels or divest its activities if the depository institution falls from that level.

In July 2013, the FRB and the OCC published final rules establishing a new comprehensive capital framework for U.S. banking organizations, referred to herein as the Basel III rules. Basel III rules implement the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. Basel III substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including Valley and Valley National Bank. Basel III became effective for us on January 1, 2015 (subject to phase-in periods for certain components).

Basel III (i) introduced a new capital measure called "Common Equity Tier 1," or CET1, (ii) specified that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) applied most deductions/ adjustments to regulatory capital measures to CET1 and not to the other components of capital, thus potentially requiring higher levels of CET1 in order to meet minimum ratios, and (iv) expanded the scope of the reductions/adjustments from capital as compared to existing regulations.

Under Basel III, the minimum capital ratios for us and Valley National Bank are as follows:

- 4.5 percent CET1 to risk-weighted assets.
- 6.0 percent Tier 1 capital (i.e., CET1 plus Additional Tier 1) to risk-weighted assets.
- 8.0 percent Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets.
- 4.0 percent Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

When fully phased in on January 1, 2019, Basel III also requires us and Valley National Bank to maintain a 2.5 percent "capital conservation buffer", composed entirely of CET1, on top of the minimum risk-weighted asset ratios, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7.0 percent, (ii) Tier 1 capital to risk-weighted assets of at least 8.5 percent, and (iii) total capital to risk-weighted assets of at least 10.5 percent. 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. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625 percent level and will increase by 0.625 percent on each subsequent January 1st, until it reaches 2.5 percent on January 1, 2019. As of January 1, 2017, we and the Bank were required to maintain a capital conservation buffer of 1.25 percent.

Basel III provides for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income and significant investments in common equity issued by nonconsolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10 percent of CET1 or all such categories in the aggregate exceed 15 percent of CET1. The deductions and other adjustments to CET1 are being phased in incrementally between January 1, 2015 and January 1, 2018.

Under current capital standards, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under Basel III, the effects of certain accumulated other comprehensive items are not excluded; however, non-advanced approaches banking organizations, including Valley and Valley National Bank, were permitted to make a one-time permanent election to continue to exclude these items effective as of January 1, 2015. We made this one-time election in the applicable bank regulatory reports as of March 31, 2015.

Basel III, with respect to us, required that our trust preferred securities be eliminated from Tier 1 capital by January 1, 2016. Accordingly, none of Valley's trust preferred securities were included in Tier 1 capital during 2016.

With respect to Valley National Bank, Basel III also revised the "prompt corrective action" regulations pursuant to Section 38 of the FDICIA, by (i) introducing a CET1 ratio requirement at each capital quality level (other than critically undercapitalized); (ii) increasing the minimum Tier 1 capital ratio requirement for each category; and (iii) requiring a leverage ratio of 5 percent to be well-capitalized. The OCC's regulations implementing these provisions of FDICIA provide that an institution will be classified as "well capitalized" if it (i) has a total risk-based capital ratio of at least 10.0 percent, (ii) has a Tier 1 risk-based capital ratio of at least 8.0 percent, (iii) has a CET1 ratio of at least 6.5 percent, (iv) has a Tier 1 leverage ratio of at least 5.0 percent, and (v) meets certain other requirements. An institution will be classified as "adequately capitalized" if it meets the aforementioned minimum capital ratios under Basel III. An institution will be classified as "undercapitalized" if it (i) has a total risk-based capital ratio of less than 8.0 percent, (ii) has a Tier 1 risk-based capital ratio of less than 6.0 percent, (iii) has a CET1 ratio of less than 4.5 percent or (iv) has Tier 1 leverage ratio of less than 4.0 percent. An institution will be classified as "significantly undercapitalized" if it (i) has a total risk-based capital ratio of less than 6.0 percent, (ii) has a Tier 1 risk-based capital ratio of less than 4.0 percent, (iii) has a CET1 ratio of less than 3.0 percent or (iv) has a Tier 1 leverage ratio of less than 3.0 percent. An institution will be classified as "critically undercapitalized" if it has a tangible equity to total assets ratio that is equal to or less than 2.0 percent. An insured depository institution may be deemed to be in a lower capitalization category if it receives an unsatisfactory examination rating. Similar categories apply to bank holding companies. When the capital conservation buffer is fully phased in, the capital ratios applicable to depository institutions under Basel III will exceed the ratios to be considered well-capitalized under the prompt corrective action regulations.

Basel III prescribes a standardized approach for calculating risk-weighted assets that expand the risk-weighting categories from the four Basel I-derived categories (0 percent, 20 percent, 50 percent and 100 percent) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets.

Valley National Bank's capital ratios were all above the minimum levels required for it to be considered a "well capitalized" financial institution at December 31, 2016 under the "prompt corrective action" regulations in effect as of such date. We believe that, as of December 31, 2016, Valley and Valley National Bank would meet all capital adequacy requirements under Basel III on a fully phased-in basis if such requirements were currently effective.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

The Dodd-Frank Act was signed into law on July 21, 2010. The Dodd-Frank Act significantly changed the bank regulatory landscape and has impacted the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. Some of the effects are discussed below.

The Dodd-Frank Act-mandated covered banks and bank holding companies with more than $10 billion in total consolidated assets (such as Valley) to conduct annual company-run stress tests.

The Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB) and shifted most of the federal consumer protection rules applicable to banks and the enforcement power with respect to such rules to the CFPB. The CFPB has issued a series of final rules related to mortgage loan origination and mortgage loan servicing. The CFPB issued a rule amending Regulation Z to implement certain amendments to the Truth in Lending Act. The CFPB also issued a rule implementing amendments to the Truth in Lending Act and the Real Estate Settlement Procedures Act.

In addition, the CFPB amended Regulation B to implement changes to the Equal Credit Opportunity Act. The CFPB also amended Regulation Z to implement requirements and restrictions to the Truth in Lending Act concerning loan originator compensation, qualifications of, and registration or licensing of loan originators, compliance procedures for depository institutions, mandatory arbitration, and the financing of single-premium credit insurance.

Finally, the CFPB issued rules to implement the new ability-to-repay and qualified mortgage provisions provided for by the Dodd-Frank Act which became effective in January 2014. The ability-to-repay provision requires creditors to make reasonable, good faith determinations that borrowers are able to repay their mortgages before extending the credit based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents.

The CFPB has continued to issue final rules regarding mortgages, including amendments to certain mortgage servicing rules regarding force-placed insurance notices, policies and procedures, early intervention, and loss mitigation requirements under Regulation X and prompt crediting and periodic statement requirements under Regulation Z. We cannot assure you that existing or future regulations will not have a material adverse impact on our residential mortgage loan business or the housing markets in which we participate.

To the effect the Dodd-Frank Act remains in place, it is likely to continue to increase our cost of doing business, limit our permissible activities, and affect the competitive balance within our industry and market areas.

Volcker Rule

The Volcker Rule (contained in section 619 of the Dodd-Frank Act) prohibits an insured depository institution and its affiliates from: (i) engaging in "proprietary trading" and (ii) investing in or sponsoring certain types of funds (Covered Funds) subject to certain limited exceptions. The rule also effectively prohibits short-term trading strategies by any U.S. banking entity if those strategies involve instruments other than those specifically permitted for trading and prohibits the use of some hedging strategies. We identified no investments held as of December 31, 2016 that meet the definition of Covered Funds.

Incentive Compensation

The Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities with at least $1 billion in total assets, such as Valley and the Bank, that encourage inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity. In addition, these agencies must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. The agencies proposed such regulations in April 2011 and subsequently proposed revised regulations in May 2016, but the revised regulations have not been finalized. If the revised regulations are adopted in the form proposed, they will impose limitations on the manner in which Valley may structure compensation for its executives and employees.

In 2010, the FRB, OCC and FDIC issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. These three principles are incorporated into the proposed joint compensation regulations under the Dodd-Frank Act.

The FRB will review, as part of its regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as Valley, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Dividend Limitations

Valley is a legal entity separate and distinct from its subsidiaries. Valley's revenues (on a parent company only basis) result in substantial part from dividends paid by the Bank. The Bank's dividend payments, without prior regulatory approval, are subject to regulatory limitations. Under the National Bank Act, dividends may be declared only if, after payment thereof, capital would be unimpaired and remaining surplus would equal 100 percent of capital. Moreover, a national bank may declare, in any one year, dividends only in an amount aggregating not more than the sum of its net profits for such year and its retained net profits for the preceding two years. However, declared dividends in excess of net profits in either of the preceding two years can be offset by retained net profits in the third and fourth years preceding the current year when determining the Bank's dividend limitation. In addition, the bank regulatory agencies have the authority to prohibit the Bank from paying dividends or otherwise supplying funds to Valley if the supervising agency determines that such payment would constitute an unsafe or unsound banking practice.

Loans to Related Parties

Valley National Bank's authority to extend credit to its directors, executive officers and 10 percent shareholders, as well as to entities controlled by such persons, is currently governed by the requirements of the National Bank Act, Sarbanes-Oxley Act and Regulation O of the FRB thereunder. Among other things, these provisions require that extensions of credit to insiders (i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital. In addition, extensions of credit in excess of certain limits must be approved by the Bank's Board of Directors. Under the Sarbanes-Oxley Act, Valley and its subsidiaries, other than the Bank under the authority of Regulation O, may not extend or arrange for any personal loans to its directors and executive officers.

Community Reinvestment

Under the Community Reinvestment Act (CRA), as implemented by OCC regulations, a national bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The CRA requires the OCC, in connection with its examination of a national bank, to assess the association's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such association. The CRA also requires all institutions to make public disclosure of their CRA ratings. Valley National Bank received a "satisfactory" CRA rating in its most recent examination.

The OCC conditioned its approval of Valley's acquisition of 1st United, on the commitment of Valley National Bank to submit to the OCC before the end of 2014 a CRA plan consistent with the correspondence Valley submitted to the OCC during the application process. Valley National Bank submitted its CRA plan to the OCC prior to the end of 2014, and received a "no supervisory objection" to the plan from the OCC during May 2015. While the OCC approval of the most recent acquisition of CNL in December 2015 was unconditional, the OCC noted it will continue to monitor the Bank's progress with the CRA plan, and any necessary enhancements based upon new markets or otherwise, through its normal supervisory reviews. Valley National Bank's CRA plan is available for review on its website at www.valleynationalbank.com.

A bank which does not have a CRA program that is deemed satisfactory by its regulator will be prevented from making acquisitions.

Corporate Governance

The Sarbanes-Oxley Act of 2002 added new legal requirements for public companies affecting corporate governance, accounting and corporate reporting, to increase corporate responsibility and to protect investors. Among other things, the Sarbanes-Oxley Act of 2002:

- required our management to evaluate our disclosure controls and procedures and our internal control over financial reporting, and required our auditors to issue a report on our internal control over financial reporting;
- imposed on our chief executive officer and chief financial officer additional responsibilities with respect to our external financial statements, including certification of financial statements within the Annual Report on Form 10-K and Quarterly Reports on Form 10-Q by the chief executive officer and the chief financial officer;
- established independence requirements for audit committee members and outside auditors;
- created the Public Company Accounting Oversight Board which oversees public accounting firms; and

- increased various criminal penalties for violations of securities laws.

The New York Stock Exchange (NYSE), where Valley common stock is listed, has corporate governance listing standards, including rules strengthening director independence requirements for boards, as well as the audit committee and the compensation committee, and requiring the adoption of charters for the nominating, corporate governance, compensation and audit committees.

USA PATRIOT Act

As part of the USA PATRIOT Act, Congress adopted the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the "Anti Money Laundering Act"). The Anti Money Laundering Act authorizes the Secretary of the U.S. Treasury, in consultation with the heads of other government agencies, to adopt special measures applicable to financial institutions such as banks, bank holding companies, broker-dealers and insurance companies. Among its other provisions, the Anti Money Laundering Act requires each financial institution: (i) to establish an anti-money laundering program; (ii) to establish due diligence policies, procedures and controls that are reasonably designed to detect and report instances of money laundering in United States private banking accounts and correspondent accounts maintained for non-United States persons or their representatives; and (iii) to avoid establishing, maintaining, administering, or managing correspondent accounts in the United States for, or on behalf of, a foreign shell bank that does not have a physical presence in any country.

Regulations implementing the due diligence requirements require minimum standards to verify customer identity and maintain accurate records, encourage cooperation among financial institutions, federal banking agencies, and law enforcement authorities regarding possible money laundering or terrorist activities, prohibit the anonymous use of "concentration accounts," and requires all covered financial institutions to have in place an anti-money laundering compliance program.

The OCC, along with other banking agencies, have strictly enforced various anti-money laundering and suspicious activity reporting requirements using formal and informal enforcement tools to cause banks to comply with these provisions.

A bank which is issued a formal or informal enforcement requirement with respect to its Anti Money Laundering program will be prevented from making acquisitions.

Consumer Financial Protection Bureau Supervision

As a financial institution with more than $10 billion in assets, Valley National Bank is supervised by the CFPB for consumer protection purposes. The CFPB's regulation of Valley National Bank is focused on risks to consumers and compliance with the federal consumer financial laws and includes regular examinations of the Bank. The CFPB, along with the Department of Justice and bank regulatory authorities also seek to enforce discriminatory lending laws. In such actions, the CFPB and others have used a disparate impact analysis, which measures discriminatory results without regard to intent. Consequently, unintentional actions by Valley could have a material adverse impact on our lending and results of operations if the actions are found to be discriminatory by our regulators.

Valley National Bank is subject to federal consumer protection statutes and regulations promulgated under those laws, including, but not limited to the following:

- Truth-In-Lending Act and Regulation Z, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act and Regulation C, requiring financial institutions to provide certain information about home mortgage and refinanced loans;
- Equal Credit Opportunity Act and Regulation B, prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit;
- Fair Credit Reporting Act and Regulation V, governing the provision of consumer information to credit reporting agencies and the use of consumer information; and
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies.

Valley National Bank's deposit operations are also subject to the following federal statutes and regulations, among others:

- The Truth in Savings Act and Regulation DD, which requires disclosure of deposit terms to consumers;
- Regulation CC, which relates to the availability of deposit funds to consumers;
- The Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and

- Electronic Funds Transfer Act and Regulation E, governing automatic deposits to, and withdrawals from, deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

The CFPB examines Valley National Bank's compliance with such laws and the regulations under them.

Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Financial Modernization Act of 1999 (Gramm-Leach-Bliley Act) became effective in early 2000. The Gramm-Leach-Bliley Act allowed bank holding companies meeting management, capital and CRA standards to become financial holding companies and thereby to engage in a substantially broader range of non-banking activities than was previously permissible, including insurance underwriting and securities underwriting.

The OCC adopted rules to allow national banks to form subsidiaries to engage in financial activities allowed for financial holding companies, subject to certain restrictions. While Valley National Bank may elect to create financial subsidiaries, Valley has not elected to become a financial holding company.

Insurance of Deposit Accounts

The Bank's deposits are insured up to applicable limits by the FDIC. Under the FDIC's risk-based system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors with less risky institutions paying lower assessments on their deposits.

As required by the Dodd-Frank Act, the FDIC has adopted rules that revise the assessment base to consist of average consolidated total assets during the assessment period minus the average tangible equity during the assessment period. In addition, the rules eliminated the adjustment for secured borrowings, including Federal Home Loan Bank (FHLB) advances, and made certain other changes to the impact of unsecured borrowings and brokered deposits on an institution's deposit insurance assessment. The rules also revised the assessment rate schedule to provide initial base assessment rates ranging from 5 to 35 basis points and total base assessment rates ranging from 2.5 to 45 basis points after adjustment. The Dodd-Frank Act made permanent a $250 thousand limit for federal deposit insurance.

In 2016, the FDIC added a surcharge to the insurance assessments for banks with over $10 billion in assets, which became effective in July 2016 and which will continue until the FDIC reserve ratio reaches 1.35% or the end of 2018, whichever comes first.

The FDIC has authority to further increase insurance assessments. A significant increase in insurance premiums may have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Item 1A. Risk Factors

An investment in our securities is subject to risks inherent to our business. The material risks and uncertainties that management believes may affect Valley are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The risks and uncertainties described below are not the only ones facing Valley. Additional risks and uncertainties that management is not aware of or that management currently believes are immaterial may also impair Valley's business operations. The value or market price of our securities could decline due to any of these identified or other risks, and you could lose all or part of your investment. This report is qualified in its entirety by these risk factors.

Our financial results and condition may be adversely impacted by weak economic conditions.

Currently, we are operating in a slow growth economic environment accompanied by, despite recent increases, a relatively low level of market interest rates. Financial institutions can be affected by changing conditions in the real estate and financial markets. Dramatic declines in the housing market in past years, with falling home prices and increasing foreclosures and unemployment, resulted in significant write-downs of asset values by financial institutions. While the economy and real estate market conditions have significantly improved in recent years, a return to a recessionary economy could result in financial stress on our borrowers that would adversely affect our financial condition and results of operations. The majority of Valley's lending is in northern and central New Jersey, New York City metropolitan area and Florida. As a result of this geographic concentration, a significant broad-based deterioration in economic conditions in these areas could have a material adverse impact on the quality of Valley's loan portfolio, results of operations and future growth potential. Adverse economic conditions in our market areas can reduce our rate of growth, affect our customers' ability to repay loans and adversely impact our financial condition and earnings.

General economic conditions, including inflation, unemployment and money supply fluctuations, also may affect our profitability adversely.

Changes in interest rates or prolonged low levels of interest rates could reduce our net interest income and earnings.

Valley's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets, such as loans and investment securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Interest rates are sensitive to many factors that are beyond Valley's control, including general economic conditions, competition, and policies of various governmental and regulatory agencies and, in particular, the policies of the FRB. Changes in monetary policy, including changes in interest rates, could influence not only the interest Valley receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) Valley's ability to originate loans and obtain deposits, (ii) the fair value of Valley's financial assets, including the held to maturity and available for sale investment securities portfolios, and (iii) the average duration of Valley's interest-earning assets and liabilities. This also includes the risk that interest-earning assets may be more responsive to changes in interest rates than interest-bearing liabilities, or vice versa (repricing risk), the risk that the individual interest rates or rate indices underlying various interest-earning assets and interest-bearing liabilities may not change in the same degree over a given time period (basis risk), and the risk of changing interest rate relationships across the spectrum of interest-earning asset and interest-bearing liability maturities (yield curve risk). Any substantial or unexpected change in market interest rates or a prolonged period of low interest rates, such as those experienced in 2016 despite any potential movements in the FRB's accommodative monetary policy, could have a material adverse effect on Valley's financial condition and results of operations. See additional information at the "Net Interest Income" and "Interest Rate Sensitivity" sections of our MD&A.

Claims and litigation could result in losses and damage to our reputation.

From time to time as part of Valley's normal course of business, customers, bankruptcy trustees, former customers, contractual counterparties, third parties and former employees make claims and take legal action against Valley based on actions or inactions of Valley. If such claims and legal actions are not resolved in a manner favorable to Valley, they may result in financial liability and/or adversely affect the market perception of Valley and its products and services. This may also impact customer demand for Valley's products and services. Any financial liability or reputation damage could have a material adverse effect on Valley's business, which, in turn, could have a material adverse effect on its financial condition and results of operations. See the "Litigation" section under Note 15 to the consolidated financial statements for additional information and a significant pending lawsuit.

Future acquisitions may dilute shareholder value.

We regularly evaluate opportunities to acquire other financial institutions. As a result, merger and acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt, or equity securities may occur at any time. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future acquisitions.

Future offerings of common stock, debt or other securities may adversely affect the market price of our stock and dilute the holdings of existing shareholders.

In the future, we may increase our capital resources or, if our or the Bank's actual or projected capital ratios fall below or near the current (Basel III) regulatory required minimums, we or the Bank could be forced to raise additional capital by making additional offerings of common stock, preferred stock or debt securities. Upon liquidation, holders of our debt securities and shares of preferred stock, and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. In June 2015, Valley issued 4.6 million shares of non-cumulative perpetual preferred stock with a liquidation preference of $25 per share. In December 2016, Valley issued 9.24 million shares of common stock with the intention to use the proceeds for continued growth in the Bank's loan portfolio, as well as other general corporate purposes. See Note 18 to the consolidated financial statements for more details on our common and preferred stock.

A significant portion of our loan portfolio is secured by real estate, and events that negatively impact the real estate market could adversely affect our asset quality and profitability for those loans secured by real property and increase the number of defaults and the level of losses within our loan portfolio.

A significant portion of our loan portfolio is secured by real estate. As of December 31, 2016, approximately 75 percent of our total loans had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and could deteriorate in value during the time the credit is extended. A downturn in the real estate market in our primary market areas could result in an increase in the number of borrowers

who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and shareholders' equity could be adversely affected. The declines in home or commercial real estate prices in the New Jersey, New York and Florida markets we primarily serve, along with the reduced availability of mortgage credit, also may result in increases in delinquencies and losses in our loan portfolios. Unexpected decreases in home or commercial real estate prices coupled with slow economic growth and elevated levels of unemployment could drive losses beyond that which is provided for in our allowance for loan losses. In that event, our earnings could be adversely affected.

The secondary market for residential mortgage loans, for the most part, is limited to conforming Fannie Mae and Freddie Mac loans. The effects of this limited mortgage market combined with another correction in residential real estate market prices and reduced levels of home sales, could result in price reductions in single-family home values, adversely affecting the value of collateral securing mortgage loans held, mortgage loan originations and gains on sale of mortgage loans. Declines in real estate values and home sales volumes, and financial stress on borrowers as a result of job losses or other factors, could have further adverse effects on borrowers that result in higher delinquencies and greater charge-offs in future periods, which could adversely affect our financial condition or results of operations. For additional risks related to our sales of residential mortgages in the secondary market, see the "We may incur future losses in connection with repurchases and indemnification payments related to mortgages that we have sold into the secondary market" risk factor below.

Higher charge-offs and weak credit conditions could require us to increase our allowance for credit losses through a provision charge to earnings.

We maintain an allowance for credit losses based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and conditions. It requires difficult, subjective and complex judgments about the future, including the impact of national and regional economic conditions on the ability of our borrowers to repay their loans. If our judgment proves to be incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. Additionally, bank regulators review the classification of our loans in their examination of us and we may be required in the future to change the classification on certain of our loans, which may require us to increase our provision for loan losses or loan charge-offs. If actual net charge-offs were to exceed Valley's allowance, its earnings would be negatively impacted by additional provisions for loan losses. Any increase in our allowance for loan losses or loan charge-offs as required by the OCC or otherwise could have an adverse effect on our results of operations or financial condition.

We may be required to increase our allowance for credit losses as a result of a recent change to an accounting standard.

In 2016, the FASB released a new standard for determining the amount of the allowance for credit losses. The new standard will be effective for Valley for reporting periods beginning January 1, 2020. The new credit loss model will be a significant change from the standard in place today, as it requires the allowance for credit losses to be calculated based on current expected credit losses (commonly referred to as the "CECL model") rather than losses inherent in the portfolio as of a point in time. When adopted, the CECL model will likely increase our allowance for credit losses, which could materially affect our financial condition and future results of operations. The extent of the increase and its impact to our financial condition is under evaluation, but will ultimately depend upon the nature and characteristics of Valley's portfolio at the adoption date, and the macroeconomic conditions and forecasts at that date; therefore, the potential financial impact is currently unknown.

Cyber-attacks and information security breaches could compromise our information or result in the data of our customers being improperly divulged, which could expose us to liability and losses.

Many financial institutions and companies engaged in data processing have reported significant breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means. Although we have not experienced, to date, any material losses relating to such cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Additionally, our risk exposure to security matters may remain elevated or increase in the future due to, among other things, the increasing size and prominence of Valley in the financial services industry, our expansion of Internet and mobile banking tools and products based on customer needs, and the system and customer account conversions associated with the integration of merger targets.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.

We are required to comply with anti-money laundering, anti-terrorism and other laws and regulations in the United States. These laws and regulations require us, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision.

While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering and related activities, those policies and procedures may not completely eliminate instances in which we may be used by customers to engage in money laundering and other illegal or improper activities. To the extent we fail to fully comply with applicable laws and regulations, the OCC, along with other banking agencies, have the authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers use our banking network for money laundering or illegal or improper purposes.

We could incur future goodwill impairment

If our estimates of the fair value of our goodwill change as a result of changes in our business or other factors, we may determine a goodwill impairment charge is necessary. Estimates of the fair value of goodwill are determined using several factors and assumptions, including, but not limited to, industry pricing multiples and estimated cash flows. Based upon Valley's 2016 goodwill impairment testing, the fair values of its four reporting units, wealth management, consumer lending, commercial lending, and investment management, were in excess of their carrying values. If the fair values of the four reporting units were less than their book value of the total common shareholders' equity for an extended period of time, Valley would consider this and other factors, including the anticipated cash flows of each of the reporting units, to determine whether goodwill is impaired. No assurance can be given that we will not record an impairment loss on goodwill in the future and any such impairment loss could have a material adverse effect on our results of operations and financial condition. At December 31, 2016, our goodwill totaled $690.6 million, including $113.6 million acquired in the acquisition of CNL in December 2015. See Note 8 to the consolidated financial statements for additional information.

We may reduce or eliminate the cash dividend on our common stock, which could adversely affect the market price of our common stock.

Holders of our common stock are only entitled to receive such cash dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may reduce or eliminate our common stock cash dividend in the future depending upon our results of operations, financial condition or other metrics. This could adversely affect the market price of our common stock. Additionally, as a bank holding company, our ability to declare and pay dividends is dependent on federal regulatory policies and regulations including the supervisory policies and guidelines of the OCC and the FRB regarding capital adequacy and dividends. Among other things, consultation of the FRB supervisory staff is required in advance of our declaration or payment of a dividend that exceeds our earnings for a four-quarter period in which the dividend is being paid.

If our subsidiaries are unable to make dividends and distributions to us, we may be unable to make dividend payments to our preferred and common shareholders or interest payments on our long-term borrowings and junior subordinated debentures issued to capital trusts.

We are a separate and distinct legal entity from our banking and non-banking subsidiaries and depend on dividends, distributions, and other payments from the Bank and its non-banking subsidiaries to fund cash dividend payments on our preferred and common stock and to fund most payments on our other obligations. Regulations relating to capital requirements affect the ability of the Bank to pay dividends and other distributions to us and to make loans to us. Additionally, if our subsidiaries' earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our preferred and common shareholders or interest payments on our long-term borrowings and junior subordinated debentures issued to capital trusts. Furthermore, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

The required accounting treatment of purchased credit-impaired (PCI) loans, including loans acquired through business combinations, FDIC-assisted transactions, or bulk loan purchases could result in higher net interest margins and interest income in current periods and lower net interest margins and interest income in future periods.

Under U.S. GAAP, we record loans acquired at a discount (that is due, in part, to credit,) at fair value which may underestimate the actual performance of such loans. As a result, if these loans outperform our original fair value estimates, the difference between

our original estimate and the actual performance of the loan (the "discount") is accreted into net interest income. Thus, our net interest margins may initially appear higher. We expect the yields on our loans to decline as our acquired loan portfolio pays down or matures and we expect downward pressure on our interest income to the extent that the runoff on our acquired loan portfolio is not replaced with comparable high-yielding loans. This could result in higher net interest margins and interest income in current periods and lower net interest rate margin and lower interest income in future periods. See the "Loan Portfolio" section of our MD&A and Note 5 to the consolidated financial statements for additional analysis and discussion of our PCI loans.

An increase in our non-performing assets may reduce our interest income and increase our net loan charge-offs, provision for loan losses, and operating expenses.

Our non-accrual loans decreased from 1.20 percent at December 31, 2012 to 0.41 percent and 0.22 percent of total loans at December 31, 2015 and 2016, respectively. Although the economy continued to gradually improve during 2016, a downturn in economic or real estate market conditions could result in increased charge-offs to our allowance for loan losses and lost interest income relating to non-performing loans. Non-performing assets (including non-accrual loans, other real estate owned, other repossessed assets and non-accrual debt securities) totaled $49.4 million at December 31, 2016. These non-performing assets can adversely affect our net income mainly through decreased interest income and increased operating expenses incurred to maintain such assets or loss charges related to subsequent declines in the estimated fair value of foreclosed assets. Adverse changes in the value of our non-performing assets, or the underlying collateral, or in the borrowers' performance or financial conditions could adversely affect our business, results of operations and financial condition. There can be no assurance that we will not experience increases in non-performing loans in the future, or that our non-performing assets will not result in lower financial returns in the future.

Extensive regulation and supervision may have a negative impact on our ability to compete in a cost effective manner and subject us to material compliance costs and penalties.

Valley, primarily through its principal subsidiary and certain non-bank subsidiaries, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole. Many laws and regulations affect Valley's lending practices, capital structure, investment practices, dividend policy and growth, among other things. They encourage Valley to ensure a satisfactory level of lending in defined areas, and establish and maintain comprehensive programs relating to anti-money laundering and customer identification. Congress, state legislatures, and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect Valley in substantial and unpredictable ways. Such changes could subject Valley to additional costs, limit the types of financial services and products it may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on Valley's business, financial condition and results of operations. Valley's compliance with certain of these laws will be considered by banking regulators when reviewing bank merger and bank holding company acquisitions.

Changes in accounting policies or accounting standards could cause us to change the manner in which we report our financial results and condition in adverse ways and could subject us to additional costs and expenses.

Valley's accounting policies are fundamental to understanding its financial results and condition. Some of these policies require the use of estimates and assumptions that may affect the value of Valley's assets or liabilities and financial results. Valley identified its accounting policies regarding the allowance for loan losses, security valuations and impairments, goodwill and other intangible assets, and income taxes to be critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. Under each of these policies, it is possible that materially different amounts would be reported under different conditions, using different assumptions, or as new information becomes available.

From time to time, the FASB and the SEC change their guidance governing the form and content of Valley's external financial statements. In addition, accounting standard setters and those who interpret U.S. generally accepted accounting principles (U.S. GAAP), such as the FASB, SEC, banking regulators and Valley's independent registered public accounting firm, may change or even reverse their previous interpretations or positions on how these standards should be applied. Such changes are expected to continue, and may accelerate dependent upon the FASB and International Accounting Standards Board commitments to achieving convergence between U.S. GAAP and International Financial Reporting Standards. Changes in U.S. GAAP and changes in current interpretations are beyond Valley's control, can be hard to predict and could materially impact how Valley reports its financial results and condition. In certain cases, Valley could be required to apply a new or revised guidance retroactively or apply existing guidance differently (also retroactively) which may result in Valley restating prior period financial statements for material amounts. Additionally, significant changes to U.S. GAAP may require costly technology changes, additional training and personnel, and other expenses that will negatively impact our results of operations.

We may be required to recognize losses on certain financial transactions due to the credit default or liquidation of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including the Federal Home Loan Bank of New York, commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount due to us. Any such losses could have a material adverse effect on our financial condition and results of operations.

We may be unable to adequately manage our liquidity risk, which could affect our ability to meet our obligations as they become due, capitalize on growth opportunities, or pay regular dividends on our common stock.

Liquidity risk is the potential that Valley will be unable to meet its obligations as they come due, capitalize on growth opportunities as they arise, or pay regular dividends on our common stock because of an inability to liquidate assets or obtain adequate funding in a timely basis, at a reasonable cost and within acceptable risk tolerances.

Liquidity is required to fund various obligations, including credit commitments to borrowers, mortgage and other loan originations, withdrawals by depositors, repayment of borrowings, dividends to shareholders, operating expenses and capital expenditures.

Liquidity is derived primarily from retail deposit growth and retention; principal and interest payments on loans; principal and interest payments on investment securities; sale, maturity and prepayment of investment securities; net cash provided from operations, and access to other funding sources.

Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could have a detrimental impact to our access to liquidity sources include a decrease in the level of our business activity due to persistent weakness, or downturn, in the economy or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not necessarily specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole.

The loss of or decrease in lower-cost funding sources within our deposit base may adversely impact our net interest income and net income.

Checking and savings, NOW, and money market deposit account balances and other forms of customer deposits can decrease when customers perceive alternative investments, such as the stock market or money market or fixed income mutual funds, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, Valley could lose a low cost source of funds, increasing its funding costs and reducing Valley's net interest income and net income.

Our market share and income may be adversely affected by our inability to successfully compete against larger and more diverse financial service providers and digital Fintech start-up firms.

Valley faces substantial competition in all areas of its operations from a variety of different competitors, many of which are larger and may have more financial resources than Valley to deal with the potential negative changes in the financial markets and regulatory landscape. Valley competes with other providers of financial services such as commercial and savings banks, savings and loan associations, credit unions, money market and mutual funds, mortgage companies, title agencies, asset managers, insurance companies, and a large list of other local, regional and national institutions which offer financial services. Additionally, the financial services industry is facing a wave of digital disruption from Fintech companies that provide innovative web-based solutions to traditional retail banking services and products. Fintech companies tend to have stronger operating efficiencies and less regulatory burdens than their traditional bank counterparts, including Valley.

Mergers and acquisitions of financial institutions within New Jersey, the New York Metropolitan area and Florida may also occur given the current difficult banking environment and add more competitive pressure to a substantial portion of our marketplace. Our profitability depends upon our continued ability to successfully compete in our market area. If Valley is unable to compete effectively, it may lose market share and its income generated from loans, deposits, and other financial products may decline.

Our ability to make opportunistic acquisitions is subject to significant risks, including the risk that regulators will not provide the requisite approvals.

We may make opportunistic whole or partial acquisitions of other banks, branches, financial institutions, or related businesses from time to time that we expect may further our business strategy (including through participation in FDIC-assisted acquisitions or assumption of deposits from troubled institutions should such opportunities exist). Any possible acquisition will be subject to regulatory approval, and there can be no assurance that we will be able to obtain such approval in a timely manner or at all. Even if we obtain regulatory approval, these acquisitions could involve numerous risks, including lower than expected performance or higher than expected costs, difficulties related to integration, diversion of management's attention from other business activities, changes in relationships with customers, and the potential loss of key employees. In addition, we may not be successful in identifying acquisition candidates, integrating acquired institutions, or preventing deposit erosion or loan quality deterioration at acquired institutions. Competition for acquisitions can be highly competitive, and we may not be able to acquire other institutions on attractive terms. There can be no assurance that we will be successful in completing or will even pursue future acquisitions, or if such transactions are completed, that we will be successful in integrating acquired businesses into operations. Ability to grow may be limited if we choose not to pursue or are unable to successfully make acquisitions in the future.

Failure to successfully implement our growth strategies could cause us to incur substantial costs and expenses which may not be recouped and adversely affect our future profitability.

From time to time, Valley may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. Valley may invest significant time and resources to develop and market new lines of business and/or products and services. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting customer preferences, may also impact the successful implementation of a new line of business or a new product or service. Additionally, any new line of business and/or new product or service could have a significant impact on the effectiveness of Valley's system of internal controls. Failure to successfully manage these risks could have a material adverse effect on Valley's business, results of operations and financial condition.

We may not keep pace with technological change within the financial services industry, negatively affecting our ability to remain competitive and profitable.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Valley's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in Valley's operations. Many of Valley's competitors have substantially greater resources to invest in technological improvements. Valley may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on Valley's business and, in turn, Valley's financial condition and results of operations.

We rely on our systems, employees and certain service providers, and if our system fails, our operations could be disrupted.

We face the risk that the design of our controls and procedures, including those to mitigate the risk of fraud by employees or outsiders, may prove to be inadequate or are circumvented, thereby causing delays in detection of errors or inaccuracies in data and information. We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

We may also be subject to disruptions of our systems arising from events that are wholly or partially beyond our control (including, for example, electrical or telecommunications outages), which may give rise to losses in service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as us) and to the risk that our (or our vendors') business continuity and data security systems prove to be inadequate. We maintain a system of comprehensive policies and a control framework designed to monitor vendor risks including, among other things, (i) changes in the vendor's organizational structure or internal controls, (ii) changes in the vendor's financial condition, (iii) changes in the vendor's support for existing products and services and (iv) changes in the vendor's strategic focus. While we believe these policies and procedures help to mitigate risk, the failure of an external vendor to perform in accordance with the contracted arrangements

under service level agreements could be disruptive to our operations, which could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

We may not be able to attract and retain skilled people.

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we engage can be intense and we may not be able to hire people or to retain them. The unexpected loss of services of one or more of our key personnel, including, but not limited to, the executive officers disclosed in Item 1 of this Annual Report, could have a material adverse impact on our business because we would lose the employees' skills, knowledge of the market, and years of industry experience and may have difficulty promptly finding qualified replacement personnel.

Severe weather, acts of terrorism and other external events could significantly impact our ability to conduct our business.

A significant portion of our primary markets is located near coastal waters which could generate naturally occurring severe weather, or in response to climate change, that could have a significant impact on our ability to conduct business. Many areas in New Jersey, New York and Florida in which our branches operate are subject to severe flooding from time to time and significant weather related disruptions may become common events in the future. Heavy storms and hurricanes can also cause severe property damage and result in business closures, negatively impacting both the financial health of retail and commercial customers and our ability to operate our business. The risk of significant disruption and potential losses from future storm activity exists in all of our primary markets.

Additionally, New York City and New Jersey remain central targets for potential acts of terrorism against the United States. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. Although we have established and regularly test disaster recovery policies and procedures, the occurrence of any such event in the future could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We are subject to environmental liability risk associated with lending activities which could have a material adverse effect on our financial condition and results of operations.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review prior to originating certain commercial real estate loans, as well as before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

We may incur future losses in connection with repurchases and indemnification payments related to mortgages that we have sold into the secondary market.

We engage in the origination of residential mortgages for sale into the secondary market. In connection with such sales, we make representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual losses incurred in respect of such loans. The substantial decline in residential real estate values and the standards used by some originators has resulted in more repurchase requests to many secondary market participants from secondary market purchasers. Since January 1, 2006, we have originated and sold over 20,200 individual residential mortgages totaling approximately $4.3 billion. Of the $4.3 billion in originations, approximately $9.2 million in unpaid principal balances remain outstanding from the origination years 2006 through 2008. These particular years are considered to be 'high risk' years in the mortgage industry due to the escalation in housing prices, and subsequent decline during the financial crisis. However, these potentially higher risk loans in our retained mortgage loan servicing portfolio continued to outperform Fannie Mae's overall portfolio performance (for each applicable origination year) at December 31, 2016. Over the past several years, we have experienced a nominal amount of repurchase requests, and only a few of which have actually resulted in repurchases by Valley (only one loan repurchase in 2016 and no repurchases in 2015). None of the loan repurchases resulted in material loss. As of December 31, 2016, no reserves pertaining to loans sold were established on our financial statements. While we currently believe our repurchase risk remains low based upon our careful loan underwriting and documentation standards, it is possible that requests to repurchase loans could occur in the future and such requests may have a negative financial impact on us.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We conduct our business at 209 retail banking centers locations throughout New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, and Florida. We own 99 of our banking center facilities and several non-branch operating facilities. The other properties are leased for various terms.

The following table summarizes our retail banking centers by district in each state:

	Number of banking centers	% of Total
New Jersey		
Northern	114	54.6
Central	26	12.5
Total New Jersey	140	67.1
New York		
Manhattan	12	5.7
Long Island	12	5.7
Brooklyn	9	4.3
Queens	5	2.4
Total New York	38	18.1
Florida		
Southern	19	9.1
Central and Northeast	12	5.7
Total Florida	31	14.8
Total	209	100.0%

Our principal business office is located at 1455 Valley Road, Wayne, New Jersey. Including our principal business office, we own four office buildings in Wayne, New Jersey and one building in Chestnut Ridge, New York, which are used for various operations of Valley National Bank and its subsidiaries. Our New York City corporate headquarters are located at One Penn Plaza in Manhattan and are primarily used as a central hub for New York based lending activities of senior executives and other commercial lenders. We also lease four non-bank office facilities in Florida, used for operational, executive and lending purposes.

In the second quarter of 2015, we disclosed a branch efficiency plan to "right-size" our branch network. We, like many in the banking industry, have experienced a significant decline in branch foot traffic as the emergence of self-service technology continues to reshape the banking industry. In response to these shifts in customer preference we have invested in new delivery channels and systems that will modernize the branch banking experience. Mobile banking, remote deposit, enhanced ATMs, online account opening, cash recyclers and complementary online services are part of our modernization plan and will redefine the traditional banking experience at Valley. As a result of our reviews and the evolution of banking in general, our plan included the closure and consolidation of 31 branch locations based upon our continuous evaluation of customer delivery channel preferences, branch usage patterns, and other factors. Of the 31 branches, 30 branches were closed by September 30, 2016. The remaining branch, located in Sebastian, Florida, was sold with its deposits totaling approximately $13 million to another financial institution during the fourth quarter of 2016 and resulted in an immaterial gain for the year ended December 31, 2016. The majority of the closed branches were located in New Jersey, and consisted of both leased and owned properties.

The total net book value of our premises and equipment (including land, buildings, leasehold improvements and furniture and equipment) was $291.2 million at December 31, 2016. We believe that all of our properties and equipment are well maintained, in good operating condition and adequate for all of our present and anticipated needs.

Item 3. ***Legal Proceedings***

In the normal course of business, we may be a party to various outstanding legal proceedings and claims. In the opinion of management, our financial condition, results of operations, and liquidity should not be materially affected by the outcome of such legal proceedings and claims. See Note 15 to the consolidated financial statements for further details.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is traded on the NYSE under the ticker symbol "VLY". The following table sets forth for each quarter period indicated the high and low sales prices for our common stock, as reported by the NYSE, and the cash dividends declared per common share for each quarter. The amounts shown in the table below have been adjusted for all stock dividends and stock splits.

	2016			2015		
	High	**Low**	**Dividend**	**High**	**Low**	**Dividend**
First Quarter	$ 9.76	$ 8.31	$ 0.11	$ 9.80	$ 8.80	$ 0.11
Second Quarter	10.20	8.49	0.11	10.48	9.26	0.11
Third Quarter	9.86	8.73	0.11	10.50	9.04	0.11
Fourth Quarter	12.14	9.36	0.11	11.24	9.50	0.11

There were 7,736 shareholders of record as of December 31, 2016.

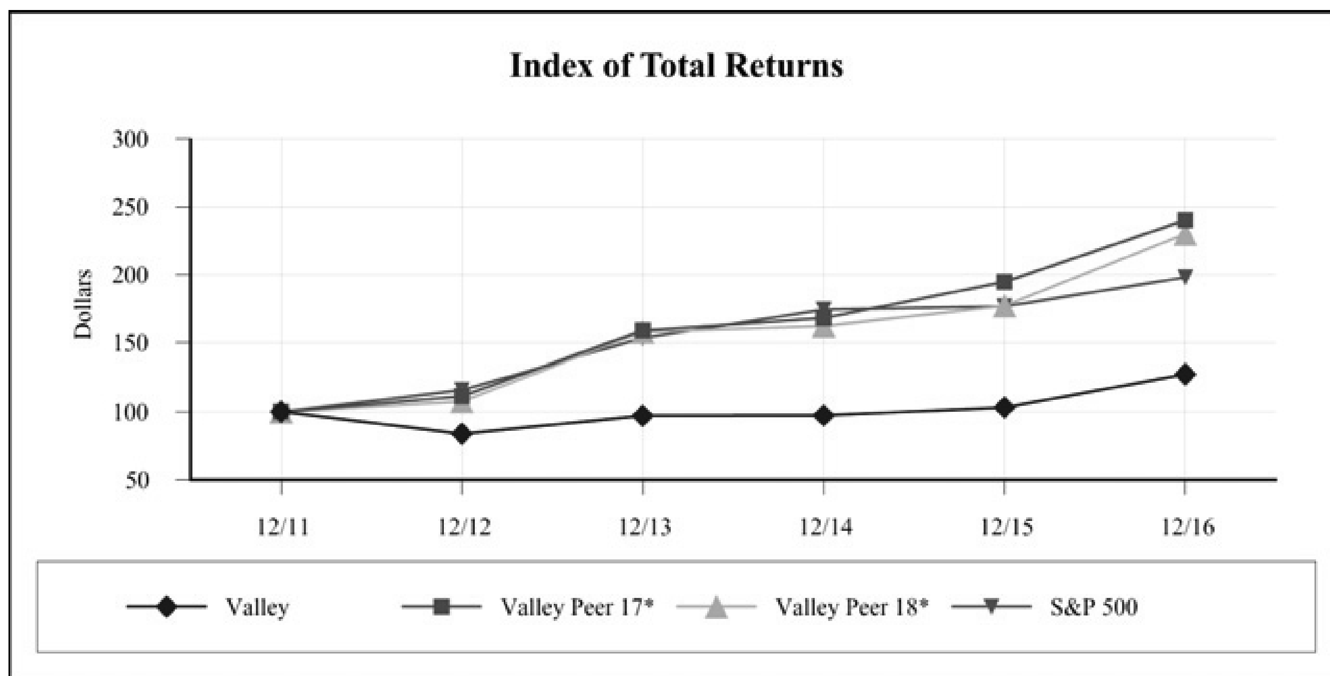
Restrictions on Dividends

The timing and amount of cash dividends paid depend on our earnings, capital requirements, financial condition and other relevant factors. The primary source for dividends paid to our common stockholders is dividends paid to us from Valley National Bank. Federal laws and regulations contain restrictions on the ability of national banks, like Valley National Bank, to pay dividends. For more information regarding the restrictions on the Bank's dividends, see "Item 1. Business—Supervision and Regulation—Dividend Limitations" and "Item 1A. Risk Factors—We May Reduce or Eliminate the Cash Dividend on Our Common Stock" above, and the "Liquidity" section of our MD&A of this Annual Report. Under our non-cumulative preferred stock issued in June 2015, we cannot issue dividends on our common stock if we do not pay dividends on the preferred stock. In addition, under the terms of the trust preferred securities issued by GCB Capital Trust III and State Bancorp Capital Trusts I and II we cannot pay dividends on our common stock if we defer payments on the junior subordinated debentures which provide the cash flow for the payments on the related trust preferred securities.

Performance Graph

The following graph compares the cumulative total return on a hypothetical $100 investment made on December 31, 2011 in: (a) Valley's common stock; (b) Valley's custom peer group of 17 U.S. Banks (Valley Peer 17) in the States located in the Northeast and Mid-Atlantic; (c) Valley's custom peer group of 18 U.S. Banks (Valley Peer 18) in the States located in the Northeast, Mid-Atlantic, Florida and other metropolitan areas with total assets ranging from $6.0 billion to $50.0 billion (see below for details); and (d) the Standard and Poor's (S&P) 500 Stock Index. The graph is calculated assuming that all dividends are reinvested during the relevant periods. The graph shows how a $100 investment would increase or decrease in value over time based on dividends (stock or cash) and increases or decreases in the market price of the stock.

From time to time, certain banks within both the Valley Peer 17 and Valley Peer 18 groups (included in the table below) may enter into merger agreements to be acquired, or announce or complete acquisitions of other institutions. These pending or completed transactions may impact the overall performance of the common stock of the peer groups as compared to Valley's common stock.



	12/11	12/12	12/13	12/14	12/15	12/16
Valley	$ 100.00	$ 83.98	$ 97.01	$ 97.28	$ 103.16	$ 127.41
Valley Peer 17*	100.00	111.30	159.05	168.16	194.72	239.94
Valley Peer 18*	100.00	107.71	158.01	162.42	177.33	230.06
S&P 500	100.00	115.98	153.51	174.47	176.88	197.98

* The Valley peer group index (Valley Peer 17) was comprised of the following 17 banks in 2015: Astoria Financial Corporation, Inc., Community Bank System, Inc., BankUnited, Inc., Dime Community Bancshares, Inc., EverBank Financial Corp., First Niagara Financial Group, Inc., Flushing Financial Corporation, Fulton Financial Corporation, Investors Bancorp, Inc., NBT Bancorp Inc., National Penn Bancshares, Inc., New York Community Bancorp, Inc., People's United Financial, Inc., Provident Financial Services, Inc., Signature Bank, Sterling Bancorp, and Webster Financial Corporation. In 2016, Valley added PacWest Bancorp, PrivateBancorp, Prosperity Bancshares and Texas Capital Bancshares to the custom peer index, and removed First Niagara Financial Group, Inc. and National Penn Bancshares, Inc., due to their acquisitions by, and merger into other institutions during 2016. Astoria Financial was also removed in 2016 prior to the publicly announced termination of the pending merger with, and into New York Community Bancorp, Inc. The revised peer group index is referred to as Valley Peer 18 in the table above.

Issuer Repurchase of Equity Securities

The following table presents the purchases of equity securities by the issuer and affiliated purchasers during the three months ended December 31, 2016:

Period	Total Number of Shares Purchased [2]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans[1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans [1]
October 1, 2016 to October 31, 2016	7,846	$ 9.60	—	4,112,465
November 1, 2016 to November 30, 2016	45,379	10.39	—	4,112,465
December 1, 2016 to December 31, 2016	84,211	11.22	—	4,112,465
Total	137,436		—	

(1) On January 17, 2007, Valley publicly announced its intention to repurchase up to 4.7 million outstanding common shares in the open market or in privately negotiated transactions. The repurchase plan has no stated expiration date. No repurchase plans or programs expired or terminated during the three months ended December 31, 2016.

(2) Represents repurchases made in connection with the vesting of employee stock awards and the payment of withholding taxes with sale proceeds.

Equity Compensation Plan Information

The information set forth in Item 12 of Part III of this Annual Report under the heading “Equity Compensation Plan Information” is incorporated by reference herein.

Item 6. ***Selected Financial Data***

The following selected financial data should be read in conjunction with Valley's consolidated financial statements and the accompanying notes thereto presented herein in response to Item 8 of this Annual Report.

	As of or for the Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
	($ in thousands, except for share data)				
Summary of Operations:					
Interest income—tax equivalent basis (1)	$ 775,305	$ 714,889	$ 644,536	$ 623,986	$ 678,410
Interest expense	148,774	156,754	161,846	168,377	181,312
Net interest income—tax equivalent basis (1)	626,531	558,135	482,690	455,609	497,098
Less: tax equivalent adjustment	8,382	7,866	7,933	7,889	7,217
Net interest income	618,149	550,269	474,757	447,720	489,881
Provision for credit losses	11,869	8,101	1,884	16,095	25,552
Net interest income after provisions for credit losses	606,280	542,168	472,873	431,625	464,329
Non-interest income:					
Gains on securities transactions, net	777	2,487	745	14,678	2,587
Net impairment losses on securities recognized in earnings	—	—	—	—	(5,247)
Gains on sales of loans, net	22,030	4,245	1,731	33,695	46,998
Gains (losses) on sales of assets, net	1,358	2,776	18,087	10,947	(329)
Other non-interest income	79,060	74,294	57,053	69,333	76,937
Total non-interest income	103,225	83,802	77,616	128,653	120,946
Non-interest expense:					
Loss on extinguishment of debt	315	51,129	10,132	—	—
Amortization of tax credit investments	34,744	27,312	24,196	14,352	4,157
Other non-interest expense	441,066	420,634	368,927	366,986	370,743
Total non-interest expense	476,125	499,075	403,255	381,338	374,900
Income before income taxes	233,380	126,895	147,234	178,940	210,375
Income tax expense	65,234	23,938	31,062	46,979	66,748
Net income	168,146	102,957	116,172	131,961	143,627
Dividends on preferred stock	7,188	3,813	—	—	—
Net income available to common shareholders	$ 160,958	$ 99,144	$ 116,172	$ 131,961	$ 143,627
Per Common Share (2):					
Earnings per share:					
Basic	$ 0.63	$ 0.42	$ 0.56	$ 0.66	$ 0.73
Diluted	0.63	0.42	0.56	0.66	0.73
Dividends declared	0.44	0.44	0.44	0.60	0.65
Book value	8.59	8.26	8.03	7.72	7.57
Tangible book value (3)	5.80	5.36	5.38	5.39	5.26
Weighted average shares outstanding:					
Basic	254,841,571	234,405,909	205,716,293	199,309,425	178,424,883
Diluted	255,268,336	234,437,000	205,716,293	199,309,425	178,426,070
Ratios:					
Return on average assets	0.76%	0.53%	0.69%	0.83%	0.91%
Return on average shareholders' equity	7.46	5.26	7.18	8.69	9.57
Return on average tangible shareholders' equity (4)	11.07	7.66	10.26	12.51	13.65
Average shareholders' equity to average assets	10.08	10.08	9.62	9.51	9.48
Tangible common equity to tangible assets (5)	6.91	6.52	6.87	6.86	6.71
Efficiency ratio (6)	66.00	78.71	73.00	66.16	61.38
Dividend payout	69.80	105.00	78.40	90.90	89.04
Tier 1 leverage capital (7)	7.74	7.90	7.46	7.27	8.09
Common equity Tier 1 capital (7)	9.27	9.01	N/A	N/A	N/A
Tier 1 risk-based capital (7)	9.90	9.72	9.73	9.65	10.87
Total risk-based capital (7)	12.15	12.02	11.42	11.87	12.38
Financial Condition:					
Assets	$ 22,864,439	$ 21,612,616	$ 18,792,491	$ 16,154,929	$ 16,012,402
Net loans	17,121,684	15,936,929	13,371,560	11,453,995	10,892,599
Deposits	17,730,708	16,253,551	14,034,116	11,319,262	11,264,018
Shareholders' equity	2,377,156	2,207,091	1,863,017	1,541,040	1,502,377

See Notes to the Selected Financial Data that follow.

Notes to Selected Financial Data

(1) In this report a number of amounts related to net interest income and net interest margin are presented on a tax equivalent basis using a 35 percent federal tax rate. Valley believes that this presentation provides comparability of net interest income and net interest margin arising from both taxable and tax-exempt sources and is consistent with industry practice and SEC rules.

(2) All per common share amounts reflect all common stock dividends and all stock splits prior to 2013.

(3) This Annual Report on Form 10-K contains supplemental financial information which has been determined by methods other than U.S. GAAP that management uses in its analysis of our performance. Management believes these non-GAAP financial measures provide information useful to investors in understanding our underlying operational performance, our business and performance trends, and facilitates comparisons with the performance of others in the financial services industry. These non-GAAP financial measures should not be considered in isolation or as a substitute for or superior to financial measures calculated in accordance with U.S. GAAP.

Tangible book value per common share, which is a non-GAAP measure, is computed by dividing shareholders' equity less goodwill and other intangible assets by common shares outstanding as follows:

	At December 31,				
	2016	2015	2014	2013	2012
	($ in thousands, except for share data)				
Common shares outstanding	263,638,830	253,787,561	232,110,975	199,593,109	198,438,271
Shareholders' equity	$ 2,377,156	$ 2,207,091	$ 1,863,017	$ 1,541,040	$ 1,502,377
Less: Preferred stock	111,590	111,590	—	—	—
Less: Goodwill and other intangible assets	736,121	735,221	614,667	464,364	459,357
Tangible common shareholders' equity	$ 1,529,445	$ 1,360,280	$ 1,248,350	$ 1,076,676	$ 1,043,020
Tangible book value per common share	$ 5.80	$ 5.36	$ 5.38	$ 5.39	$ 5.26

(4) Return on average tangible shareholders' equity, which is a non-GAAP measure, is computed by dividing net income by average shareholders' equity less average goodwill and average other intangible assets, as follows:

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	($ in thousands)				
Net income	$ 168,146	$ 102,957	$ 116,172	$ 131,961	$ 143,627
Average shareholders' equity	$ 2,253,570	$ 1,958,757	$ 1,618,965	$ 1,519,299	$ 1,500,997
Less: Average goodwill and other intangible assets	734,520	614,084	486,769	464,085	449,078
Average tangible shareholders' equity	$ 1,519,050	$ 1,344,673	$ 1,132,196	$ 1,055,214	$ 1,051,919
Return on average tangible shareholders' equity	11.07%	7.66%	10.26%	12.51%	13.65%

(5) Tangible common shareholders' equity to tangible assets, which is a non-GAAP measure, is computed by dividing tangible shareholders' equity (shareholders' equity less goodwill and other intangible assets) by tangible assets, as follows:

	At December 31,				
	2016	2015	2014	2013	2012
	($ in thousands)				
Tangible common shareholders' equity	$ 1,529,445	$ 1,360,280	$ 1,248,350	$ 1,076,676	$ 1,043,020
Total assets	$ 22,864,439	$ 21,612,616	$ 18,792,491	$ 16,154,929	$ 16,012,402
Less: Goodwill and other intangible assets	736,121	735,221	614,667	464,364	459,357
Tangible assets	$ 22,128,318	$ 20,877,395	$ 18,177,824	$ 15,690,565	$ 15,553,045
Tangible common shareholders' equity to tangible assets	6.91%	6.52%	6.87%	6.86%	6.71%

(6) The efficiency ratio measures total non-interest expense as a percentage of net interest income plus total non-interest income.

(7) December 31, 2016 and 2015 capital positions and ratios were calculated under Basel III rules which became effective January 1, 2015.

Item 7. *Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations*

The purpose of this analysis is to provide the reader with information relevant to understanding and assessing Valley's results of operations for each of the past three years and financial condition for each of the past two years. In order to fully appreciate this analysis the reader is encouraged to review the consolidated financial statements and accompanying notes thereto appearing under Item 8 of this report, and statistical data presented in this document.

Cautionary Statement Concerning Forward-Looking Statements

This Annual Report on Form 10-K, both in the 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 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 "should," "expect," "believe," "view," "opportunity," "allow," "continues," "reflects," "typically," "usually," "anticipate," or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties and our 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 in addition to those risk factors listed under the "Risk Factors" section in Part1, Item 1A of this Annual Report on Form 10-K include, but are not limited to:

- weakness or a decline in the U.S. economy, in particular in New Jersey, New York Metropolitan area (including Long Island) and Florida as well as an unexpected decline in commercial real estate values within our market areas;
- less than expected cost savings and revenue enhancement from Valley's cost reduction plans including earnings enhancement program called "LIFT";
- damage verdicts or settlements or restrictions related to existing or potential litigations arising from claims of breach of fiduciary responsibility, negligence, fraud, contractual claims, environmental laws, patent or trade mark infringement, and other matters;
- cyber-attacks, computer viruses or other malware that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage our systems;
- results of examinations by the OCC, the FRB, the CFPB and other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for credit losses, write-down assets, require us to reimburse customers, change the way we do business, or limit or eliminate certain other banking activities;
- changes in accounting policies or accounting standards, including the new authoritative accounting guidance (known as the current expected credit loss (CECL) model) which may increase the required level of our allowance for credit losses after adoption on January 1, 2020;
- higher or lower than expected income tax expense or tax rates, including increases or decreases resulting from changes in tax laws, regulations and case law;
- government intervention in the U.S. financial system and the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve;
- unexpected changes in market interest rates for interest earning assets and/or interest bearing liabilities;
- changes in investor sentiment or consumer spending savings behavior;
- our inability to pay dividends at current levels, or at all, because of inadequate future earnings, regulatory restrictions or limitations, and changes in the composition of qualifying regulatory capital and minimum capital requirements (including those resulting from the U.S. implementation of Basel III requirements);
- less than expected cost savings from the maturity, modification or prepayment of long-term borrowings that mature through 2022;
- further prepayment penalties related to the early extinguishment of high cost borrowings;
- higher than expected loan losses within one or more segments of our loan portfolio;
- lower than expected cash flows from purchased credit-impaired loans;

- unanticipated loan delinquencies, loss of collateral, decreased service revenues, and other potential negative effects on our business caused by severe weather or other external events;
- unexpected significant declines in the loan portfolio due to the lack of economic expansion, increased competition, large prepayments, changes in regulatory lending guidance or other factors;
- the failure of other financial institutions with whom we have trading, clearing, counterparty and other financial relationships; and
- inability to retain and attract customers and qualified employees.

Critical Accounting Policies and Estimates

Our accounting and reporting policies conform, in all material respects, to U.S. GAAP. In preparing the consolidated financial statements, management has made estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Actual results could differ materially from those estimates.

Valley's accounting policies are fundamental to understanding management's discussion and analysis of its financial condition and results of operations. Our significant accounting policies are presented in Note 1 to the consolidated financial statements. We identified our policies for the allowance for loan losses, security valuations and impairments, goodwill and other intangible assets, and income taxes to be critical because management has to make subjective and/or complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. Management has reviewed the application of these policies with the Audit Committee of Valley's Board of Directors.

The judgments used by management in applying the critical accounting policies discussed below may be affected by significant changes in the economic environment, which may result in changes to future financial results. Specifically, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in material changes in the allowance for loan losses in future periods, and the inability to collect on outstanding loans could result in increased loan losses. In addition, the valuation of certain securities (including debt security valuations based on the expected future cash flows of their underlying collateral) in our investment portfolio could be negatively impacted by illiquidity or dislocation in marketplaces resulting in depressed market prices thus leading to further impairment losses.

Allowance for Loan Losses. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commercial letters of credit and represents management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. The determination of the appropriate level of the allowance is based on periodic evaluations of the loan portfolios. There are numerous components that enter into the evaluation of the allowance for loan losses, which includes a quantitative analysis, as well as a qualitative review of its results. The qualitative review is subjective and requires a significant amount of judgment. Various banking regulators, as an integral part of their examination process, also review the allowance for loan losses. Such regulators may require, based on their judgments about information available to them at the time of their examination, that certain loan balances be charged off or require that adjustments be made to the allowance for loan losses when their credit evaluations differ from those of management. Additionally, our allowance for credit losses methodology includes loan portfolio evaluations at the portfolio segment level, which consist of the commercial and industrial, commercial real estate, construction, residential mortgage, home equity, automobile and other consumer loan portfolios.

The allowance for loan losses consists of the following:

- specific reserves for individually impaired loans;
- reserves for adversely classified loans, and higher risk rated loans that are not impaired loans;
- reserves for other loans that are not impaired; and, if applicable,
- reserves for impairment of purchased credit-impaired (PCI) loans, including covered loans subject to the loss-sharing agreements with the FDIC, subsequent to their acquisition date.

Our reserves on classified and non-classified loans also include reserves based on general economic conditions and other qualitative risk factors both internal and external to Valley, including changes in loan portfolio volume, the composition and concentrations of credit, new market initiatives, and the impact of competition on loan structuring and pricing.

Reserves for PCI loans within the Allowance for Loan Losses

We evaluated the acquired PCI loans and elected to account for them in accordance with Accounting Standards Codification (ASC) Subtopic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," since all of these loans were

acquired at a discount attributable, at least in part, to credit quality. The PCI loans are initially recorded at their estimated fair values segregated into pools of loans sharing common risk characteristics, exclusive of the loss-sharing agreements with the FDIC applicable to covered PCI loans. The fair values include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

The PCI loans are subject to our internal credit review. If and when unexpected credit deterioration occurs at the loan pool level subsequent to the acquisition date, a provision for credit losses for the PCI loans will be charged to earnings for the full amount of the decline in expected cash flows for the pool, without regard to the FDIC loss-sharing agreements applicable to covered PCI loans. Under the accounting guidance of ASC Subtopic 310-30, for acquired credit impaired loans, the allowance for loan losses on (or reserves for) PCI loans is measured at each financial reporting date based on future expected cash flows. This assessment and measurement is performed at the pool level and not at the individual loan level. Accordingly, decreases in expected cash flows resulting from further credit deterioration on a pool of acquired PCI loan pools as of such measurement date compared to those originally estimated are recognized by recording a provision and allowance for loan losses on PCI loans. Subsequent increases in the expected cash flows of the loans in that pool would first reduce any allowance for loan losses on PCI loans; and any excess will be accreted for prospectively as a yield adjustment. Any portion of the additional estimated losses related to covered PCI loans that is reimbursable from the FDIC under the loss-sharing agreements is recorded in non-interest income and increases the FDIC loss-share receivable asset included in other assets in our consolidated financial statements. Valley had no allowance reserves related to PCI loans at December 31, 2016 and 2015.

Note 1 to the consolidated financial statements describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in this MD&A.

Changes in Our Allowance for Loan Losses

Valley considers it difficult to quantify the impact of changes in forecast on its allowance for loan losses. However, management believes the following discussion may enable investors to better understand the variables that drive the allowance for loan losses, which amounted to $114.4 million at December 31, 2016.

For impaired credits, if the present value of expected cash flows were 10 percent higher or lower, the allowance would have decreased $4.5 million or increased $5.7 million, respectively, at December 31, 2016. If the fair value of the collateral (for collateral dependent loans) was 10 percent higher or lower, the allowance would have decreased $275 thousand or increased $458 thousand, respectively, at December 31, 2016.

The credit rating assigned to each non-classified credit is an important variable in determining the allowance. If each non-classified credit were rated one grade worse, the allowance would have increased by approximately $5.4 million as of December 31, 2016. Additionally, if the historical loss factors used to calculate the allowance for non-classified loans were 10 percent higher or lower, the allowance would have increased or decreased by approximately $9.7 million, respectively, at December 31, 2016. Moreover, if the expected loss rate applied to classified loans were to increase or decrease by 10 percent, the allowance would have been $651thousand higher or lower, respectively, at December 31, 2016.

Security Valuations and Impairments. Management utilizes various inputs to determine the fair value of its investment portfolio. To the extent they exist, unadjusted quoted market prices in active markets (Level 1) or quoted prices on similar assets (Level 2) are utilized to determine the fair value of each investment in the portfolio. In the absence of quoted prices and liquid markets, valuation techniques would be used to determine fair value of any investments that require inputs that are both significant to the fair value measurement and unobservable (Level 3). Valuation techniques are based on various assumptions, including, but not limited to, cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. A significant degree of judgment is involved in valuing investments using Level 3 inputs. The use of different assumptions could have a positive or negative effect on our consolidated financial condition or results of operations. See Note 3 to the consolidated financial statements for more details on our security valuation techniques.

Management must periodically evaluate if unrealized losses (as determined based on the securities valuation methodologies discussed above) on individual securities classified as held to maturity or available for sale in the investment portfolio are considered to be other-than-temporary. The analysis of other-than-temporary impairment requires the use of various assumptions, including, but not limited to, the length of time an investment's book value is greater than fair value, the severity of the investment's decline, any credit deterioration of the investment, whether management intends to sell the security, and whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis. Debt investment securities deemed to be other-than-temporarily impaired are written down by the impairment related to the estimated credit loss and the non-credit related impairment is recognized in other comprehensive income or loss. Other-than-temporarily impaired equity securities are written down to fair value and a non-cash impairment charge is recognized in the period of such evaluation. See the "Investment Securities" section of this MD&A and Note 4 to the consolidated financial statements for additional analysis and discussion of our other-than-temporary impairment charges.

Goodwill and Other Intangible Assets. We record all assets, liabilities, and non-controlling interests in the acquiree in purchase acquisitions, including goodwill and other intangible assets, at fair value as of the acquisition date, and expense all acquisition related costs as incurred as required by ASC Topic 805, "Business Combinations." Goodwill totaling $690.6 million at December 31, 2016 is not amortized but is subject to annual tests for impairment or more often, if events or circumstances indicate it may be impaired. Other intangible assets totaling $45.5 million at December 31, 2016 are amortized over their estimated useful lives and are subject to impairment tests if events or circumstances indicate a possible inability to realize the carrying amount. Such evaluation of other intangible assets is based on undiscounted cash flow projections. The initial recording of goodwill and other intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets and assumed liabilities.

Currently, the goodwill impairment analysis is generally a two-step test. During 2016, Valley elected to perform step one of the two-step goodwill impairment test for all of its reporting units but may choose to perform an optional qualitative assessment allowable for one or more units in the future periods to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Step one compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional step must be performed. That additional step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, i.e., by measuring the excess of the estimated fair value of the reporting unit, as determined in the first step above, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles, as if the reporting unit was being acquired in a business combination at the impairment test date. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The loss establishes a new basis in the goodwill and subsequent reversal of goodwill impairment losses is not permitted.

Fair value may be determined using: market prices, comparison to similar assets, market multiples, discounted cash flow analysis and other determinants. Estimated cash flows may extend far into the future and, by their nature, are difficult to determine over an extended timeframe. Factors that may materially affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates, terminal values, and specific industry or market sector conditions. To assist in assessing the impact of potential goodwill or other intangible assets impairment charges at December 31, 2016, the impact of a five percent impairment charge on these intangible assets would result in a reduction in pre-tax income of approximately $36.8 million. See Note 8 to consolidated financial statements for additional information regarding goodwill and other intangible assets.

Income Taxes. We are subject to the income tax laws of the U.S., its states and municipalities. The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws to our business activities, as well as the timing of when certain items may affect taxable income.

Our interpretations may be subject to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable. We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

The provision for income taxes is composed of current and deferred taxes. Deferred taxes arise from differences between assets and liabilities measured for financial reporting versus income tax return purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. We perform regular reviews to ascertain the realizability of our deferred tax assets. These reviews include management's estimates and assumptions regarding future taxable income, which also incorporates various tax planning strategies. In connection with these reviews, if we determine that a portion of the deferred tax asset is not realizable, a valuation allowance is established. As of December 31, 2016 and 2015, management determined it is more likely than not that Valley will realize its net deferred tax assets and therefore a valuation allowance was not established. However, in 2015 we reduced our deferred tax assets by $3.1 million due to the expiration of certain state tax net operating loss carryforwards. In addition to our judgments regarding the realizable amount of our deferred tax assets, we are required to adjust our state deferred tax assets for the impact of our expansion outside of our traditional markets, specifically New Jersey. During the fourth quarters of 2015 and 2014, we reduced our state deferred tax assets by $3.3 million and $7.6 million, respectively, to reflect the effect of the CNL and 1st United acquisitions in Florida on our existing state deferred tax assets. The $6.4 million and $7.6 million in total reductions were reflected as charges to our (state) income tax expense for 2015 and 2014, respectively. During 2016, the charge to our income tax expense related to the reduction of such deferred tax assets were immaterial.

However, future adjustments to our state deferred tax assets may be required, dependent on any significant changes in the nature, location and composition of our income producing assets.

We maintain a reserve related to certain tax positions that management believes contain an element of uncertainty. We adjust our unrecognized tax benefits as necessary when additional information becomes available. Uncertain tax positions that meet the more-likely-than-not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured based on the largest amount of benefit that management believes is more likely than not to be realized. It is possible that the reassessment of our unrecognized tax benefits may have a material impact on our effective tax rate in the period in which the reassessment occurs.

See Notes 1 and 13 to the consolidated financial statements and the "Income Taxes" section in this MD&A for an additional discussion on the accounting for income taxes.

New Authoritative Accounting Guidance. See Note 1 of the consolidated financial statements for a description of recent accounting pronouncements including the dates of adoption and the anticipated effect on our results of operations and financial condition.

Executive Summary

Company Overview. At December 31, 2016, Valley had consolidated total assets of $22.9 billion, total net loans of $17.1 billion, total deposits of $17.7 billion and total shareholders' equity of $2.4 billion. Our commercial bank operations include branch office locations in northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island and Florida. Of our current 209-branch network, 67 percent, 18 percent and 15 percent of the branches are located in New Jersey, New York and Florida, respectively. Despite significant branch consolidation activity in 2016, we have grown both in asset size and locations significantly over the past several years primarily through bank acquisitions.

On November 1, 2014, Valley expanded its physical banking presence from New Jersey and New York into Florida through the acquired 1st United Bancorp, Inc. ("1st United") and its wholly-owned subsidiary, 1st United Bank, a commercial bank with approximately $1.7 billion in assets, $1.2 billion in loans, and $1.4 billion in deposits, after purchase accounting adjustments. The 1st United acquisition provided Valley unique access to Florida's high growth market through its experienced management team and a 20 branch network covering some of the most attractive urban banking markets in Florida, including locations throughout southeast and central Florida, including the Treasure Coast and central Gulf Coast regions. On December 1, 2015, Valley followed up this highly successful entry into the Florida market with its acquisition of CNLBancshares, Inc. (CNL) and its wholly-owned subsidiary, CNLBank, a commercial bank with approximately $1.6 billion in assets, $825 million in loans, and $1.2 billion in deposits, after purchase accounting adjustments, and a branch network of 16 offices on the date of its acquisition by Valley. Today, Valley's Florida branch network totals 31 branches covering most major markets in central and southern Florida. See Item 1 of this Annual Report for more details regarding our past merger activity, as well as Note 2 to the consolidated financial statements.

Borrowing Strategy. As part of its funding and asset/liability management strategies, Valley periodically assesses the viability of the prepayment or modification of various levels of debt on its balance sheet, including a portion of its relatively high cost borrowings (mostly from the Federal Home Loan Bank of New York) that contractually mature through the end of 2022. As time moves closer to such maturity dates, the cash charge (or the "prepayment penalty") related to the early repayment of these borrowings, while substantial, may decline and become a more advantageous option to Valley dependent upon the current level of market interest rates for similar or alternate funding sources. In August 2016, we elected to prepay $405 million of FHLB borrowings with various maturity dates in 2018. The prepaid borrowings with a total average cost of 3.69 percent were funded with a new fixed-rate five-year FHLB advance totaling $405 million. The transaction was accounted for as a debt modification under U.S. GAAP. As a result, the new advance has an adjusted annual interest rate of 2.51 percent, after amortization of prepayment penalties totaling $20.0 million paid to the FHLB. During 2016, we also repaid borrowings of $182 million with an average cost of 4.69 percent that matured in March and April 2016, and another $75 million of borrowings with a cost of 5.00 percent matured in July 2016. In 2013, we entered into forward starting interest rate swaps, including $182 million (hedging the changes in market interest rates prior to the maturity of our borrowings) with an average fixed rate of 2.74 percent that became effective in March and April 2016 and have maturity dates ranging from March 2019 to September 2020.

Additionally, in August 2016 Valley terminated an interest rate swap with a notional amount of $125 million and September 2023 maturity. The terminated swap was used to hedge the change in the fair value of Valley's 5.125 percent subordinated notes issued in September 2013. The transaction resulted in an adjusted fixed annual interest rate of 3.32 percent on the subordinated notes, after amortization of the derivative valuation adjustment recorded at the termination date. See Note 15 to the consolidated financial statements for additional information regarding our derivative transactions.

Similar to the 2016 debt prepayments, we elected to prepay $845 million of our borrowings during the fourth quarter of 2015. The prepaid borrowings had maturities in 2017 and 2018, and a total average cost of 3.72 percent. The settlement of such borrowings resulted in the recognition of pre-tax prepayment penalty charges of $51.1 million ($29.8 million after-tax) for the year ended December 31, 2015. Funding for the transaction was obtained from new sources consisting of both brokered money market deposits and securities sold under agreements to repurchase (repos) totaling $800 million, as well as a portion of our low yielding excess liquidity. In late December 2014, we also elected to use a portion of our low yielding excess liquidity to prepay $275 million of our long-term borrowings, which had a combined weighted average interest rate of 4.52 percent and contractual maturity dates in November 2015. The debt extinguishment resulted in a loss consisting of prepayment penalties totaling approximately $10.1 million for the year ended December 31, 2014.

While not considered part of the higher cost borrowings portfolio, we also prepaid $87 million of FHLB advances assumed in the acquisition of CNL during May 2016. The $87 million prepayment of FHLB borrowings was entirely funded by cash balances that were held as collateral at the FHLB of Atlanta, and resulted in the recognition of a $315 thousand loss on extinguishment of debt for the year ended December 31, 2016.

Moving forward, we will continue to evaluate all of our remaining high cost borrowings maturing for future opportunities, including potential prepayments, to enhance our net interest income and margin. Our ability to take action is dependent on the level of market interest rates, our ability to obtain similar amounts of debt instruments, as well as other factors. See Note 10 to the consolidated financial statements for more details on our borrowed funds.

Annual Results. Net income totaled $168.1 million, or $0.63 per diluted common share, for the year ended December 31, 2016 compared to $103.0 million in 2015, or $0.42 per diluted common share. The increase in net income was largely due to: (i) a $67.9 million, or 12.3 percent, increase in our net interest income largely caused by a $2.0 billion increase in average loans and a $840.1 million decrease in average long-term borrowings largely resulting from the fourth quarter of 2015 prepayment of $845 million in high cost borrowings, (ii) a $23.0 million, or 4.6 percent, decrease in total non-interest expense mostly caused by the $50.8 million decline in the recognition of losses on the extinguishment of debt as compared to 2015, partially offset by higher amortization of tax credit investments and general increases in operating expenses resulting from the acquisition of CNL on December 1, 2015 and (iii) a $19.4 million, or 23.2 percent, increase in total non-interest income mainly due to higher net gains on sales of loans and lower charges to the non-interest income related to the changes in our FDIC loss-share receivable, partially offset by (iv) a $41.3 million increase in income tax expense largely due to higher pre-tax income and (v) a $3.8 million increase in our provision for credit losses due to significant loan growth during 2016. See the "Net Interest Income," "Non-Interest Income," "Non-Interest Expense," and "Income Taxes" sections below for more details on the items above impacting our 2016 annual results. The Non-Interest Expense section also includes information regarding our earnings enhancement programs.

Economic Overview and Indicators. The U.S. economy continued to expand in 2016. Real gross domestic product expanded 1.6 percent in 2016, after advancing 2.6 percent and 2.4 percent in 2015 and 2014, respectively. Nonfarm payroll growth remained solid, business investment increased somewhat in the second half of the year and the housing market improved further. Long-term interest rates trended mostly lower throughout 2016; more recently, interest rates have risen as inflation expectations have increased considerably.

Labor market conditions improved further during 2016, with solid job gains, a pickup in wage growth and a lower unemployment rate as compared with the end of 2015. In 2016, nonfarm payrolls added approximately 2.2 million jobs compared to 2.7 million and 3.0 million in 2015 and 2014, respectively. The unemployment rate ended the fourth quarter of 2016 at 4.7 percent (as noted in the table below), and 30 basis points lower than compared to December 31, 2015.

Consumer spending was supported by an improving labor market. Personal consumption expenditures for 2016 compared to the previous year increased 2.7 percent compared to 3.2 percent and 2.9 percent in 2015 and 2014, respectively. Despite some slowing in the pace of hiring, recent increases in wage growth should help maintain buoyant consumption figures.

The housing market improved further in 2016 with sales of both new and existing homes increasing compared to the prior two years. In addition, prices continued to climb as inventories remained low and activity increased. Sales of existing U.S. homes in 2016 advanced at an annual average pace of 5.4 million compared to 5.2 million and 4.9 million in 2015 and 2014, respectively. New single-family home sales advanced at an average annual rate of 561 thousand compared to 502 thousand and 440 thousand in 2015 and 2014, respectively.

The Federal Reserve's Open Market Committee (FOMC) increased the target range for the federal funds rate to 0.50 to 0.75 percent in the December 2016 meeting. However, at their February 2017 meeting, the FOMC cited inflation had increased in recent quarters but remains below their long-term objective for such measure. In determining future policy actions, the FOMC will assess (both realized and expected) progress toward its objectives of maximum employment and two percent inflation. The FOMC has maintained its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-

backed securities in agency mortgage-backed securities and will continue rolling over maturing Treasury securities at auction. This policy should help maintain accommodative financial conditions until the normalization of the level of the federal funds rate is well under way. The FOMC has continued to emphasize that changes in monetary policy will be data dependent.

The 10-year U.S. Treasury note yield ended the fourth quarter of 2016 at 2.45 percent, 18 basis points higher compared with December 31, 2015. The spread between the 2-year and 10-year U.S. Treasury note yields ended the fourth quarter of 2016 at 1.25 percentage points, 42 basis points higher than September 30, 2016 and 4 basis points higher compared with December 31, 2015.

Market interest rates for residential mortgages increased considerably in the fourth quarter of 2016, yet remain below historical averages. In addition, rates on automobile loans increased modestly during the fourth quarter. These rate dynamics, combined with other positive economic indicators, such as the consumer confidence index, are expected to positively impact the profitability of our consumer lending segment during the first quarter of 2017. However at this point, we do not expect the loan activity in 2017, particularly refinanced residential mortgage loans, to match the consumer demand and volumes that we experienced in 2016. In the fourth quarter of 2016 and early 2017, we also continued to see strong demand for commercial real estate and construction loans in most of our primary markets. However, our business operations and results may be challenged in the future due to several factors, including, but not limited to an unexpected decline in the spread between short- and long-term market interest rates or slower than expected economic activity within our markets.

The following economic indicators reflect certain factors that may be used to assess the market conditions in our primary markets of northern and central New Jersey, the New York City metropolitan area, and Florida.

	For the Month Ended				
	December 31, 2016	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**
Selected Economic Indicators:					
Unemployment rate:					
U.S.	4.70%	4.90%	4.90%	5.00%	5.00%
New York Metro Region [(1)]	4.80	5.20	4.40	4.70	4.40
New Jersey	5.00	5.30	4.90	4.40	4.90
New York	5.10	4.80	4.80	4.80	5.30
Miami-Fort Lauderdale Metro Region	4.90	5.10	4.60	4.90	5.00
Florida	4.90	4.70	4.70	5.00	5.10

	Three Months Ended				
	December 31, 2016	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**
2-year U.S. Treasury rate [(2)]	1.01%	0.73%	0.77%	0.84%	0.84%
10-year U.S. Treasury rate [(2)]	2.14	1.56	1.75	1.91	2.19
Real Gross Domestic Product [(3)]	1.90	2.90	1.20	1.10	1.40
Change in personal income [(4)] :					
New Jersey	NA	3.42	2.86	3.28	3.65
New York	NA	2.76	2.69	4.08	2.89
Florida	NA	4.79	4.42	4.34	5.00
Homeowner vacancy rates:					
New Jersey	2.70	1.80	1.90	1.80	1.40
New York	2.30	2.20	2.10	2.20	2.40
Florida	1.90	2.30	2.30	2.30	2.70
Number of U.S. regional existing home sales [(5)] :					
Northeast census region	766,667	700,000	756,667	703,333	726,667
South census region	2,226,667	2,173,333	2,233,333	2,226,667	2,116,667
Number of building permits authorized for new homes [(2)] :					
New Jersey	2,048	1,909	1,749	2,581	2,809
New York	3,362	2,982	2,322	2,380	5,632
Florida	9,774	10,372	8,664	8,536	9,907

NA—not available
(1) As reported by the Bureau of Labor Statistics for the NY-NJ-PA Metropolitan Statistical Area.
(2) Quarterly average for the period presented.
(3) Quarterly, compounded annual rate of change.
(4) Quarterly average, year over year percent change.
(5) Quarterly average, seasonally adjusted annual rate.
Sources: Bureau of Labor Statistics, U.S. Census Bureau, Federal Reserve Economic Data (FRED)

Loans. Total loans increased by $1.2 billion, or 7.4 percent, to $17.2 billion at December 31, 2016 from December 31, 2015 largely due to organic commercial real estate loan growth, loan participations with other banks that largely consisted of multi-family and 1-4 family mortgage loans, as well as organic growth in several loan categories in 2016. Total commercial real estate loans of $9.5 billion at December 31, 2016 grew by $1.4 billion, or 16.7 percent, as compared to December 31, 2015 and were supplemented by the purchase of loan participations totaling approximately $719 million during the year ended December 31, 2016. Commercial and industrial loans totaled $2.6 billion at December 31, 2016 and increased by $97.7 million, or 3.8 percent, from December 31, 2015 largely due to organic loan growth from new customer activity in the second half of 2016. At December 31, 2016, other consumer loans totaled $577.1 million and increased by $135.2 million from December 31, 2015 largely due to continued growth and customer usage of collateralized personal lines of credit. Residential mortgage loans totaled $2.9 billion at December 31, 2016 and decreased $262.6 million, or 8.4 percent, from December 31, 2015 due, in part, to the sale of approximately $558 million loans (both new originations and seasoned loans) that were largely a function of our normal management of the overall interest rate risk associated with our balance sheet during 2016. Automobile loans decreased $100.1 million, or 8.1 percent, to $1.1 billion at December 31, 2016 from December 31, 2015, mostly due to a negative trend in the level of our new indirect auto loan volumes during the first nine months of 2016 caused by new regulatory constraints on market pricing and fees, partially offset by new production from enhancements adopted to address these changes in regulation and our relatively new Florida auto dealer network. Home equity loans totaled $469.0 million at December 31, 2016 and decreased $42.2 million from December 31, 2015 due to normal repayment activity and lower line of credit usage as new customer demand remained tepid despite the low level of market interest rates in 2016. Total covered loans (i.e., loans subject to our loss-sharing agreements with the FDIC) decreased to only $70.4 million, or 0.4 percent of our total loans, at December 31, 2016 as compared to $122.3 million, or 0.8 percent of our total loans, at December 31, 2015 mainly due to normal collection and prepayment activity, as well as the expiration of certain loss-sharing agreements.

Our residential mortgage loan origination activity increased in 2016 as compared to 2015 largely due to the continued success of our low fixed price mortgage refinance program, the relatively low level of market interest rates, and a solid increase in the level of consumer refinance activity mainly during the second half of 2016. Our new and refinanced residential mortgage loan originations increased 81.7 percent to $891.0 million for the year ended December 31, 2016 as compared to $490.4 million in 2015. During 2016, Valley sold $558.1 million of residential mortgage loans (including $16.4 million of residential mortgage loans held for sale at December 31, 2015), as compared to approximately $135.2 million of mortgages sold during the year ended December 31, 2015. Net gains on sales of residential mortgage loans increased to $22.0 million for the year ended December 31, 2016 as compared to $4.2 million in 2015 largely due to an increase in sales volumes for 2016, including the transfer and sale of approximately $170 million of performing 30-year fixed rate mortgages during the second half of 2016 as part of our on-going asset/liability management activities. Although our residential mortgage production increased 43.8 percent in the fourth quarter of 2016 as compared to the linked third quarter of 2016, we did experience a large decline in loan application volumes during December 2016 and the early stages of the first quarter of 2017. The decreased application volume is largely attributable to the recent increase in the level of market interest rates. As a result of the anticipated decrease in volume coupled with the $7.3 million gain realized on $170 million of seasoned loans sold in the fourth quarter of 2016, we anticipate a significant decrease in gains on loan sales during the first quarter of 2017 as compared to the fourth quarter of 2016.

For 2017, we anticipate our overall loan portfolio growth to be in the range of six to eight percent, however, there can be no assurance that we will achieve such levels given the potential for unforeseen changes in the market and other conditions. See further details on our loan activities under the “Loan Portfolio” section below.

Asset Quality. Our past due loans and non-accrual loans, discussed further below, exclude PCI loans. Under U.S. GAAP, the PCI loans (acquired at a discount that is due, in part, to credit quality) are accounted for on a pool basis and are not subject to delinquency classification in the same manner as loans originated by Valley. At December 31, 2016, our PCI loan portfolio totaled $1.8 billion, or 10.3 percent of our total loan portfolio, and includes all of the loans acquired from CNL on December 1, 2015.

Total non-PCI loan portfolio delinquencies (including loans past due 30 days or more and non-accrual loans) as a percentage of total loans was 0.55 percent at both December 31, 2016 and 2015. However, total accruing past due loans increased to $56.7 million at December 31, 2016 from $26.1 million at December 31, 2015 mostly due to normal fluctuations in early stage delinquencies, loan growth in 2016, and a few large matured performing loans in the normal process of renewal at December 31, 2016. Non-accrual loans totaled $37.5 million, or 0.22 percent of our entire loan portfolio of $17.2 billion, at December 31, 2016

as compared to $62.1 million, or 0.39 percent of total loans, at December 31, 2015. Overall, our non-performing assets decreased by 36.8 percent to $49.4 million at December 31, 2016 as compared to $78.2 million at December 31, 2015 largely due to the aforementioned decrease in non-accrual loans, as well as a $4.0 million decline in other real estate owned (OREO).

Our lending strategy is based on underwriting standards designed to maintain high credit quality and we remain optimistic regarding the overall future performance of our loan portfolio. However, due to the potential for future credit deterioration caused by the unpredictable future strength of the U.S. economy and the housing and the labor markets, management cannot provide assurance that our non-performing assets will remain at, or decline from, the levels reported as of December 31, 2016. See the "Non-performing Assets" section below for further analysis of our asset quality.

Investments. During the year ended December 31, 2016, we recognized net gains on securities transactions of $777 thousand as compared to $2.5 million and $745 thousand in 2015 and 2014, respectively. Valley recognized no other-than-temporary impairment charges attributable to credit on investment securities during the years ended December 31, 2016, 2015 and 2014. See further details in the "Investment Securities Portfolio" section below and Note 4 to the consolidated financial statements.

Deposits and Other Borrowings. The mix of total deposits remained relatively unchanged during 2016 as compared to 2015. Non-interest bearing deposits represented approximately 30 percent of total average deposits for the year ended December 31, 2016, while savings, NOW and money market accounts were 51 percent and time deposits were 19 percent. Average non-interest bearing deposits increased $670.8 million to approximately $5.1 billion for the year ended December 31, 2016 as compared to 2015 due, in part, to $501.7 million of non-interest bearing deposits assumed from CNL in December 2015. Additionally, both retail and commercial non-interest bearing deposits grew organically during 2016 mainly due to our continuous efforts to encourage new loan borrowers to maintain deposit accounts at Valley, and the prolonged low level of fixed interest rate investment alternatives, such as time deposits. Average savings, NOW and money market account balances also increased $1.3 billion to $8.6 billion in 2016 largely due to increased use of brokered money market account balances in our loan growth funding strategy and other liquidity needs (including the funding of a portion of the prepaid borrowings in the fourth quarter of 2015) and $562.2 million in deposits assumed from CNL. Lastly, average time deposits increased $150.6 million to $3.1 billion for 2016 as compared to 2015 mainly due to $103.9 million in time deposits assumed from CNL and organic growth from retail time deposit campaigns mostly during the third quarter of 2016.

Average short-term borrowings increased $1.0 billion to $1.2 billion for 2016 as compared to 2015. Within the category, average FHLB advances, repos with commercial counterparties, and customer (deposit sweep) repos increased $834.7 million, $83.9 million, and $74.5 million, respectively, as compared to 2015. The increase in average balances for 2016 were largely caused by the combination of new borrowings in the fourth quarter of 2015, which included $526 million of FHLB advances and $235 million of repos with commercial counterparties, and general increases in our customer repo account balances and FHLB advances (used for funding purposes) during the year ended December 31, 2016. The majority of the new funds in the fourth quarter of 2015 were used to partially fund the prepayment of high cost long-term borrowings in 2015.

Average long-term borrowings decreased $840.1 million to approximately $1.6 billion for 2016 as compared to 2015 largely due to the aforementioned prepayment of $845 million in the fourth quarter of 2015. See further discussion of our average interest bearing liabilities under the "Net Interest Income" section below.

Operating Environment. The financial markets continue to work through a period marked by unprecedented change due to current and future regulatory and market reform, including regulations under the Dodd-Frank Act and the Basel Rules highlighted in the "Supervision and Regulation" section of Item 1 of this Annual Report. During 2016, U.S. economic environment and labor markets continued to show gradual, but consistent improvement throughout the year. Despite these positives, considerable uncertainty remains in the economic outlook for 2017 due to several factors, including possible changes in U.S. fiscal and other policies, the future path of productivity growth and other global economic developments. These factors combined with the level of market interest rates may pose significant obstacles in the future for us and the markets in which we participate. However, we believe our current capital position, ability to evaluate credit and other investment opportunities, conservative balance sheet, and commitment to excellent customer service will afford us a competitive advantage in the future. Additionally, we believe we are well positioned to move quickly on market expansion opportunities as they may arise, including through possible acquisitions of other institutions within New Jersey, the New York City Metropolitan area and Florida.

Net Interest Income

Net interest income consists of interest income and dividends earned on interest earning assets less interest expense on interest bearing liabilities and represents the main source of income for Valley. The net interest margin on a fully tax equivalent basis is calculated by dividing tax equivalent net interest income by average interest earning assets and is a key measurement used in the banking industry to measure income from interest earning assets.

Annual Period 2016. Net interest income on a tax equivalent basis increased by $68.4 million to $626.5 million for 2016 compared with $558.1 million for 2015. The increase was mainly driven by a $2.0 billion increase in average loan balances and a $840.1 million decrease in average long-term borrowings as compared to 2015. See further discussion of the changes in our average interest earning assets and interest-bearing liabilities below.

The net interest margin on a tax equivalent basis was 3.16 percent for the year ended December 31, 2016, a decrease of 4 basis points as compared to 3.20 percent for 2015. The decrease was largely due to a 19 basis point decline in the yield on interest earning assets, which was mainly attributable to the low market interest rates on (new and refinanced) loans throughout 2016 as compared to our overall yield of the portfolio and a large volume of prepayments of high yielding loans, including some PCI loans where borrower prepayment was encouraged by management. As a result, the yield on average loans decreased 20 basis points to 4.18 percent for 2016 as compared to 4.38 percent in 2015. Additionally, our average taxable investment portfolio yield decreased 17 basis points during 2016 as compared to one year ago largely due to normal repayments of higher yielding securities combined with higher prepayments and premium amortization on residential mortgage-backed securities. Largely mitigating these lower asset yields, the cost of interest bearing liabilities decreased by approximately 19 basis points to 1.02 percent for 2016. The decline in the overall cost as compared to 2015 was mainly due to a 22 basis point decrease in our cost of average long-term borrowings driven by the prepayment and modification of high cost borrowings totaling $845 million and $405 million in the fourth quarter of 2015 and third quarter of 2016, respectively. Additionally, but to a much lesser extent, our cost of long-term borrowings was positively impacted by the maturity of high cost borrowings with a combined total of $182 million in March and April 2016, and another $75 million of such borrowings in July 2016 (See "Borrowings Strategy" section above for more details). Partially offsetting the lower cost of long-term borrowings, the cost of savings, NOW and money market deposits increased 12 basis points mainly due to an increased use of brokered money market deposits for both prepayment and normal repayment of long-term borrowings, as well as the funding of new loan growth and other liquidity needs during 2016 as compared to 2015.

Our earning asset portfolio is comprised of both fixed-rate and adjustable-rate loans and investments. Many of our earning assets are priced based upon the prevailing treasury rates, the Valley prime rate (set by Valley management based on various internal and external factors) or on the U.S. prime interest rate as published in The Wall Street Journal. On average, the 10 year treasury rate decreased from 2.14 percent in 2015 to 1.83 percent in 2016, negatively impacting our yield on average loans as new and renewed fixed-rate loans originated in 2016 were typically originated at rates below the overall yield of 4.38 percent on average loans in 2015. However, the 10 year treasury rate averaged approximately 2.39 percent from November 9, 2016 (i.e., the day after the presidential election) through December 31, 2016 and has remained at this relative level in the early stages of 2017. Additionally, the U.S. prime rate increased to 3.75 percent from 3.50 percent in mid-December 2016 driven by the Federal Reserve's 25 basis point increase in the targeted federal funds rate. The increase, and our increase in the Valley prime rate to 4.875 percent from 4.75 percent at the same time, will have an immediate positive impact on the yield of our U.S. and Valley prime rate based loan portfolios for 2017 as compared to 2016. Should the treasury rates remain at or increase above current levels, this will also have a positive, but more gradual, effect on our interest income based on our ability to originate new and renewed fixed rate loans.

Average interest earning assets totaling $19.8 billion for the year ended December 31, 2016 increased $2.4 billion, or 13.8 percent, as compared to 2015. Average loan balances increased $2.0 billion to $16.4 billion in 2016 and drove all of the $52.7 million increase in the interest income on a tax equivalent basis for loans as compared to 2015, which was partially offset by the low interest rates on new and renewed loans. The growth in average loans during 2016 was fueled mostly by solid demand for commercial real estate loans and secured personal lines of credit throughout the year, $892.8 million of purchased loans primarily consisting of participations in multi-family loans and whole 1-4 family loans (that were a mix of qualifying and non-qualifying CRA loans with adjustable and fixed rates) and $825.5 million in loans acquired from CNL on December 1, 2015. Average investment securities increased $433.2 million to approximately $3.1 billion in 2016 primarily due to $327.3 million of investment securities acquired from CNL, and moderate expansion of our investment portfolio as compared to 2015 largely due to higher levels of available liquidity and low cost funding during the second half of 2016. Average federal funds sold and other interest bearing deposits increased $16.9 million to $288.2 million for the year ended December 31, 2016 as compared to 2015 mostly caused by higher levels of overnight liquidity held primarily due to the timing of new loan originations and loan purchases.

Average interest bearing liabilities increased $1.6 billion to $14.5 billion for the year ended December 31, 2016 from the same period in 2015 mainly due to a $1.3 billion increase in average savings, NOW, and money market accounts mostly due to increased use of brokered money market account balances in our loan growth funding strategy and other liquidity needs (including the funding of a portion of the prepaid borrowings in the fourth quarter of 2015). Average time deposits increased $150.6 million to $3.1 billion for 2016 as compared to 2015 mainly due to $103.9 million in time deposits assumed from CNL and organic growth from retail time deposit campaigns mostly during the third quarter of 2016. Average short-term borrowings increased $1.0 billion to $1.2 billion for 2016 as compared to 2015 due, in part, to the combination of new borrowings in the fourth quarter of 2015, which included $526 million of FHLB advances and $235 million of repos with commercial counterparties, and general increases in our customer repo account balances and FHLB advances in 2016. Average long-term borrowings decreased $840.1 million to approximately $1.6 billion for 2016 as compared to 2015 largely due to the aforementioned prepayment of $845 million in the

fourth quarters of 2015. See the "Fourth Quarter of 2016" section below for more information regarding changes in our interest bearing liabilities during 2016.

Fourth Quarter of 2016. Net interest income on a tax equivalent basis totaling $166.6 million for the fourth quarter of 2016 increased $10.3 million and $16.5 million as compared to the third quarter of 2016 and fourth quarter of 2015, respectively. Interest income on a tax equivalent basis increased $9.9 million to $203.3 million for the fourth quarter of 2016 as compared to the third quarter of 2016 largely due to a 14 basis point increase in the yield on average loans, and increases of $209.0 million and $152.0 million in average loans and investment securities, respectively. The increase in loan yield was supplemented by higher interest accretion on certain acquired PCI loan pools caused by improvements in their forecasted cash flows during the fourth quarter of 2016, as well as a moderate increase in market interest rates, including higher rates on our prime rate-indexed loan portfolios during mid-December 2016. The loan yield for the fourth quarter of 2016 also included approximately $5.0 million of additional periodic fee income related to derivative interest rate swaps executed with commercial lending customers and loan prepayment penalty fees as compared to the third quarter of 2016. Interest expense of $36.7 million for the three months ended December 31, 2016 decreased $357 thousand from the third quarter of 2016, and decreased $848 thousand as compared to the fourth quarter of 2015. During the fourth quarter of 2016, our interest expense on long-term borrowings declined by $693 thousand largely due to the full-quarter benefit of the interest rate reduction resulting from the modification of $405 million in FHLB borrowings during August 2016, as well as the maturity of $75 million in high-cost borrowings in late July 2016. The decrease was partially offset by higher interest expense on savings, NOW and money market deposits resulting from a $524.8 million increase in average balances as compared to the third quarter of 2016. The increase in average balances resulted from our utilization of more low-cost brokered money market deposits for liquidity and loan funding purposes, and a moderate shift from short-term borrowings that were previously used, in part, to fund the repayment of matured long-term borrowings during 2016.

The net interest margin on a tax equivalent basis was 3.27 percent for the fourth quarter of 2016, an increase of 13 basis points from 3.14 percent in the linked third quarter of 2016 and a 3 basis point decrease from 3.30 percent for the three months ended December 31, 2015. The yield on average interest earning assets also increased by 10 basis points on a linked quarter basis. The higher yield was mainly a result of the aforementioned increase in the yield on average loans to 4.27 percent for the fourth quarter of 2016. This was caused, in part, by the aforementioned $5.0 million increase in periodic loan fee income as compared to the third quarter of 2016. The $5.0 million increase represented approximately 12 basis points of the 4.27 percent yield on average loans for the fourth quarter of 2016, and 10 basis points of the 13 basis point increase in our net interest margin from the third quarter of 2016. The yield on average investment securities also moderately increased during the fourth quarter of 2016. The overall cost of average interest bearing liabilities decreased by 4 basis points from 1.02 percent in the linked third quarter of 2016. The decrease was primarily due to a 12 basis point decrease in the cost of long-term borrowings mostly caused by the aforementioned debt modification and an increase in the portion of our funding base represented by low-cost brokered deposits, partially offset by an 11 basis point increase in the cost of short-term borrowings. Our cost of deposits totaled 0.46 percent for the fourth quarter of 2016 as compared to 0.47 percent for the three months ended September 30, 2016.

Looking forward, our net interest margin for the first quarter of 2017 may decline as compared to the fourth quarter of 2016 due to lower levels of loan fee income, as well as a multitude of conditional, and sometimes unpredictable, factors that can impact our actual margin results. For example, our margin may continue to face the risk of compression in the future due to, among other factors, the relatively low level of interest rates despite the incremental increase in market interest rates during the fourth quarter, further repayment of higher yielding interest earning assets, and the re-pricing risk related to interest bearing deposits and short-term borrowings. Additionally, our investment portfolios include a large number of residential mortgage-backed securities purchased at a premium. The amortization of such premiums, which impacts both the yield and interest income recognized on such securities, may increase or decrease dependent upon the level of principal prepayments and market interest rates. To manage these risks, we continuously explore ways to maximize our mix of interest earning assets on our balance sheet, while maintaining a low cost of funds to optimize our net interest margin and overall returns. The increase in both the U.S. and Valley prime rates driven by the Federal Reserve's 25 basis point increase in the targeted federal funds rate in December 2016 and the recent increase in mortgage loan rates, should benefit both our future net interest income and margin. Additionally, potential future loan growth from both the commercial and consumer lending segments (based upon solid loan pipelines seen in the early stages of 2017) is anticipated to positively impact our future net interest income.

The following table reflects the components of net interest income for each of the three years ended December 31, 2016, 2015 and 2014:

ANALYSIS OF AVERAGE ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AND NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

	2016			2015			2014		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
				($ in thousands)					
Assets									
Interest earning assets:									
Loans [1][2]	$ 16,400,745	$ 685,927	4.18%	$ 14,447,020	$ 633,220	4.38%	$ 12,081,683	$ 552,847	4.58%
Taxable investments [3]	2,536,197	64,349	2.54	2,161,094	58,607	2.71	2,232,559	68,730	3.08
Tax-exempt investments [1][3]	604,188	23,903	3.96	546,129	22,413	4.10	556,067	22,590	4.06
Federal funds sold and other interest bearing deposits	288,182	1,126	0.39	271,261	649	0.24	170,474	369	0.22
Total interest earning assets	19,829,312	775,305	3.91	17,425,504	714,889	4.10	15,040,783	644,536	4.29
Allowance for loan losses	(109,084)			(105,126)			(109,341)		
Cash and due from banks	291,021			311,732			318,380		
Other assets	2,032,704			1,809,504			1,598,642		
Unrealized losses on securities available for sale, net	921			(3,559)			(23,152)		
Total assets	$ 22,044,874			$ 19,438,055			$ 16,825,312		
Liabilities and Shareholders' Equity									
Interest bearing liabilities:									
Savings, NOW and money market deposits	$ 8,563,208	$ 39,787	0.46%	$ 7,259,838	$ 24,824	0.34%	$ 5,938,245	$ 19,671	0.33%
Time deposits	3,104,307	37,775	1.22	2,953,689	35,432	1.20	2,249,189	27,882	1.24
Total interest bearing deposits	11,667,515	77,562	0.66	10,213,527	60,256	0.59	8,187,434	47,553	0.58
Short-term borrowings	1,246,790	12,022	0.96	243,192	919	0.38	290,818	972	0.33
Long-term borrowings [4]	1,610,576	59,190	3.68	2,450,628	95,579	3.90	2,837,088	113,321	3.99
Total interest bearing liabilities	14,524,881	148,774	1.02	12,907,347	156,754	1.21	11,315,340	161,846	1.43
Non-interest bearing deposits	5,067,124			4,396,331			3,731,727		
Other liabilities	199,299			175,620			159,280		
Shareholders' equity	2,253,570			1,958,757			1,618,965		
Total liabilities and shareholders' equity	$ 22,044,874			$ 19,438,055			$ 16,825,312		
Net interest income/interest rate spread [5]		626,531	2.89%		558,135	2.89%		482,690	2.86%
Tax equivalent adjustment		(8,382)			(7,866)			(7,933)	
Net interest income, as reported		$ 618,149			$ 550,269			$ 474,757	
Net interest margin [6]			3.12%			3.16%			3.16%
Tax equivalent effect			0.04			0.04			0.05
Net interest margin on a fully tax equivalent basis [6]			3.16%			3.20%			3.21%

(1) Interest income is presented on a tax equivalent basis using a 35 percent federal tax rate.
(2) Loans are stated net of unearned income and include non-accrual loans.
(3) The yield for securities that are classified as available for sale is based on the average historical amortized cost.
(4) Includes junior subordinated debentures issued to capital trusts which are presented separately on the consolidated statements of condition.
(5) Interest rate spread represents the difference between the average yield on interest earning assets and the average cost of interest bearing liabilities and is presented on a fully tax equivalent basis.
(6) Net interest income as a percentage of total average interest earning assets.

The following table demonstrates the relative impact on net interest income of changes in the volume of interest earning assets and interest bearing liabilities and changes in rates earned and paid by Valley on such assets and liabilities. Variances resulting from a combination of changes in volume and rates are allocated to the categories in proportion to the absolute dollar amounts of the change in each category.

CHANGE IN NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

	Years Ended December 31,					
	2016 Compared to 2015			2015 Compared to 2014		
	Change Due to Volume	Change Due to Rate	Total Change	Change Due to Volume	Change Due to Rate	Total Change
	(in thousands)					
Interest income:						
Loans*	$ 82,703	$ (29,996)	$ 52,707	$ 104,482	$ (24,109)	$ 80,373
Taxable investments	9,695	(3,953)	5,742	(2,145)	(7,978)	(10,123)
Tax-exempt investments*	2,319	(829)	1,490	(406)	229	(177)
Federal funds sold and other interest bearing deposits	43	434	477	238	42	280
Total increase (decrease) in interest income	94,760	(34,344)	60,416	102,169	(31,816)	70,353
Interest expense:						
Savings, NOW and money market deposits	4,990	9,973	14,963	4,501	652	5,153
Time deposits	1,827	516	2,343	8,477	(927)	7,550
Short-term borrowings	8,069	3,034	11,103	(171)	118	(53)
Long-term borrowings and junior subordinated debentures	(31,145)	(5,244)	(36,389)	(15,126)	(2,616)	(17,742)
Total (decrease) increase in interest expense	(16,259)	8,279	(7,980)	(2,319)	(2,773)	(5,092)
Increase (decrease) in net interest income	$ 111,019	$ (42,623)	$ 68,396	$ 104,488	$ (29,043)	$ 75,445

* Interest income is presented on a fully tax equivalent basis using a 35 percent federal tax rate.

Non-Interest Income

Non-interest income represented 11.9 percent and 10.6 percent of total interest income plus non-interest income for 2016 and 2015, respectively. For the year ended December 31, 2016, non-interest income increased $19.4 million compared with 2015 mainly due to an increase in net gains on sales of loans and a decrease in the negative impact on non-interest income from the change of the FDIC loss-share receivable. The following table presents the components of non-interest income for the years ended December 31, 2016, 2015, and 2014:

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Trust and investment services	$ 10,345	$ 10,020	$ 9,512
Insurance commissions	19,106	17,233	16,853
Service charges on deposit accounts	20,879	21,176	22,771
Gains on securities transactions, net	777	2,487	745
Fees from loan servicing	6,441	6,641	7,013
Gains on sales of loans, net	22,030	4,245	1,731
Gains on sales of assets, net	1,358	2,776	18,087
Bank owned life insurance	6,694	6,815	6,392
Change in FDIC loss-share receivable	(1,291)	(3,326)	(20,792)
Other	16,886	15,735	15,304
Total non-interest income	$ 103,225	$ 83,802	$ 77,616

Insurance commissions increased $1.9 million for the year ended December 31, 2016 from $17.2 million in 2015 mainly due to additional commissions generated from the Bank's insurance agency subsidiary. The increased commissions were mainly driven by the customer lists (i.e., intangible assets) acquired from an independent insurance agency in January 2016. See Note 2 to the consolidated financial statements for more details on this acquisition.

Net gains on securities transactions decreased $1.7 million to $777 thousand for the year ended December 31, 2016 as compared to $2.5 million in 2015 due to an immaterial amount of investment securities sold during 2016. Net gains during 2015 related to the sale of corporate debt securities and trust preferred securities with a total unamortized cost of approximately $34.2 million, including one corporate debt security classified as held to maturity with amortized cost of $9.8 million. The sales of these securities were primarily due to an investment portfolio re-balancing during the first quarter of 2015 due to changes in our regulatory capital calculation under the new Basel III regulatory capital reform (effective for Valley on January 1, 2015). The sale of held to maturity securities based upon the change in capital requirements is permitted without tainting the remaining held to maturity investment portfolio.

Net gains on sales of loans increased $17.8 million for the year ended December 31, 2016 as compared to 2015 largely due to an increase in loan volumes combined with a higher percentage of residential mortgage loans originated for sale during 2016. The increased volume was caused by the continued success of our low fixed-cost mortgage refinance programs and the low level of market interest rates for the majority of 2016. Residential mortgage loan originations (including both new and refinanced loans) increased 81.7 percent to $891.0 million for the year ended December 31, 2016 as compared to $490.4 million in 2015. During 2016, we sold $558.1 million of residential mortgages originated for sale (including $16.1 million of residential mortgage loans held for sale at December 31, 2015), as compared to $135.2 million of residential mortgage loans sold during 2015. In addition, of the $22.0 million in net gains on sales of loans for 2016, $7.3 million related to gains on the sale of approximately $170 million of performing 30-year fixed rate mortgages that were transferred to loans held for sale from the loan portfolio during the third quarter of 2016. Our net gains on sales of loans for each period are comprised of both gains on sales of residential mortgages and the net change in the mark to market gains and losses on our loans held for sale carried at fair value at each period end. The net change in the fair value of loans held for sale totaled a net loss of $473 thousand in 2016 as compared to a net gain of $313 thousand gain in 2015. Our decision to either sell or retain our mortgage loan production is dependent upon, amongst other factors, the levels of interest rates, consumer demand, the economy and our ability to maintain the appropriate level of interest rate risk on our balance sheet. The market interest rates for residential mortgages increased during the fourth quarter of 2016, yet remain relatively low as compared to recent historical norms. Despite this fact, the higher interest rates are expected to negatively impact the future level of refinanced loan volumes, and likely the amount of net gains on the sales of residential mortgage loans originated for sale recognized in the first quarter of 2017 if we cannot generate compensating new loan volumes. See further discussions of our residential mortgage loan origination activity under “Loans” in the "Executive Summary" section of this MD&A above and the fair valuation of our loans held for sale at Note 3 of the consolidated financial statements.

Net gains on sales of assets decreased $1.4 million for the year ended December 31, 2016 as compared to $2.8 million for 2015. The net gains on sales of $1.4 million in 2016 were mainly due to net gains on the sale of five former branch locations that were closed during 2016. The net gains on sales of assets during 2015 were largely caused by net gains totaling $4.8 million on the sale of two branch offices in the fourth quarter of 2015. The 2015 fourth quarter net gains were also net of non-cash fixed asset impairment charges totaling $1.9 million related to actual and planned branch closures as of December 31, 2015. See the "Earnings Enhancement Programs" section below for additional information.

The Bank and the FDIC share in the losses on loans and real estate owned as part of the loss-sharing agreements related to various past FDIC-assisted transactions described in Note 1 to the consolidated financial statements. The asset arising from the loss-sharing agreements is referred to as the “FDIC loss-share receivable” in our consolidated statements of financial condition. Within the non-interest income category, we may recognize income or expense related to the change in the FDIC loss-share receivable resulting from (i) a change in the estimated credit losses on the pools of covered loans, (ii) income from reimbursable expenses incurred during the period, (iii) accretion of the discount resulting from the present value of the receivable recorded at the acquisition dates, and (iv) prospective recognition of decreases in the receivable attributable to better than originally estimated cash flows on certain covered loan pools. The aggregate effect of changes in the FDIC loss-share receivable amounted to a $1.3 million net reduction in non-interest income for the year ended December 31, 2016 as compared to $3.3 million and $20.8 million for 2015 and 2014, respectively. The majority of the reduction in both the receivable and non-interest income during all three periods related to the prospective adjustment to the receivable related to better than originally estimated cash flows on certain pools of covered loans since the acquisition date. The large reduction for 2014 was mainly due to the better than originally expected cash flows on certain loan pools mostly covered by a commercial loss-sharing agreement with the FDIC that expired in March 2015, as well as a negative (credit) provision for losses on covered loans resulting in a $4.6 million decrease in the estimated losses covered by the loss-share agreements with the FDIC in 2014. See “FDIC Loss-Share Receivable Related to Covered Loans and Foreclosed Assets” section below in this MD&A and Note 5 to the consolidated financial statements for further details.

See the “Results of Operations—2015 Compared to 2014” section later in this MD&A for the discussion and analysis of changes in our non-interest income from 2014 to 2015.

Non-Interest Expense

Non-interest expense decreased $23.0 million to $476.1 million for the year ended December 31, 2016 from $499.1 million for 2015. The decrease was mainly attributable to the significant loss on the extinguishment of debt in 2015, partially offset by various increases caused by the acquisition of CNL on December 1, 2015 as well as other reasons discussed in more detail below. The following table presents the components of non-interest expense for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
		(in thousands)	
Salary and employee benefits expense	$ 235,853	$ 221,765	$ 193,489
Net occupancy and equipment expense	87,140	90,521	74,492
FDIC insurance assessment	20,100	16,867	14,051
Amortization of other intangible assets	11,327	9,169	9,919
Professional and legal fees	17,755	18,945	16,859
Loss on extinguishment of debt	315	51,129	10,132
Amortization of tax credit investments	34,744	27,312	24,196
Telecommunication expense	10,021	8,259	6,993
Other	58,870	55,108	53,124
Total non-interest expense	$ 476,125	$ 499,075	$ 403,255

Salary and employee benefits expense increased by $14.1 million for the year ended December 31, 2016 largely due to additional staffing expenses related to our acquisition of CNL on December 1, 2015 and moderately higher stock and cash incentive compensation expense as compared to 2015. These increases were partially offset by a $1.2 million increase in net periodic pension income from our frozen qualified and non-qualified benefit plans as compared to 2015 (See Note 12 to the consolidated financial statements for more information). Within this category, medical health insurance expenses increased $1.7 million to $19.1 million during the year ended December 31, 2016 as compared to 2015. While this increase can be partially attributed to the CNL acquisition, our health care expenses are at times volatile due to self-funding of a large portion of our insurance plan and these medical expenses can fluctuate based on our plan experience into the foreseeable future.

Net occupancy and equipment expenses decreased $3.4 million for the year ended December 31, 2016 as compared to 2015 mainly due, in part, to (i) a reduction in branch rental expense caused by branch closures in 2016, as well as branch closures commencing in the second half of 2015, (ii) the reversal of an accrued lease obligation of a terminated lease for a previously closed branch location during the third quarter of 2016 and (iii) lower repairs and maintenance expenses during 2016 as compared to 2015. These decreases were partially offset by an increase in depreciation expense mostly caused by the acquired CNL branches.

The FDIC insurance assessment increased $3.2 million for the year ended December 31, 2016 as compared to 2015 largely due to our growth resulting from the CNL acquisition and expansion of our commercial lending segment over the last 12 month period.

Amortization of intangible assets increased $2.2 million for the year ended December 31, 2016 as compared to 2015 largely due to higher amortization expense of core deposit intangibles during 2016 caused by the CNL acquisition, partially offset by a decrease in the amortization of loan servicing rights mostly caused by a moderate decline in the level of serviced loan repayments. See Note 8 to the consolidated financial statements for more details.

Professional and legal fees decreased $1.2 million for the year ended December 31, 2016 as compared to 2015 mostly due to a lower level of legal expenses related to general corporate matters and the acquisition of CNL in 2015.

The loss on extinguishment of debt decreased $50.8 million for the year ended December 31, 2016 as compared to 2015 primarily due to the prepayment penalties incurred in connection with the early repayment of $845 million in high cost long-term borrowings during the fourth quarter of 2015. The 2016 losses related to the prepayment of $87 million of FHLB advances assumed in the acquisition of CNL. See the " Executive Summary - Borrowings Strategy" section of this MD&A above for more details.

Amortization of tax credit investments increased $7.4 million for the year ended December 31, 2016 as compared to 2015 primarily due to continued impairment of maturing tax credit investments in renewable energy sources. Tax credit investments,

while negatively impacting the level of our operating expenses and efficiency ratio, directly reduce our income tax expense and effective tax rate. See Note 14 to the consolidated financial statements for additional information.

Telecommunication expense increased $1.8 million for the year ended December 31, 2016 as compared to 2015 mostly due to the expansion of our Florida operations as a result of the CNL acquisition.

Other non-interest expense increased $3.8 million for the year ended December 31, 2016 as compared to 2015 due to moderate increases in several significant components of other expense, such as data processing, travel and entertainment, insurance, debit card and ATM expenses, as well as other operating losses during the year ended December 31, 2016 partly caused by our growth, both organically and through acquisition.

Efficiency Ratio. The efficiency ratio measures total non-interest expense as a percentage of net interest income plus total non-interest income. We believe this non-GAAP measure, provides a meaningful comparison of our operational performance and facilitates investors' assessments of business performance and trends in comparison to our peers in the banking industry. Our overall efficiency ratio, and its comparability to some of our peers, is negatively impacted by the amortization of tax credit investments within non-interest expense, reductions in our non-interest income related to changes in the FDIC loss-share receivable and, from time to time, loss on extinguishment of debt.

The following table presents our efficiency ratio and a reconciliation of the efficiency ratio adjusted for such items during the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
	($ in thousands)		
Total non-interest expense	$ 476,125	$ 499,075	$ 403,255
Less: Amortization of tax credit investments	34,744	27,312	24,196
Less: Loss on extinguishment of debt	315	51,129	10,132
Total non-interest expense, adjusted	$ 441,066	$ 420,634	$ 368,927
Net interest income	618,149	550,269	474,757
Total non-interest income	103,225	83,802	77,616
Total net interest income and non-interest income	721,374	634,071	552,373
Less: Change in FDIC loss-share receivable	(1,291)	(3,326)	(20,792)
Total net interest income and non-interest income, adjusted	$ 722,665	$ 637,397	$ 573,165
Efficiency ratio	66.00%	78.71%	73.00%
Efficiency ratio, adjusted	61.03%	65.99%	64.37%

Earnings Enhancement Programs. In December 2016, Valley announced a company-wide earnings enhancement initiative called LIFT. The LIFT program will seek to identify both additional operating expense reduction and revenue enhancement opportunities, which together are anticipated to contribute to sustainable improvement in our earnings for years to come. Valley has selected EHS Partners, LLC, a New York based consulting firm, to help achieve its program goals. The planning and discovery phase for LIFT has already commenced and is scheduled for completion during the first half of 2017 (with the implementation phase to begin soon thereafter). Management believes that the LIFT program will not only be a short-term catalyst to improving the operating performance of Valley, but also a comprehensive effort to identify new sources of revenue to ensure we deliver on our long-term goals.

In 2015, we disclosed a branch efficiency plan to "right-size" our branch network. Our plan included the closure and consolidation of 31 branch locations based upon our continuous evaluation of customer delivery channel preferences, branch usage patterns, and other factors. Of the 31 branches, 30 branches were closed by September 30, 2016. The remaining branch, located in Sebastian, Florida, was sold with its deposits totaling approximately $13 million to another financial institution during the fourth quarter of 2016 and resulted in an immaterial gain for the year ended December 31, 2016. The majority of the closed branches were located in New Jersey, and consisted of both leased and owned properties.

As part of the LIFT program and beyond, we will continue to evaluate the operational efficiency of our entire branch network (consisting of 110 leased and 99 owned office locations at December 31, 2016) to ensure the optimal performance of our retail operations, in conjunction with several other factors, including our customers' delivery channel preferences, branch usage patterns,

and the potential opportunity to move existing customer relationships to another branch location without imposing a negative impact on their banking experience.

In addition to the branch closures, Valley commenced a cost reduction plan in the fourth quarter of 2015 aimed at achieving operational efficiencies through streamlining various aspects of Valley's business model, staff reductions and further utilization of technological enhancements. These measures saved nearly $20 million in pre-tax operating expenses for the full year of 2016, exclusive of the CNL staffing reductions effective April 1, 2016.

See the “Results of Operations—2015 Compared to 2014” section later in this MD&A for the discussion and analysis of changes in our non-interest expense from 2014 to 2015.

Income Taxes

Income tax expense was $65.2 million for the year ended December 31, 2016, reflecting an effective tax rate of 28.0 percent, as compared to $23.9 million for the year ended 2015, reflecting an effective tax rate of 18.9 percent. The increase in both income tax expense and the effective tax rate in 2016 was primarily the result of higher pre-tax income caused, in part, by the absence of the $51.1 million pre-tax loss on extinguishment of debt recognized in 2015 and a $3.8 million decline in tax credits as compared to 2015. The 2015 income tax expense also included $6.4 million in charges to our state income tax expenses related to both the expiration of certain net operating loss carryforwards and a reduction in our deferred taxes. See discussion of our income taxes under the "Critical Accounting Polices and Estimates" section above for more details.

U.S. GAAP requires that any change in judgment or change in measurement of a tax position taken in a prior annual period be recognized as a discrete event in the quarter in which it occurs, rather than being recognized as a change in effective tax rate for the current year. Our adherence to these tax guidelines may result in volatile effective income tax rates in future quarterly and annual periods. Factors that could impact management’s judgment include changes in income, tax laws and regulations, and tax planning strategies. Based on the current information available, we anticipate that our effective tax rate will range from 27 percent to 31 percent for 2017, primarily reflecting the impacts of tax-exempt income, tax-advantaged investments and general business credits, exclusive of any potential future tax reform measures or other unanticipated changes in tax laws and regulations.

See additional information regarding our income taxes under our “Critical Accounting Policies and Estimates” section above, as well as Note 13 to the consolidated financial statements.

Business Segments

We have four business segments that we monitor and report on to manage our business operations. These segments are consumer lending, commercial lending, investment management, and corporate and other adjustments. Our reportable segments have been determined based upon Valley’s internal structure of operations and lines of business. Each business segment is reviewed routinely for its asset growth, contribution to income before income taxes and return on average interest earning assets and impairment (if events or circumstances indicate a possible inability to realize the carrying amount). Expenses related to the branch network, all other components of retail banking, along with the back office departments of our subsidiary bank are allocated from the corporate and other adjustments segment to each of the other three business segments. Interest expense and internal transfer expense (for general corporate expenses) are allocated to each business segment utilizing a “pool funding” methodology, which involves the allocation of uniform funding cost based on each segments’ average earning assets outstanding for the period. The financial reporting for each segment contains allocations and reporting in line with our operations, which may not necessarily be comparable to any other financial institution. The accounting for each segment includes internal accounting policies designed to measure consistent and reasonable financial reporting, and may result in income and expense measurements that differ from amounts under U.S. GAAP. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data. See Note 22 to the consolidated financial statements for the segments’ financial data.

Consumer lending. The consumer lending segment is mainly comprised of residential mortgage loans, automobile loans and home equity loans and represented in aggregate 29.3 percent of the total loan portfolio at December 31, 2016. The duration of the residential mortgage loan portfolio (which represented 16.6 percent of our total loan portfolio at December 31, 2016) is subject to movements in the market level of interest rates and forecasted prepayment speeds. The weighted average life of the automobile loans (representing 6.6 percent of total loans at December 31, 2016) is relatively unaffected by movements in the market level of interest rates. However, the average life may be impacted by new loans as a result of the availability of credit within the automobile marketplace and consumer demand for purchasing new or used automobiles. The consumer lending segment also includes the Wealth Management Division, comprised of trust, asset management, insurance services, and asset-based lending support services.

Average interest earning assets in this segment increased $317.5 million to $5.1 billion for the year ended December 31, 2016 as compared to 2015. The increase was largely attributable to continued organic growth in secured personal lines of credit over the last 12-month period and $283 million of PCI loans acquired from CNL in December 2015, partially offset by declines in auto loan volume and our election to originate a higher volume of residential mortgage loans for sale, rather than for investment during 2016.

Income before income taxes generated by the consumer lending segment increased $27.3 million to $70.0 million for the year ended December 31, 2016 as compared to $42.7 million in 2015 mainly due to increases in net interest income and non-interest income, partially offset by an increase in non-interest expense. Net interest income increased $11.0 million to $141.8 million for the year ended December 31, 2016 as compared to 2015 mostly caused by the additional interest income generated from higher average loan balances. Non-interest income increased $18.1 million to $63.4 million for the year ended December 31, 2016 as compared to 2015 largely due to a $17.8 million increase in net gains on sales of loans caused by a higher level of sales volumes in 2016 as compared to 2015 (see further details in the "Non-Interest Income" section above). The positive impact of these items was partially offset by a $2.9 million increase in non-interest expense as compared to the year ended December 31, 2015.

The net interest margin on the consumer lending portfolio increased 5 basis points to 2.79 percent for the year ended December 31, 2016 as compared to 2015 due to a 15 basis point decrease in the costs associated with our funding sources that was partially offset by a 10 basis point decline in the yield on average loans. The decrease in our cost of funding was mainly driven by our prepayments and modifications of higher cost long-term borrowings in both the fourth quarter of 2015 and third quarter of 2016 (see "Borrowings Strategy" section above for more details), as well as some maturities of other high-cost borrowings. The decrease in yield on average loans was largely caused by new and refinanced loan volumes that remained at relatively low interest rates throughout 2016 as compared to the overall yield of our loan portfolio, as well as repayment of higher yielding loans, including some PCI loans. See the "Net Interest Income" section above for more detail regarding net interest margin.

The return on average interest earning assets before income taxes for the consumer lending segment was 1.38 percent for 2016 compared to 0.90 percent for 2015.

Commercial lending. The commercial lending segment is mainly comprised of floating rate and adjustable rate commercial and industrial loans, as well as fixed rate owner occupied and commercial real estate loans. Due to the portfolio’s interest rate characteristics, commercial lending is Valley’s business segment that is most sensitive to movements in market interest rates. Commercial and industrial loans totaled approximately $2.6 billion and represented 15.3 percent of the total loan portfolio at December 31, 2016. Commercial real estate loans and construction loans totaled $9.5 billion and represented 55.4 percent of the total loan portfolio at December 31, 2016.

Average interest earning assets in this segment increased $1.6 billion to $11.3 billion for the year ended December 31, 2016 as compared to $9.7 billion in 2015. The increase was primarily attributable to purchases of participations in multi-family loans totaling over $718 million during 2016, and $542 million of PCI loans acquired from CNL in December 2015, as well as continued organic loan growth (including new loan production from our Florida market) mostly within the non-PCI commercial real estate loan portfolio over the last 12 months.

For the year ended December 31, 2016, income before income taxes for the commercial lending segment increased $31.6 million to $193.0 million as compared to 2015 mostly due to an increase in net interest income coupled with an increase in non-interest income, partially offset by increases in internal transfer expense, non-interest expense and the provision for credit losses. Net interest income increased $48.8 million to $431.0 million for the year ended December 31, 2016 as compared to 2015 largely due to the aforementioned increase in average loan balances. Non-interest income increased $2.5 million to $3.3 million for the year ended December 31, 2016 as compared to 2015 due to a decline in the charge to non-interest income related to the change in our FDIC loss-share receivable. See further details in the "Non-Interest Income" section above. The increases of $13.7 million and $2.5 million in internal transfer expense and non-interest expense, respectively, as compared to 2015 were due, in part, to additional operating expenses related to our growth, including the acquisition of CNL. The provision for credit losses increased $4.0 million to $11.0 million for the year ended December 31, 2016 as compared to 2015 largely due to organic and purchased loan growth, as well as other qualitative factors. See further details in the "Allowance for Credit Losses" section below.

The net interest margin for this segment decreased 13 basis points to 3.81 percent during 2016 as a result of a 28 basis point decrease in the yield on average loans, partially offset by a 15 basis point decrease in the cost of our funding sources as compared to 2015. The decrease in the yield on loans was primarily due to the new and refinanced loan volumes at current interest rates that were relatively low compared to the overall yield of our loan portfolio, as well as repayment of higher yielding loans during 2016.

The return on average interest earning assets before income taxes for this segment was 1.71 percent for 2016 compared to 1.67 percent for the prior year period.

Investment management. The investment management segment generates a large portion of our income through investments in various types of securities and interest-bearing deposits with other banks. These investments are mainly comprised of fixed rate securities, and depending on our liquid cash position, federal funds sold and interest-bearing deposits with banks (primarily the Federal Reserve Bank of New York), as part of our asset/liability management strategies. The fixed rate investments are one of Valley's least sensitive assets to changes in market interest rates. However, a portion of the investment portfolio is invested in shorter-duration securities to maintain the overall asset sensitivity of our balance sheet. See the "Asset/Liability Management" section below for further analysis.

Average interest earning assets increased $450.1 million to $3.4 billion for the year ended December 31, 2016 as compared to 2015 mostly due to an increase in average investment balances and a moderate increase in average federal funds sold and other interest bearing deposits. The increase in average investment balances was partially due to $327.3 million of investment securities acquired from CNL, and some expansion of our investment portfolio as compared to 2015 due to higher levels of available liquidity and low cost of funding sources mainly during the second half of 2016. Average federal funds sold and other interest bearing deposits increased $16.9 million to $288.2 million for the year ended December 31, 2016 as compared to 2015 due to higher levels of overnight liquidity held due to the high volume and timing of new loan originations and loan purchases.

For the year ended December 31, 2016, income before income taxes for the investment management segment increased $5.5 million to $22.6 million as compared to 2015 largely due to a $8.9 million increase in net interest income, partially offset by a $3.0 million increase in internal transfer expense. The increase in net interest income was mainly driven by higher average interest earning balances.

The net interest margin for this segment increased 2 basis points to 1.92 percent during the year ended December 31, 2016 as compared to 2015 as a result of a 15 basis point decrease in costs associated with our funding sources, partially offset by a 13 basis point decrease in the yield on average investments driven downward by principal repayments of higher yielding investments and new investments at lower market interest rates.

The return on average interest earning assets before income taxes for this segment was 0.66 percent for 2016 compared to 0.57 percent for 2015.

Corporate and other adjustments. The amounts disclosed as "corporate and other adjustments" represent income and expense items not directly attributable to a specific segment, including net securities gains and losses not reported in the investment management segment above, losses on the extinguishment of debt, interest expense related to subordinated notes, as well as income and expense from derivative financial instruments.

The pre-tax net loss for the corporate segment decreased $42.0 million for the year ended December 31, 2016 to $52.2 million as compared to 2015. The decline in the net loss for this segment was mainly due to a decrease in non-interest expense coupled with an increase in internal transfer income. The non-interest expense decreased $28.1 million to $342.0 million for the year ended December 31, 2016 as compared to 2015 largely due to a $50.8 million decrease in the loss on extinguishment of debt during 2016, partially offset by increases of $14.1 million and $7.4 million in salary and employee benefits expense and the amortization of tax credit investments, respectively (see further details in the "Non-Interest Expense" section above). Internal transfer income increased $15.9 million to $280.3 million for the year ended December 31, 2016 as compared to the prior year.

ASSET/LIABILITY MANAGEMENT

Interest Rate Sensitivity

Our success is largely dependent upon our ability to manage interest rate risk. Interest rate risk can be defined as the exposure of our interest rate sensitive assets and liabilities to the movement in interest rates. Our Asset/Liability Management Committee is responsible for managing such risks and establishing policies that monitor and coordinate our sources and uses of funds. Asset/Liability management is a continuous process due to the constant change in interest rate risk factors. In assessing the appropriate interest rate risk levels for us, management weighs the potential benefit of each risk management activity within the desired parameters of liquidity, capital levels and management's tolerance for exposure to income fluctuations. Many of the actions undertaken by management utilize fair value analysis and attempts to achieve consistent accounting and economic benefits for financial assets and their related funding sources. We have predominately focused on managing our interest rate risk by attempting to match the inherent risk and cash flows of financial assets and liabilities. Specifically, management employs multiple risk management activities such as optimizing the level of new residential mortgage originations retained in our mortgage portfolio through increasing or decreasing loan sales in the secondary market, product pricing levels, the desired maturity levels for new originations, the composition levels of both our interest earning assets and interest bearing liabilities, as well as several other risk management activities.

We use 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 twelve and twenty-four 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, 2016. The model assumes changes in interest rates without any proactive change in the composition or size of the balance sheet by management. In the model, the forecasted shape of the yield curve remains static as of December 31, 2016. The impact of interest rate derivatives, such as interest rate swaps and caps, is also included in the model.

Our simulation model is based on market interest rates and prepayment speeds prevalent in the market as of December 31, 2016. Although the size of Valley's balance sheet is forecasted to remain static as of December 31, 2016 in our model, the composition is adjusted to reflect new interest earning assets and funding originations coupled with rate spreads utilizing our actual originations during 2016. The model utilizes an immediate parallel shift in the market interest rates at December 31, 2016.

The assumptions used in the net interest income simulation are inherently uncertain. Actual results may differ significantly from those presented in the table above, due to the frequency and timing of changes in interest rates, and changes in spreads between maturity and re-pricing categories. Overall, our net interest income is affected by changes in interest rates and cash flows from our loan and investment portfolios. We actively manage these cash flows in conjunction with our 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, our 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.

Convexity is a measure of how the duration of a financial instrument changes as market interest rates change. Potential movements in the convexity of bonds held in our investment portfolio, as well as the duration of the loan portfolio may have a positive or negative impact on our net interest income in varying interest rate environments. As a result, the increase or decrease in forecasted net interest income may not have a linear relationship to the results reflected in the table above. Management cannot provide any assurance about the actual effect of changes in interest rates on our net interest income.

The following table reflects management's expectations of the change in our net interest income over the next 12 month period in light of the aforementioned assumptions. While an instantaneous and severe shift in interest rates was used in this simulation model, we believe that any actual shift in interest rates would likely be more gradual and would therefore have a more modest impact than shown in the table below.

	Estimated Change in Future Net Interest Income	
Changes in Interest Rates	**Dollar Change**	**Percentage Change**
(in basis points)	**($ in thousands)**	
+200	$ (1,479)	(0.23)%
+100	166	0.03
- 100	(14,519)	(2.26)

As noted in the table above, a 100 basis point immediate increase in interest rates combined with a static balance sheet where the size, mix, and proportions of assets and liabilities remain unchanged is projected to increase net interest income over the next 12 months by 0.03 percent. The sensitivity of our balance sheet to such a move in interest rates at December 31, 2016 decreased as compared to December 31, 2015 (which was an increase of 1.26 percent in net interest income over a 12 month period). Despite the decrease in asset sensitivity as compared to December 31, 2015, we believe the balance sheet remains well-positioned to respond positively to a rising market interest rate environment. Our current asset sensitivity to a 100 basis point immediate increase in interest rates is impacted by, among other factors, asset cash flow and repricing characteristics complemented by a funding structure that provides for very stable earnings and low volatility. Additionally, the recent steepening of the yield curve with a greater increase in long-term rates (generally tied to asset repricing), as opposed to a move in short-term rates (generally tied to liability repricing), is usually a positive environment for the generation of net interest income. Future changes including, but not limited to, the slope of the yield curve and projected cash flows, will affect our net interest income results and may increase or decrease the level of net interest income sensitivity.

Our interest rate swaps and caps designated as cash flow hedging relationships are designed to protect us from upward movements in interest rates on certain deposits and other borrowings based on the prime rate (as reported by The Wall Street Journal) or the three-month LIBOR rate. Our cash flow interest rate swaps had a total notional value of $582 million at December 31, 2016 and currently pay fixed and receive floating rates. We also utilize fair value and non-designated hedge interest rate swaps to effectively convert fixed rate loans and brokered certificates of deposit to floating rate instruments. The cash flow hedges are expected to benefit our net interest income in a rising interest rate environment. However, due to the prolonged low level of market interest rates and the strike rate of these instruments, the cash flow hedge interest rate swaps and cap negatively impacted our net interest income during 2016. This negative trend will likely continue based upon the current market expectations regarding the Federal Reserve's monetary policies which are designed to impact the level of market interest rates. See Note 15 to the consolidated financial statements for further details on our derivative transactions.

Despite the negative impact of such derivative transactions, the possibility of an improving U.S. economy, the debt modification of $405 million in high cost FHLB borrowings during August 2016, the repayment of $75 million in high cost borrowings that matured in July 2016, and the commercial lending demand and approved new loan pipelines during the first quarter of 2017 could all benefit our future net interest income.

The following table sets forth the amounts of interest earning assets and interest bearing liabilities that were outstanding at December 31, 2016 and their associated fair values. The expected cash flows are categorized based on each financial instrument's anticipated maturity or interest rate reset date in each of the future periods presented.

INTEREST RATE SENSITIVITY ANALYSIS

	Rate	2017	2018	2019	2020	2021	Thereafter	Total Balance	Fair Value
					($ in thousands)				
Interest sensitive assets:									
Interest bearing deposits with banks	0.30%	$ 171,710	$ —	$ —	$ —	$ —	$ —	$ 171,710	$ 171,710
Investment securities held to maturity	3.06	440,253	197,071	155,580	187,703	134,702	810,263	1,925,572	1,924,597
Investment securities available for sale	2.35	281,865	183,626	133,374	127,120	92,321	479,067	1,297,373	1,297,373
Loans held for sale, at fair value	3.31	57,708	—	—	—	—	—	57,708	57,708
Loans	3.85	6,680,911	2,110,877	2,042,900	1,670,338	1,512,877	3,218,200	17,236,103	16,871,074
Total interest sensitive assets	3.65%	$ 7,632,447	$ 2,491,574	$ 2,331,854	$ 1,985,161	$ 1,739,900	$ 4,507,530	$ 20,688,466	$ 20,322,462
Interest sensitive liabilities:									
Deposits:									
Savings, NOW and money market	0.26%	$ 3,027,898	$ 835,617	$ 677,100	$ 500,918	$ 412,833	$ 3,884,646	$ 9,339,012	$ 9,339,012
Time	1.22	2,122,906	473,924	98,763	147,547	162,687	133,044	3,138,871	3,160,572
Short-term borrowings	0.65	1,080,960	—	—	—	—	—	1,080,960	1,081,751
Long-term borrowings	3.54	75,000	50,000	—	—	840,000	468,906	1,433,906	1,523,386
Junior subordinated debentures	5.78	—	24,743	—	—	—	16,834	41,577	45,785
Total interest sensitive liabilities	0.82%	$ 6,306,764	$ 1,384,284	$ 775,863	$ 648,465	$ 1,415,520	$ 4,503,430	$ 15,034,326	$ 15,150,506
Interest sensitivity gap		$ 1,325,683	$ 1,107,290	$ 1,555,991	$ 1,336,696	$ 324,380	$ 4,100	$ 5,654,140	$ 5,171,956
Ratio of interest sensitive assets to interest sensitive liabilities		1.21:1	1.80:1	3.01:1	3.06:1	1.23:1	1.00:1	1.38:1	1.34:1

The above table provides an approximation of the projected re-pricing of assets and liabilities at December 31, 2016 on the basis of contractual maturities, adjusted for anticipated prepayments of principal (including anticipated call dates on long-term borrowings and junior subordinated debentures), and scheduled rate adjustments. The prepayment experience reflected herein is based on historical experience combined with market consensus expectations derived from independent external sources. The actual repayments of these instruments could vary substantially if future prepayments differ from historical experience or current market expectations. For non-maturity deposit liabilities, in accordance with standard industry practice and our historical experience, we used prepayment and decay rates to estimate deposit runoff.

Our cash flow derivatives are designed to protect us from upward movement in interest rates on certain deposits. The interest rate sensitivity table reflects the sensitivity at current interest rates. As a result, the notional amount of our derivatives is not included in the table. We use various assumptions to estimate fair values. See Note 3 of the consolidated financial statements for further discussion of fair value measurements.

The total gap re-pricing within one year as of December 31, 2016 was a positive $1.3 billion, representing a ratio of interest sensitive assets to interest sensitive liabilities of 1.21:1. Current market prepayment speeds and balance sheet management strategies implemented throughout 2016 have allowed us to maintain our asset sensitivity level reported in the table above comparable to December 31, 2015. The total gap re-pricing position, as reported in the table above, reflects the projected interest rate sensitivity of our principal cash flows based on market conditions as of December 31, 2016. As the market level of interest rates and associated prepayment speeds move, the total gap re-pricing position will change accordingly, but not likely in a linear relationship. Management does not view our one year gap position as of December 31, 2016 as presenting an unusually high risk potential, although no assurances can be given that we are not at risk from interest rate increases or decreases.

Liquidity

Bank Liquidity. Liquidity measures the ability to satisfy current and future cash flow needs as they become due. A bank's liquidity reflects its ability to meet loan demand, to accommodate possible outflows in deposits and to take advantage of interest rate opportunities in the marketplace. Liquidity management is monitored by our Asset/Liability Management Committee and the Investment Committee of the Board of Directors of Valley National Bank, which review historical funding requirements, current liquidity position, sources and stability of funding, marketability of assets, options for attracting additional funds, and anticipated future funding needs, including the level of unfunded commitments. Our goal is to maintain sufficient liquidity to cover current and potential funding requirements.

The Bank has no required regulatory liquidity ratios to maintain; however, it adheres to an internal liquidity policy. The current policy maintains that we may not have a ratio of loans to deposits in excess of 125 percent or reliance on wholesale funding greater than 25 percent of total funding. The Bank was in compliance with the foregoing policies at December 31, 2016.

On the asset side of the balance sheet, the Bank has numerous sources of liquid funds in the form of cash and due from banks, interest bearing deposits with banks (including the Federal Reserve Bank of New York), investment securities held to maturity that are maturing within 90 days or would otherwise qualify as maturities if sold (i.e., 85.0 percent of original cost basis has been repaid), investment securities available for sale, loans held for sale, and, from time to time, federal funds sold and receivables related to unsettled securities transactions. These liquid assets totaled approximately $1.8 billion, representing 8.9 percent of earning assets, at December 31, 2016 and $2.1 billion, representing 10.7 percent of earning assets, at December 31, 2015. Of the $1.8 billion of liquid assets at December 31, 2016, approximately $537.4 million of various investment securities were pledged to counterparties to support our earning asset funding strategies. We anticipate the receipt of approximately $557 million in principal from securities in the total investment portfolio over the next 12 months due to normally scheduled principal repayments and expected prepayments of certain securities, primarily residential mortgage-backed securities.

Additional liquidity is derived from scheduled loan payments of principal and interest, as well as prepayments received. Loan principal payments (including loans held for sale at December 31, 2016) are projected to be approximately $4.5 billion over the next 12 months. As a contingency plan for significant funding needs, liquidity could also be derived from the sale of conforming residential mortgages from our loan portfolio, or from the temporary curtailment of lending activities.

On the liability side of the balance sheet, we utilize multiple sources of funds to meet liquidity needs, including retail and commercial deposits, brokered and municipal deposits, and short-term and long-term borrowings. Our core deposit base, which generally excludes fully insured brokered deposits and both retail and brokered certificates of deposit over $250 thousand, represents the largest of these sources. Core deposits averaged approximately $14.7 billion and $14.5 billion for the years ended December 31, 2016 and 2015, respectively, representing 73.9 percent and 67.2 percent of average earning assets at December 31, 2016 and 2015, respectively. The level of interest bearing deposits is affected by interest rates offered, which is often influenced by our need for funds and the need to match the maturities of assets and liabilities.

The following table lists, by maturity, all certificates of deposit of $100 thousand and over at December 31, 2016:

	2016
	(in thousands)
Less than three months	$ 337,889
Three to six months	545,451
Six to twelve months	306,302
More than twelve months	515,058
Total	$ 1,704,700

Additional funding may be provided from short-term liquidity borrowings through deposit gathering networks and in the form of federal funds purchased obtained through our well established relationships with several correspondent banks. While there are no firm lending commitments currently in place, management believes that we could borrow approximately $727 million for a short time from these banks on a collective basis. The Bank is also a member of the Federal Home Loan Bank of New York and has the ability to borrow from them in the form of FHLB advances secured by pledges of certain eligible collateral, including but not limited to U.S. government and agency mortgage-backed securities and a blanket assignment of qualifying first lien mortgage loans, consisting of both residential mortgage and commercial real estate loans. In addition to the FHLB advances, the Bank has pledged such assets to collateralize a $100 million letter of credit issued by the FHLB on Valley's behalf to secure certain public deposits at December 31, 2016. Furthermore, we are able to obtain overnight borrowings from the Federal Reserve Bank via the discount window as a contingency for additional liquidity. At December 31, 2016, our borrowing capacity under the Fed's discount window was approximately $1.1 billion.

We also have access to other short-term and long-term borrowing sources to support our asset base. Short-term borrowings include securities sold under repos, federal funds purchased and FHLB advances. Our short-term borrowings remained relatively unchanged at approximately $1.1 billion at both December 31, 2016 and 2015. At December 31, 2016, FHLB advances increased by $256 million but were almost entirely offset by decreases of $202 million and $50 million in repo balances and overnight federal funds purchased, respectively, as compared to December 31, 2015. The change in short-term borrowings is generally driven by the levels of loan originations (including residential mortgages originated for sale), repayments of long-term borrowings, and our use of time deposits, fully insured brokered deposits and other short-term funding in our current liquidity/funding strategies.

During 2016, average short-term FHLB advances exceeded 30 percent of total shareholders' equity at December 31, 2016. The following table sets forth information regarding Valley's short-term FHLB advances at the dates and for the years ended December 31, 2016 and 2015:

	2016	2015
	($ in thousands)	
FHLB advances:		
Average balance outstanding	$ 868,541	$ 33,841
Maximum outstanding at any month-end during the period	1,163,000	526,000
Balance outstanding at end of period	782,000	526,000
Weighted average interest rate during the period	1.19%	0.40%
Weighted average interest rate at the end of the period	0.80	0.90

Corporation Liquidity. Valley's recurring cash requirements primarily consist of quarterly dividend payments to preferred and common shareholders and interest expense payments on subordinated notes and junior subordinated debentures issued to capital trusts. As part of our on-going asset/liability management strategies, Valley could also use cash to repurchase shares of its outstanding common stock under its share repurchase program or redeem its callable junior subordinated debentures. These cash needs are routinely satisfied by dividends collected from the Bank. Projected cash flows from the Bank are expected to be adequate to pay preferred and common dividends, if declared, and interest expense payable to subordinated note holders and capital trusts, given the current capital levels and current profitable operations of the bank subsidiary. In addition to dividends received from the Bank, Valley can satisfy its cash requirements by utilizing its own cash and potential new funds borrowed from outside sources or capital issuances. Valley also has the right to defer interest payments on the junior subordinated debentures, and therefore distributions on its trust preferred securities for consecutive quarterly periods up to five years, but not beyond the stated maturity dates, and subject to other conditions.

Investment Securities Portfolio

The primary purpose of the investment portfolio is to provide a source of earnings, be a source of liquidity, and serve as a tool for managing interest rate risk. The decision to purchase or sell securities is based upon the current assessment of long and short-term economic and financial conditions, including the interest rate environment and other statement of financial condition components. See additional information under "Interest Rate Sensitivity", "Liquidity" and "Capital Adequacy" sections elsewhere in this MD&A.

As of December 31, 2016, our investment portfolio was comprised of U.S. Treasury securities, U.S. government agencies, taxable and tax-exempt issues of states and political subdivisions, residential mortgage-backed securities (including 12 private label mortgage-backed securities), single-issuer trust preferred securities principally issued by bank holding companies (including 2 pooled securities), high quality corporate bonds and perpetual preferred equity securities issued by banks. There were no securities in the name of any one issuer exceeding 10 percent of shareholders' equity, except for residential mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac. Securities with limited marketability and/or restrictions, such as Federal Home Loan Bank and Federal Reserve Bank stocks, are carried at cost and are included in other assets.

Among other securities, our investments in the private label mortgage-backed securities, trust preferred securities, perpetual preferred securities and bank issued corporate bonds may pose a higher risk of future impairment charges to us as a result of the uncertain economic environment and its potential negative effect on the future performance of the security issuers and, if applicable, the underlying mortgage loan collateral of the security.

Investment securities at December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
		(in thousands)	
Held to maturity			
U.S. Treasury securities	$ 138,830	$ 138,978	$ 139,121
U.S. government agency securities	11,329	12,859	14,081
Obligations of states and political subdivisions:			
Obligations of states and state agencies	252,185	194,547	197,440
Municipal bonds	314,405	310,318	302,578
Total obligations of states and political subdivisions	566,590	504,865	500,018
Residential mortgage-backed securities	1,112,460	852,289	986,992
Trust preferred securities	59,804	59,785	98,456
Corporate and other debt securities	36,559	27,609	39,648
Total investment securities held to maturity (amortized cost)	$ 1,925,572	$ 1,596,385	$ 1,778,316
Available for sale			
U.S. Treasury securities	$ 49,591	$ 549,473	$ 49,443
U.S. government agency securities	23,041	29,963	33,825
Obligations of states and political subdivisions:			
Obligations of states and state agencies	40,342	44,414	11,136
Municipal bonds	79,425	80,552	32,915
Total obligations of states and political subdivisions	119,767	124,966	44,051
Residential mortgage-backed securities	1,015,542	696,428	644,276
Trust preferred securities	8,009	8,404	20,537
Corporate and other debt securities	60,565	77,552	74,012
Total debt securities	1,276,515	1,486,786	866,144
Equity securities	20,858	20,075	20,826
Total investment securities available for sale (fair value)	$ 1,297,373	$ 1,506,861	$ 886,970
Trading			
Trust preferred securities	$ —	$ —	$ 14,233
Total trading securities (fair value)	$ —	$ —	$ 14,233
Total investment securities	$ 3,222,945	$ 3,103,246	$ 2,679,519

As of December 31, 2016, total investments increased $119.7 million or 3.9 percent as compared to 2015 largely due to an increase in residential mortgage-backed securities classified as held for maturity and available for sale totaling a combined $579.3 million, and, to a much lesser extent, an increase of $57.6 million in obligations of states and state agencies classified as held to maturity. These increases were partially offset by a $499.9 million decrease in U.S. Treasury securities classified as available for sale largely due to the maturity of short-term U.S. Treasuries purchased in late December 2015.

At December 31, 2016, we had $1.1 billion and $1.0 billion of residential mortgage-backed securities classified as held to maturity and available for sale, respectively. Approximately 91 percent and 68 percent of these residential mortgage-backed securities, respectively, were issued and guaranteed by Ginnie Mae. The residential mortgage-backed securities also include $168 thousand and $11.8 million of private label mortgage-backed securities classified as held to maturity and available for sale, respectively, at December 31, 2016. The remainder of our outstanding residential mortgage-backed security balances at December 31, 2016 were issued by either Freddie Mac or Fannie Mae.

The following table presents the remaining contractual maturities (unadjusted for any expected prepayments) with the corresponding weighted-average yields of held to maturity and available for sale debt securities at December 31, 2016:

	0-1 year		1-5 years		5-10 years		Over 10 years		Total	
	Amount (1)	Yield (2)	Amount (1)	Yield (2)	Amount (1)	Yield (2)	Amount (1)	Yield (2)	Amount (1)	Yield (2)
	($ in thousands)									
Held to maturity										
U.S. Treasury securities	$ —	—%	$ 68,402	2.92%	$ 70,428	2.97%	$ —	—%	$ 138,830	2.94%
U.S. government agency securities	—	—	—	—	—	—	11,329	3.52	11,329	3.52
Obligations of states and political subdivisions: (3)										
Obligations of states and state agencies	—	—	14,162	2.71	147,150	4.71	90,873	4.07	252,185	4.37
Municipal bonds	85,089	1.50	85,393	5.08	133,643	4.58	10,280	4.54	314,405	3.88
Total obligations of states and political subdivisions	85,089	1.50	99,555	4.74	280,793	4.64	101,153	4.12	566,590	4.10
Residential mortgage-backed securities (4)	—	—	577	4.41	15,724	3.09	1,096,159	2.33	1,112,460	2.34
Trust preferred securities	—	—	—	—	—	—	59,804	5.03	59,804	5.03
Corporate and other debt securities	50	2.39	23,250	6.47	13,250	4.71	9	—	36,559	5.82
Total	$ 85,139	1.13%	$ 191,784	4.11%	$ 380,195	4.18%	$ 1,268,454	2.99%	$ 1,925,572	3.06%
Available for sale										
U.S. Treasury securities	$ —	—%	$ 931	1.84%	$ 48,660	1.60%	$ —	—%	$ 49,591	1.61%
U.S. government agency securities	—	—	5,803	1.40	2,530	2.29	14,708	2.60	23,041	2.26
Obligations of states and political subdivisions: (3)										
Obligations of states and state agencies	—	—	10,329	3.70	23,138	3.97	6,875	4.70	40,342	4.03
Municipal bonds	4,551	—	29,639	2.65	18,731	4.97	26,504	4.29	79,425	3.59
Total obligations of states and political subdivisions	4,551	—	39,968	2.92	41,869	4.42	33,379	4.37	119,767	3.74
Residential mortgage-backed securities (4)	37	5.43	3,765	5.05	35,722	6.88	976,018	2.53	1,015,542	2.69
Trust preferred securities	—	—	—	—	—	—	8,009	1.00	8,009	10.00
Corporate and other debt securities	14,103	1.32	27,456	2.54	19,004	3.69	2	—	60,565	2.62
Total (5)	$ 18,691	0.02%	$ 77,923	2.79%	$ 147,785	2.68%	$ 1,032,116	2.78%	$ 1,276,515	2.73%

(1) Held to maturity amounts are presented at amortized costs, stated at cost less principal reductions, if any, and adjusted for accretion of discounts and amortization of premiums. Available for sale amounts are presented at fair value.

(2) Average yields are calculated on a yield-to-maturity basis.

(3) Average yields on obligations of states and political subdivisions are generally tax-exempt and calculated on a tax-equivalent basis using a statutory federal income tax rate of 35 percent.

(4) Residential mortgage-backed securities are shown using stated final maturity.

(5) Excludes equity securities, which do not have maturities.

The residential mortgage-backed securities portfolio is a significant source of our liquidity through the monthly cash flow of principal and interest. Mortgage-backed securities, like all securities, are sensitive to change in the interest rate environment, increasing and decreasing in value as interest rates fall and rise. As interest rates fall, the potential increase in prepayments can reduce the yield on the mortgage-backed securities portfolio, and reinvestment of the proceeds will be at lower yields. Conversely, rising interest rates may reduce cash flows from prepayments and extend anticipated duration of these assets. We monitor the changes in interest rates, cash flows and duration, in accordance with our investment policies. Management seeks out investment securities with an attractive spread over our cost of funds.

Other-Than-Temporary Impairment Analysis

We may be required to record impairment charges on our investment securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators, or unanticipated changes in the competitive environment could have a negative effect on our investment portfolio and may result in other-than temporary impairment on our investment securities in future periods. For debt securities, the primary consideration in determining whether impairment is other-than-temporary is whether or not Valley expects to collect all contractual cash flows. See “Other-Than-Temporary Impairment Analysis” section of Note 4 to the consolidated financial statements for additional information regarding our quarterly impairment analysis by security type.

The investment grades in the table below reflect the most current independent analysis performed by third parties of each security as of the date presented and not necessarily the investment grades at the date of our purchase of the securities. For many securities, the rating agencies may not have performed an independent analysis of the tranches owned by us, but rather an analysis of the entire investment pool. For this and other reasons, we believe the assigned investment grades may not accurately reflect the actual credit quality of each security and should not be viewed in isolation as a measure of the quality of our investment portfolio.

The following table presents the held to maturity and available for sale investment securities portfolios by investment grades at December 31, 2016.

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Held to maturity investment grades:*				
AAA Rated	$ 1,412,662	$ 22,629	$ (18,298)	$ 1,416,993
AA Rated	249,047	6,857	(598)	255,306
A Rated	38,182	2,011	—	40,193
Non-investment grade	3,678	2	(66)	3,614
Not rated	222,003	93	(13,605)	208,491
Total investment securities held to maturity	$ 1,925,572	$ 31,592	$ (32,567)	$ 1,924,597
Available for sale investment grades:*				
AAA Rated	$ 1,141,645	$ 1,986	$ (17,788)	$ 1,125,843
AA Rated	69,014	190	(1,795)	67,409
A Rated	26,844	7	(105)	26,746
BBB Rated	39,555	428	(628)	39,355
Non-investment grade	13,093	1,126	(1,391)	12,828
Not rated	25,572	329	(709)	25,192
Total investment securities available for sale	$ 1,315,723	$ 4,066	$ (22,416)	$ 1,297,373

* Rated using external rating agencies (primarily S&P and Moody’s). Ratings categories include entire range. For example, “A Rated” includes A+, A, and A-. Split rated securities with two ratings are categorized at the higher of the rating levels.

The held to maturity portfolio includes $222.0 million in investments not rated by the rating agencies with aggregate unrealized losses of $13.6 million at December 31, 2016. The unrealized losses for this category mainly relate to 4 single-issuer bank trust preferred issuances with a combined amortized cost of $35.9 million. All single-issuer bank trust preferred securities classified as held to maturity, including the aforementioned four securities, are paying in accordance with their terms and have no deferrals of interest or defaults. Additionally, we analyze the performance of each issuer on a quarterly basis, including a review of performance

data from the issuer's most recent bank regulatory report to assess the company's credit risk and the probability of impairment of the contractual cash flows of the applicable security. Based upon our quarterly review at December 31, 2016, all of the issuers appear to meet the regulatory capital minimum requirements to be considered a "well-capitalized" financial institution and/or have maintained performance levels adequate to support the contractual cash flows of the security.

There was no other-than-temporary impairment recognized in earnings as a result of Valley's impairment analysis of its securities during the years ended December 31, 2016, 2015 and 2014 as the collateral supporting much of the investment securities has improved or performed as expected. See Note 4 to our consolidated financial statements for additional information regarding our other-than-temporary impairment analysis.

Loan Portfolio

The following table reflects the composition of the loan portfolio for the years indicated.

	At December 31,				
	2016	2015	2014	2013	2012
			($ in thousands)		
Commercial and industrial	$ 2,638,195	$ 2,540,491	$ 2,251,111	$ 2,021,333	$ 2,131,343
Commercial real estate:					
Commercial real estate	8,719,667	7,424,636	6,160,881	5,043,169	4,537,977
Construction	824,946	754,947	533,134	429,231	427,368
Total commercial real estate	9,544,613	8,179,583	6,694,015	5,472,400	4,965,345
Residential mortgage	2,867,918	3,130,541	2,576,372	2,507,588	2,472,088
Consumer:					
Home equity	469,009	511,203	497,247	449,292	485,702
Automobile	1,139,227	1,239,313	1,144,831	901,399	786,528
Other consumer	577,141	441,976	310,337	215,600	181,793
Total consumer loans	2,185,377	2,192,492	1,952,415	1,566,291	1,454,023
Total loans (1)(2)	$ 17,236,103	$ 16,043,107	$ 13,473,913	$ 11,567,612	$ 11,022,799
As a percent of total loans:					
Commercial and industrial	15.3%	15.8%	16.7%	17.5%	19.4%
Commercial real estate	55.4	51.0	49.7	47.3	45.0
Residential mortgage	16.6	19.5	19.1	21.7	22.4
Consumer loans	12.7	13.7	14.5	13.5	13.2
Total	100%	100%	100%	100%	100%

(1) Includes covered loans totaling $70.4 million, $122.3 million, $211.9 million, $96.2 million and $180.7 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively (primarily consisting of commercial real estate loans and residential mortgage loans).

(2) Total loans are net of unearned premiums and deferred loan costs of $15.3 million and $3.5 million at December 31, 2016 and 2015, respectively, as compared to unearned discounts and deferred loan fees of $9.0 million, $5.6 million and $3.4 million at December 31, 2014, 2013, and 2012, respectively.

Total loans increased $1.2 billion to approximately $17.2 billion at December 31, 2016 from December 31, 2015. Our loan portfolio includes PCI loans, which are loans acquired at a discount that is due, in part, to credit quality. At December 31, 2016, our PCI loan portfolio decreased $469.0 million to $1.8 billion as compared to December 31, 2015 primarily due to larger loan repayments, of which some resulted from continued efforts by management to encourage borrower prepayment. The non-PCI loan portion of the loan portfolio increased $1.7 billion at December 31, 2016 as compared to December 31, 2015 largely due to organic commercial real estate growth, loan participations with other banks that largely consisted of multi-family and 1-4 family mortgage loans, and organic growth in several loan categories in 2016 discussed further below. During 2016, Valley also originated $421.3 million of residential mortgage loans for sale rather than investment. Loans held for sale totaled $57.7 million and $16.4 million at December 31, 2016 and 2015, respectively. See additional information regarding our residential mortgage loan activities below.

Commercial and industrial loans totaled $2.6 billion at December 31, 2016 and increased by $97.7 million from December 31, 2015, despite a $102.8 million decline in the PCI loan portion of the portfolio during 2016. Exclusive of the decline in PCI loans, the non-PCI commercial and industrial loan portfolio increased by $200.5 million from December 31, 2015. This growth was partially driven by new organic customer relationships originated during 2016 and a new secured commercial lending agreement with a large regional auto retailer during the fourth quarter of 2016. In addition to the PCI loan repayments, the level of loan

growth within this portfolio continues to be challenged by strong market competition for both new and existing commercial loan borrowers within our primary markets, and relatively unchanged outstanding balances on lines of credit by our customers at December 31, 2016 as compared to December 31, 2015 despite an increase in total commitments under lines of credit during the year.

Commercial real estate loans (excluding construction loans) increased $1.3 billion to $8.7 billion at December 31, 2016 from December 31, 2015 largely due to $719 million of loan participations in multi-family loans (mostly in New York City) purchased during 2016 and solid organic loan volumes from all of our primary markets. The purchased participation loans are seasoned loans with expected shorter durations. Each purchased participation loan is reviewed under Valley's normal underwriting criteria and stress-tested by Valley to assure its credit quality. The organic loan volumes generated across a broad based segment of borrowers within the commercial real estate portfolio were partially offset by a $263.8 million decline in the acquired PCI loan portion of the portfolio. Construction loans totaled $824.9 million at December 31, 2016 and increased $70.0 million from December 31, 2015 mostly due to advances on existing construction projects.

Residential mortgage loans totaled $2.9 billion at December 31, 2016 and decreased by $262.6 million from December 31, 2015 mostly due to a large percentage of new loans originated for sale rather than investment during 2016 and the transfer of $174.5 million in performing residential mortgage loans to loans held for sale during the third quarter of 2016. Our new and refinanced residential mortgage loan originations increased 81.7 percent to $891.0 million for the year ended December 31, 2016 as compared to $490.4 million in 2015. Of the $891.0 million in total originations, $58.5 million represented new Florida residential mortgage loans. During 2016, Valley sold $558.1 million of residential mortgages originated for sale (including $16.1 million of residential mortgage loans held for sale at December 31, 2015) as compared to approximately $135.2 million of mortgages sold during the year ended December 31, 2015. We retain mortgage originations based on credit criteria and loan to value levels, the composition of our interest earning assets and interest bearing liabilities and our ability to manage the interest rate risk associated with certain levels of these instruments. From time to time, we purchase residential mortgage loans originated by, and sometimes serviced by, other financial institutions based on several factors, including current loan origination volumes, market interest rates, excess liquidity, CRA and other asset/liability management strategies. All of the purchased loans are selected using Valley's normal underwriting criteria at the time of purchase. During 2016, Valley purchased approximately $173.9 million of 1-4 family loans, of which a large portion of the loans qualify for CRA purposes.

Due to the recent increase in market interest rates, our mortgage loan pipeline, particularly refinanced loans, has declined as compared to the activity in the fourth quarter of 2016. However, we do expect to continue to sell a significant portion of our new conforming fixed rate residential mortgage loan originations as part of our overall interest rate risk management strategies during the first quarter of 2017. While we do anticipate a sequential quarterly decline in net gains on loan sales largely due to $7.3 million of gains from approximately $170 million of seasoned portfolio loans sold during the fourth quarter of 2016, we do not expect a significant decline in gains from our normal levels of production of new loans originated for sale in the first quarter of 2017.

Consumer loans totaled $2.2 billion at December 31, 2016 and decreased only $7.1 million from December 31, 2015 as declines in both automobile and home equity loans were largely offset by an increase other consumer loans. Automobile loans decreased $100.1 million to $1.1 billion at December 31, 2016 from December 31, 2015 mainly due to a decline in indirect auto originations during the first nine months of 2016 largely caused by current market loan pricing and fee constraints resulting from new regulatory lending guidance. During the third quarter of 2016, management implemented various strategies to enhance new auto volumes, including new technology to improve the decision-making process for our auto dealer network. These enhancements and continued growth in our relatively new Florida markets led to improved new loan volumes during the fourth quarter of 2016. During the fourth quarter of 2016, automobile loans increased by $17.6 million from September 30, 2016. While we're optimistic that this positive trend in new loan production will continue into the first quarter of 2017, we can provide no assurance that our auto loans will not decline in future periods. Home equity loans decreased $42.2 million in 2016 from $511.2 million at December 31, 2015 mostly due to normal repayment activity largely within the PCI loan portion of the portfolio. New home equity loan volumes and customer usage of existing home equity lines of credit continued to be weak during 2016 despite the relatively favorable low interest rate environment. Other consumer loans increased $135.2 million to $577.1 million at December 31, 2016 as compared to 2015 largely due to continued strong growth and customer usage of collateralized personal lines of credit that allow the customer to manage their liquidity needs by accessing the cash value of their whole life insurance policy.

We are optimistic that both commercial and consumer lending activity will continue to be brisk in 2017, despite the expected reduction in refinanced residential mortgage loan activity caused by the recent increase in interest rates and, while not anticipated, any potential setbacks that could occur in the indirect automobile loan volumes or other portfolio segments. For 2017, we anticipate our overall loan portfolio growth to be in the range of six to eight percent. However, there can be no assurance that we will achieve such levels or that the overall loan portfolio balance will not decline from December 31, 2016.

Most of our lending is in northern and central New Jersey, New York City, Long Island and Florida, with the exception of smaller auto and residential mortgage loan portfolios derived from the other neighboring states of New Jersey, which could present a geographic and credit risk if there was another significant broad based economic downturn or a prolonged economic recovery within these regions. We are witnessing new loan activity across Valley's entire geographic footprint, including new loans and solid loan pipelines from our Florida lending operations. Valley's Florida Division accounted for approximately $485 million of approximately $4.2 billion in new and purchased commercial loan volume, excluding lines of credit, during 2016. However, the New Jersey and New York Metropolitan markets continue to account for a disproportionately larger percentage of our lending activity. To mitigate these risks, we are making efforts to maintain a diversified portfolio as to type of borrower and loan to guard against a potential downward turn in any one economic sector. Geographically, we may make further inroads into the Florida lending market, through acquisition, select de novo branch efforts or adding lending staff.

The following table reflects the contractual maturity distribution of the commercial and industrial and construction loans within our loan portfolio as of December 31, 2016:

	One Year or Less	One to Five Years	Over Five Years	Total
		(in thousands)		
Commercial and industrial—fixed-rate	$ 787,532	$ 435,868	$ 44,348	$ 1,267,748
Commercial and industrial—adjustable-rate	851,329	471,178	47,940	1,370,447
Construction—fixed-rate	66,352	125,810	15,606	207,768
Construction—adjustable-rate	197,099	373,724	46,355	617,178
	$ 1,902,312	$ 1,406,580	$ 154,249	$ 3,463,141

We may renew loans at maturity when requested by a customer. In such instances, we generally conduct a review which includes an analysis of the borrower's financial condition and, if applicable, a review of the adequacy of collateral via a new appraisal from an independent, bank approved, certified or licensed property appraiser or readily available market resources. A rollover of the loan at maturity may require a principal reduction or other modified terms.

Purchased Credit-Impaired Loans (Including Covered Loans)

PCI loans totaling $1.8 billion and $2.2 billion at December 31, 2016 and 2015, respectively, mostly consist of loans acquired in business combinations subsequent to 2011, and covered loans in which the Bank will share losses with the FDIC under loss-sharing agreements. Our covered loans, consisting primarily of residential mortgage loans and commercial real estate loans, totaled $70.4 million and $122.3 million at December 31, 2016 and 2015, respectively. During 2016 and 2015, we reclassified $27.5 million and $30.7 million of PCI loans, respectively, from our covered loan portfolio due to the expiration of certain commercial loan loss-sharing agreements with the FDIC.

As required by U.S. GAAP, all of our PCI loans are accounted for under ASC Subtopic 310-30. This accounting guidance requires the PCI loans to be aggregated and accounted for as pools of loans based on common risk characteristics. A pool is accounted for as one asset with a single composite interest rate, aggregate fair value and expected cash flows. For PCI loan pools accounted for under ASC Subtopic 310-30, the difference between the contractually required payments due and the cash flows expected to be collected, considering the impact of prepayments, is referred to as the non-accretable difference. The contractually required payments due represent the total undiscounted amount of all uncollected principal and interest payments. Contractually required payments due may increase or decrease for a variety of reasons, e.g. when the contractual terms of the loan agreement are modified, when interest rates on variable rate loans change, or when principal and/or interest payments are received. The Bank estimates the undiscounted cash flows expected to be collected by incorporating several key assumptions including probability of default, loss given default, and the amount of actual prepayments after the acquisition dates. The non-accretable difference, which is neither accreted into income nor recorded on our consolidated balance sheet, reflects estimated future credit losses and uncollectable contractual interest expected to be incurred over the life of the loans. The excess of the undiscounted cash flows expected at the acquisition date over the carrying amount (fair value) of the PCI loans is referred to as the accretable yield. This amount is accreted into interest income over the remaining life of the loans, or pool of loans, using the level yield method. The accretable yield is affected by changes in interest rate indices for variable rate loans, changes in prepayment assumptions, and changes in expected principal and interest payments over the estimated lives of the loans. Prepayments affect the estimated life of PCI loans and could change the amount of interest income, and possibly principal, expected to be collected. Reclassifications of the non-accretable difference to the accretable yield may occur subsequent to the loan acquisition dates due to increases in expected cash flows of the loan pools.

At both acquisition and subsequent quarterly reporting dates, we use a third party service provider to assist with validation of our assessment of the contractual and estimated cash flows. Valley provides the third party with updated loan-level information derived from Valley's main operating system, contractually required loan payments and expected cash flows for each loan pool

individually reviewed by us. Using this information, the third party provider determines both the contractual cash flows and cash flows expected to be collected. The loan-level information used to reforecast the cash flows was subsequently aggregated on a pool basis. The expected payment data, discount rates, impairment data and changes to the accretable yield received back from the third party were reviewed by Valley to determine whether this information is accurate and the resulting financial statement effects are reasonable.

Similar to contractual cash flows, we reevaluate expected cash flows on a quarterly basis. Unlike contractual cash flows which are determined based on known factors, significant management assumptions are necessary in forecasting the estimated cash flows. We attempt to ensure the forecasted expectations are reasonable based on the information currently available; however, due to the uncertainties inherent in the use of estimates, actual cash flow results may differ from our forecast and the differences may be significant. To mitigate such differences, we carefully prepare and review the assumptions utilized in forecasting estimated cash flows.

On a quarterly basis, Valley analyzes the actual cash flow versus the forecasts at the loan pool level and variances are reviewed to determine their cause. In re-forecasting future estimated cash flow, Valley will adjust the credit loss expectations for loan pools, as necessary. These adjustments are based, in part, on actual loss severities recognized for each loan type, as well as changes in the probability of default. For periods in which Valley does not reforecast estimated cash flows, the prior reporting period's estimated cash flows are adjusted to reflect the actual cash received and credit events which transpired during the current reporting period.

The following tables summarize the changes in the carrying amounts of PCI loans and the accretable yield on these loans for the years ended December 31, 2016 and 2015.

	2016		2015	
	Carrying Amount	Accretable Yield	Carrying Amount	Accretable Yield
	(in thousands)			
Balance, beginning of the period	$ 2,240,471	$ 415,179	$ 1,721,601	$ 336,208
Acquisition	—	—	824,882	126,930
Accretion	107,482	(107,482)	105,078	(105,078)
Payments received	(572,081)	—	(407,890)	—
Net (decrease) increase in expected cash flows	—	(9,989)	—	57,119
Transfers to other real estate owned	(1,176)	—	(3,200)	—
Other, net	(3,194)	(3,194)	—	—
Balance, end of the period	$ 1,771,502	$ 294,514	$ 2,240,471	$ 415,179

The net decrease or increase in expected cash flows for certain pools of loans (included in the table above) is recognized prospectively as an adjustment to the yield over the estimated remaining life of the individual pools. The net decrease in the expected cash flows totaling approximately $10.0 million for 2016 was largely due to better than expected collections, including loan prepayments, within certain loan pools which reduced the remaining reforecasted accretable yield during the fourth quarter of 2016. The net increase of $57.1 million during 2015 was mainly related to a decrease in the expected losses for certain loan pools during the fourth quarter of 2015.

For the pools with better than expected cash flows, the forecasted increase is recorded as a prospective adjustment to our interest income on these loan pools over future periods. The decrease in the FDIC loss-share receivable due to the increase in expected cash flows for covered loan pools is recognized on a prospective basis over the shorter period of the lives of the loan pools and the loss-share agreements, with a corresponding reduction in non-interest income for the period. See section below for further details regarding the FDIC loss-share receivable. Conversely, an increase or decrease in expected future cash flows of covered loans since the acquisition dates will increase or decrease (if applicable) the clawback liability (the amount the FDIC requires us to pay back if certain thresholds are met) accordingly.

FDIC Loss-Share Receivable Related to Covered Loans and Foreclosed Assets

The receivable arising from the loss-sharing agreements with the FDIC is measured separately from the covered loan portfolio because the agreements are not contractually part of the covered loans and are not transferable should the Bank choose to dispose of the covered loans. The FDIC loss-share receivable (which is included in other assets on Valley's consolidated statements of financial condition) totaled $7.2 million and $8.3 million at December 31, 2016 and 2015, respectively. The aggregate effects of changes in the FDIC loss-share receivable was a reduction in non-interest income of $1.3 million, $3.3 million and $20.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

See Note 1 to the consolidated financial statements for further details on the FDIC loss-share receivable and the related FDIC-assisted transactions.

Non-performing Assets

Non-performing assets (NPAs), which exclude non-performing PCI loans, include non-accrual loans, other real estate owned (OREO), other repossessed assets (which mainly consist of automobiles) and non-accrual debt securities at December 31, 2016. Loans are generally placed on non-accrual status when they become past due in excess of 90 days as to payment of principal or interest. Exceptions to the non-accrual policy may be permitted if the loan is sufficiently collateralized and in the process of collection. OREO is acquired through foreclosure on loans secured by land or real estate. OREO and other repossessed assets are reported at the lower of cost or fair value, less cost to sell at the time of acquisition and at the lower of fair value, less estimated costs to sell, or cost thereafter. The level of non-performing assets has decreased 36.8 percent over the last 12 month period and 74.7 percent since December 31, 2012 (as shown in the table below) mostly due to strong downward trend within non-accrual loan category, and a steady decline in the other non-performing asset categories. Overall, we believe the total non-performing assets has remained relatively low as a percentage of the total loan portfolio and non-performing assets over the past five years and is reflective of our consistent approach to the loan underwriting criteria for both Valley originated loans and loans purchased from third parties. Past due loans and non-accrual loans in the table below exclude PCI loans. Under U.S. GAAP, the PCI loans (acquired at a discount that is due, in part, to credit quality) are accounted for on a pool basis and are not subject to delinquency classification in the same manner as loans originated by Valley. For details regarding performing and non-performing PCI loans, see the "Credit quality indicators" section in Note 5 to the consolidated financial statements.

The following table sets forth by loan category, accruing past due and non-performing assets on the dates indicated in conjunction with our asset quality ratios:

	At December 31,				
	2016	2015	2014	2013	2012
	($ in thousands)				
Accruing past due loans [1]					
30 to 59 days past due					
Commercial and industrial	$ 6,705	$ 3,920	$ 1,630	$ 6,398	$ 3,397
Commercial real estate	5,894	2,684	8,938	9,142	11,214
Construction	6,077	1,876	448	1,186	1,793
Residential mortgage	12,005	6,681	6,200	6,595	13,730
Total Consumer	4,197	3,348	2,982	3,792	5,887
Total 30 to 59 days past due	34,878	18,509	20,198	27,113	36,021
60 to 89 days past due					
Commercial and industrial	5,010	524	1,102	571	181
Commercial real estate	8,642	—	113	2,442	2,031
Construction	—	2,799	—	4,577	4,892
Residential mortgage	3,564	1,626	3,575	1,939	5,221
Total Consumer	1,147	626	764	784	1,340
Total 60 to 89 days past due	18,363	5,575	5,554	10,313	13,665
90 or more days past due					
Commercial and industrial	142	213	226	233	283
Commercial real estate	474	131	49	7,591	2,950
Construction	1,106	—	3,988	—	2,575
Residential mortgage	1,541	1,504	1,063	1,549	2,356
Total Consumer	209	208	152	118	501
Total 90 or more days past due	3,472	2,056	5,478	9,491	8,665
Total accruing past due loans	$ 56,713	$ 26,140	$ 31,230	$ 46,917	$ 58,351
Non-accrual loans [1]					
Commercial and industrial	$ 8,465	$ 10,913	$ 8,467	$ 21,029	$ 22,424
Commercial real estate	15,079	24,888	22,098	43,934	58,625
Construction	715	6,163	5,223	8,116	14,805
Residential mortgage	12,075	17,930	17,760	19,949	32,623
Total Consumer	1,174	2,206	2,209	2,035	3,331
Total non-accrual loans	37,508	62,100	55,757	95,063	131,808
Non-performing loans held for sale	—	—	7,130	—	—
Other real estate owned (OREO) [2]	9,612	13,563	14,249	19,580	15,612
Other repossessed assets	384	437	1,232	6,447	7,805
Non-accrual debt securities [3]	1,935	2,142	4,729	3,771	40,303
Total non-performing assets	$ 49,439	$ 78,242	$ 83,097	$ 124,861	$ 195,528
Performing troubled debt restructured loans	$ 85,166	$ 77,627	$ 97,743	$ 107,037	$ 105,446
Total non-accrual loans as a % of loans	0.22%	0.39%	0.41%	0.82%	1.20%
Total NPAs as a % of loans and NPAs	0.29	0.49	0.61	1.07	1.74
Total accruing past due and non-accrual loans as a % of loans	0.55	0.55	0.65	1.23	1.73
Allowance for loan losses as a % of non-accrual loans	305.05	170.98	183.57	119.52	98.78

[1] Past due loans and non-accrual loans exclude PCI loans that are accounted for on a pool basis.

(2) This table excludes OREO properties related to the FDIC-assisted transactions totaling $558 thousand, $5.0 million, $9.2 million, $12.3 million and $8.9 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively, and is subject to the loss-sharing agreements with the FDIC.

(3) Includes other-than-temporarily impaired trust preferred securities classified as available for sale, which are presented at carrying value, net of unrealized losses totaling $817 thousand, $610 thousand, $621 thousand, $1.6 million and $6.9 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

Loans past due 30 to 59 days increased $16.4 million to $34.9 million at December 31, 2016 compared to $18.5 million at December 31, 2015 mostly due to increases in both residential mortgage loans and construction loans. Residential mortgage loans within this delinquency category increased $5.3 million to $12.0 million at December 31, 2016 compared to $6.7 million at December 31, 2015. The $4.2 million increase in construction loans was caused by the late receipt of payment from a $4.2 million relationship brought current as to all contractual payments in January 2017. In addition, the commercial and industrial loans within this delinquency category included two new loan relationships totaling $4.5 million of the $6.7 million at December 31, 2016. While this delinquency category at December 31, 2016 was significantly higher than the low levels seen at December 31, 2015, we continue to closely monitor this category and we do not believe the increase in delinquencies at December 31, 2016 represents a material negative trend within our total loan portfolio exceeding $17 billion.

Loans past due 60 to 89 days increased $12.8 million to $18.4 million at December 31, 2016 as compared to December 31, 2015 largely due to increases in both commercial real estate loans and commercial and industrial loans, partially offset by a decrease in construction loans. The $8.6 million increase in commercial real estate loans was primarily due to two matured performing loans (in the normal process of renewal) with a combined total of a $4.5 million and one potential problem loan of $3.8 million included within this delinquency category at December 31, 2016. Commercial and industrial loans also increased $4.5 million from December 31, 2015 largely due to matured performing loans with an aggregate total of $4.5 million at December 31, 2016. These matured loans represent one loan relationship collateralized by New York City (NYC) taxi cab medallions. Valley believes this relationship is well-secured and in the normal process of collection. See discussion of the taxi cab medallion loan portfolio below.

Loans 90 days or more past due and still accruing increased $1.4 million to $3.5 million at December 31, 2016 compared to $2.1 million at December 31, 2015. The increase in this delinquency category was caused by matured performing construction and commercial real estate loans totaling $1.1 million and $343 thousand, respectively, at December 31, 2016. These loans were in the normal process of renewal at December 31, 2016. All of the loans past due 90 days or more and still accruing are considered to be well secured and in the process of collection.

Non-accrual loans decreased $24.6 million to $37.5 million at December 31, 2016 as compared to $62.1 million at December 31, 2015 due to significant declines in all of the loan categories. The decrease in the commercial categories was largely due to strong collections resulting in several full repayments of impaired loans, as well as a commercial real estate loans totaling $3.4 million transferred to OREO during the third quarter of 2016. Although the timing of collection is uncertain, management believes that most of the non-accrual loans are well secured and largely collectible based on, in part, our quarterly review of impaired loans and the valuation of the underlying collateral, if applicable. Our impaired loans (mainly consisting of non-accrual commercial and industrial loans and commercial real estate loans over $250 thousand and all troubled debt restructured loans) totaled $114.8 million at December 31, 2016 and had $10.5 million in related specific reserves included in our total allowance for loan losses. If interest on non-accrual loans had been accrued in accordance with the original contractual terms, such interest income would have amounted to approximately $2.1 million, $3.5 million and $2.2 million for the years ended December 31, 2016, 2015 and 2014, respectively; none of these amounts were included in interest income during these periods. Interest income recognized on a cash basis for loans classified as non-accrual totaled $207 thousand, $1.3 million and $735 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

At December 31, 2016, our commercial and industrial loan portfolio included $151.2 million of taxi medallion loans mostly to fleet owners, which consist of $140.2 million and $11.0 million of NYC and Chicago taxi medallion loans, respectively. During the fourth quarter of 2016, $4.9 million of performing Chicago taxi medallion loans were restructured into amortizing loans and had related reserves within the allowance of loan losses totaling $2.7 million at December 31, 2016. At December 31, 2016, the Chicago medallion portfolio included one other impaired non-accrual loan relationship totaling $1.5 million, after a $3.7 million charge-off recognized in the third quarter of 2016. With the exception of the aforementioned matured performing $4.5 million NYC medallion relationship within the loans past due 60 to 89 days category, there were no past due or non-accruing loans within the NYC medallion portfolio at December 31, 2016. Valley's historical taxi medallion lending criteria has been conservative in regards to capping the loan amounts in relation to market valuations, as well as obtaining personal guarantees and other collateral whenever possible. We will continue to closely monitor this portfolio's performance and the potential impact of the changes in market valuation for taxi medallions due to competing car service providers and other factors. Overall, we believe our credit quality

metrics continue to reflect our solid underwriting standards at December 31, 2016. However, we can provide no assurances as to the future level of our loan delinquencies.

OREO (which consists of 23 commercial and residential properties), excluding OREO subject to loss-sharing agreements with the FDIC, decreased $4.0 million to $9.6 million at December 31, 2016 as compared to $13.6 million at December 31, 2015. The decrease was mainly due to a higher volume of sales of foreclosed properties in 2016 as compared to 2015. During 2016, we sold 33 OREO properties totaling $13.6 million as compared to 45 properties totaling $11.4 million sold in 2015. In addition, covered OREO properties totaling $1.8 million were reclassified to non-covered OREO due to the expiration of certain FDIC loss-share agreements in 2016. Overall, our residential mortgage loan foreclosure activity remains low due to the nominal amount of individual loan delinquencies within the residential mortgage and home equity portfolios and the average time to complete a foreclosure in the State of New Jersey, which currently exceeds two and a half years. The residential mortgage and consumer loans secured by residential real estate properties for which formal foreclosure proceedings are in-process totaled $7.1 million at December 31, 2016. We believe this lengthy legal process negatively impacts the level of our non-accrual loans and NPAs, and the ability to compare our NPA levels to similar banks located outside of our primary markets as of December 31, 2016. See additional information regarding our foreclosed asset activity, including OREO and other repossessed assets, in Note 3 to the consolidated financial statements.

The non-accrual debt securities consists of one other-than-temporarily impaired security with a carrying value of $1.9 million and $2.1 million at December 31, 2016 and 2015, respectively. The security had an aggregate unamortized cost of $2.8 million at both December 31, 2016 and 2015. See additional information at the “Investment Securities Portfolio” section of this MD&A and Note 4 to the consolidated financial statements.

Troubled debt restructured loans (TDRs) represent loan modifications for customers experiencing financial difficulties where a concession has been granted. Performing TDRs (i.e., TDRs not reported as loans 90 days or more past due and still accruing or as non-accrual loans) totaled $85.2 million at December 31, 2016 and consisted of 96 loans (primarily in the commercial and industrial loan and commercial real estate portfolios) as compared to $77.6 million at December 31, 2015. On an aggregate basis, the $85.2 million in performing TDRs at December 31, 2016 had a modified weighted average interest rate of approximately 4.68 percent as compared to a pre-modification weighted average interest rate of 4.75 percent. See Note 5 to the consolidated financial statements for additional disclosures regarding our TDRs.

Potential Problem Loans

Although we believe that substantially all risk elements at December 31, 2016 have been disclosed in the categories presented above, it is possible that for a variety of reasons, including economic conditions, certain borrowers may be unable to comply with the contractual repayment terms on certain real estate and commercial loans. As part of the analysis of the loan portfolio, management determined that there were approximately $131.4 million and $101.1 million in potential problem loans at December 31, 2016 and 2015, respectively, which were not classified as non-accrual loans in the non-performing asset table above. Potential problem loans are defined as performing loans for which management has concerns about the ability of such borrowers to comply with the loan repayment terms and which may result in a non-performing loan. Our decision to include performing loans in potential problem loans does not necessarily mean that management expects losses to occur, but that management recognizes potential problem loans carry a higher probability of default. At December 31, 2016, the potential problem loans consisted of various types of performing commercial credits internally risk rated substandard because the loans exhibited well-defined weaknesses and required additional attention by management. See further discussion regarding our internal loan classification system at Note 5 to the consolidated financial statements. There can be no assurance that Valley has identified all of its potential problem loans at December 31, 2016.

Asset Quality and Risk Elements

Lending is one of the most important functions performed by Valley and, by its very nature, lending is also the most complicated, risky and profitable part of our business. For our commercial loan portfolio, comprised of commercial and industrial loans, commercial real estate loans, and construction loans, a separate credit department is responsible for risk assessment and periodically evaluating overall creditworthiness of a borrower. Additionally, efforts are made to limit concentrations of credit so as to minimize the impact of a downturn in any one economic sector. We believe our loan portfolio is diversified as to type of borrower and loan. However, loans collateralized by real estate, including $1.5 billion of PCI loans, represent approximately 75 percent of total loans at December 31, 2016. Most of the loans collateralized by real estate are in northern and central New Jersey, New York City, and Florida presenting a geographical credit risk if there was a further significant broad-based deterioration in economic conditions within these regions (see Part I, Item 1A. Risk Factors - "Our financial results and condition may be adversely impacted by weak economic conditions").

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 generally located in counties where we have branch presence

in New Jersey, New York and Florida, as well as counties contiguous thereto, if applicable, including eastern Pennsylvania. We do provide mortgage loans secured by homes beyond this primary geographic area; however, lending outside this primary area is generally made in support of existing customer relationships. Residential mortgage loan underwriting policies based on Fannie Mae and Freddie Mac guidelines are adhered to for loan requests of conforming and non-conforming amounts. The weighted average loan-to-value ratio of all residential mortgage originations in 2016 was 59 percent while FICO® (independent objective criteria measuring the creditworthiness of a borrower) scores averaged 767. Home equity and automobile loans are secured loans and are made based on an evaluation of the collateral and the borrower's creditworthiness. In addition to our primary markets, automobile loans are mostly originated in several other contiguous states. Due to the level of our 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 our primary markets poses different geographic risks based upon the economy of that particular region.

Management realizes that some degree of risk must be expected in the normal course of lending activities. Allowances are maintained to absorb such loan losses inherent in the portfolio. The allowance for credit losses and related provision are an expression of management's evaluation of the credit portfolio and economic climate.

Allowance for Credit Losses

The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commercial letters of credit. Management maintains the allowance for credit losses at a level estimated to absorb probable losses inherent in the loan portfolio and unfunded letter of credit commitments at the balance sheet dates, based on ongoing evaluations of the loan portfolio. Our methodology for evaluating the appropriateness of the allowance for loan losses includes:

- segmentation of the loan portfolio based on the major loan categories, which consist of commercial, commercial real estate (including construction), residential mortgage, and other consumer loans (including automobile and home equity loans);
- tracking the historical levels of classified loans and delinquencies;
- assessing the nature and trend of loan charge-offs;
- providing specific reserves on impaired loans; and
- evaluating the PCI loan pools for additional credit impairment subsequent to the acquisition dates.

Additionally, the qualitative factors, such as the volume of non-performing loans, concentration risks by size, type, and geography, new markets, collateral adequacy, credit policies and procedures, staffing, underwriting consistency, loan review and economic conditions are taken into consideration when evaluating the adequacy of the allowance for credit losses.

The allowance for loan losses consists of four elements: (i) specific reserves for individually impaired credits, (ii) reserves for adversely classified, or higher risk rated, loans that are not impaired, (iii) reserves for other loans based on historical loss factors (using the appropriate loss look-back and loss emergence periods) adjusted for both internal and external qualitative risk factors to Valley, including the aforementioned factors, as well as changes in both organic and purchased loan portfolio volumes, the composition and concentrations of credit, new market initiatives, and the impact of competition on loan structuring and pricing, and (iv) an allowance for PCI loan pools impaired subsequent to the acquisition date, if applicable.

The Credit Risk Management Department individually evaluates non-accrual (non-homogeneous) loans within the commercial and industrial loan and commercial real estate loan portfolio segments over $250 thousand and troubled debt restructured loans within all the loan portfolio segments for impairment based on the underlying anticipated method of payment consisting of either the expected future cash flows or the related collateral. If payment is expected solely based on the underlying collateral, an appraisal is completed to assess the fair value of the collateral. Collateral dependent impaired loan balances are written down to the current fair value (less estimated selling costs) of each loan's underlying collateral resulting in an immediate charge-off to the allowance, excluding any consideration for personal guarantees that may be pursued in the Bank's collection process. (See the "Assets and Liabilities Measured at Fair Value on Non-recurring Basis" section of Note 3 to the consolidated financial statements for further details). If repayment is based upon future expected cash flows, the present value of the expected future cash flows discounted at the loan's original effective interest rate is compared to the carrying value of the loan, and any shortfall is recorded as a specific valuation allowance in the allowance for credit losses. At December 31, 2016, a $10.5 million specific valuation allowance was included in the allowance for credit losses related to $114.8 million of impaired loans that had such an allowance. See Note 5 to the consolidated financial statements for more details regarding impaired loans.

The allowance allocations for non-classified loans within all of our loan portfolio segments are calculated by applying historical loss factors by specific loan types to the applicable outstanding loans and unfunded commitments. Loss factors are based on the Bank's historical loss experience over a look-back period determined to provide the appropriate amount of data to accurately

estimate expected losses as of period end. Additionally, management assesses the loss emergence period for the expected losses of each loan segment and adjusts each historical loss factor accordingly. The loss emergence period is the estimated time from the date of a loss event (such as a personal bankruptcy) to the actual recognition of the loss (typically via the first full or partial loan charge-off), and is determined based upon a study of our past loss experience by loan segment. The loss factors may also be adjusted for significant changes in the current loan portfolio quality that, in management's judgment, affect the collectability of the portfolio as of the evaluation date.

The following table summarizes the relationship among loans, loans charged-off, loan recoveries, the provision for credit losses and the allowance for credit losses for the years indicated:

	Years Ended December 31,				
	2016	2015	2014	2013	2012
			($ in thousands)		
Average loans outstanding	$ 16,400,745	$ 14,447,020	$ 12,081,683	$ 11,187,968	$ 11,238,269
Beginning balance—Allowance for credit losses	$ 108,367	$ 104,287	$ 117,112	$ 132,495	$ 136,185
Loans charged-off: [1]					
Commercial and industrial	(5,990)	(7,928)	(12,722)	(19,837)	(16,103)
Commercial real estate	(650)	(1,864)	(4,894)	(7,060)	(9,596)
Construction	—	(926)	(4,576)	(3,786)	(2,092)
Residential mortgage	(866)	(813)	(1,004)	(4,446)	(3,518)
Total Consumer	(3,463)	(3,441)	(3,702)	(5,120)	(5,339)
Total loan charge-offs	(10,969)	(14,972)	(26,898)	(40,249)	(36,648)
Charged-off loans recovered: [2]					
Commercial and industrial	2,852	7,233	6,874	4,219	4,475
Commercial real estate	2,047	846	2,198	816	222
Construction	10	913	912	929	50
Residential mortgage	774	421	248	768	701
Total Consumer	1,654	1,538	1,957	2,039	1,958
Total loan recoveries	7,337	10,951	12,189	8,771	7,406
Net charge-offs [1][2]	(3,632)	(4,021)	(14,709)	(31,478)	(29,242)
Provision charged for credit losses	11,869	8,101	1,884	16,095	25,552
Ending balance—Allowance for credit losses	$ 116,604	$ 108,367	$ 104,287	$ 117,112	$ 132,495
Components of allowance for credit losses:					
Allowance for loan losses [3]	$ 114,419	$ 106,178	$ 102,353	$ 113,617	$ 130,200
Allowance for unfunded letters of credit	2,185	2,189	1,934	3,495	2,295
Allowance for credit losses	$ 116,604	$ 108,367	$ 104,287	$ 117,112	$ 132,495
Components of provision for credit losses:					
Provision for loan losses [4]	$ 11,873	$ 7,846	$ 3,445	$ 14,895	$ 25,640
Provision for unfunded letters of credit	(4)	255	(1,561)	1,200	(88)
Provision for credit losses	$ 11,869	$ 8,101	$ 1,884	$ 16,095	$ 25,552
Ratio of net charge-offs during the period to average loans outstanding	0.02%	0.03%	0.12%	0.28%	0.26%
Allowance for credit losses as a % of non-PCI loans	0.75	0.79	0.89	1.09	1.34
Allowance for credit losses as a % of total loans	0.68	0.68	0.77	1.01	1.20

(1) Includes covered loans charge-offs totaling $200 thousand, $1.5 million, $146 thousand and $4.0 million during 2015, 2014, 2013 and 2012, respectively. There were no covered loans charge-offs during 2016.

(2) Includes charged-off covered loan recoveries totaling $462 thousand during 2014. There were no recoveries of charged-off covered loans during 2016, 2015, 2013 and 2012.

(3) Includes reserve allocations related to covered loans totaling $200 thousand, $7.1 million and $9.5 million at December 31, 2014, 2013 and 2012, respectively. There were no allocated reserves related to covered loans at December 31, 2016 and 2015.

(4) Includes a negative (credit) provision for covered loans totaling $5.9 million and $2.3 million for 2014 and 2013, respectively. There was no provision for covered loans in 2016, 2015 and 2012.

Our net loan charge-offs decreased $389 thousand to $3.6 million in 2016 as compared to $4.0 million in 2015 mainly due to lower gross charge-offs in all of the commercial loan categories (as shown in the table above). Total commercial and industrial loan charge-offs declined $1.9 million to $6.0 million for the year ended December 31, 2016 as compared to 2015, despite a $3.7 million partial charge-off related to one Chicago taxi medallion relationship within this loan category during 2016.

Net charge-offs significantly declined in the last two years and have remained relatively low over the last five years as compared to many of our peers, despite the moderate pace of economic growth over most of such period. During this five-year period, our net charge-offs were at a high of 0.28 percent of average loans during 2013 and a low of 0.02 percent during 2016. The moderate level of our net loan charge-offs during 2016 was largely as a result of the continued solid performance of our loan portfolio and the gradual, but steadily improving economic environment. While we have a positive outlook for the future performance of the loan portfolio and the economy, there can be no assurance that our levels of net-charge-offs will continue to improve during 2017, and not deteriorate in the future.

The provision for credit losses increased $3.8 million to $11.9 million in 2016 as compared to $8.1 million in 2015 and was mostly due to the 7.4 percent annual loan growth in 2016, as well as moderate increases in the estimated loss emergence periods for most of our commercial loan portfolios based upon our most recent annual loss emergence study performed at September 30, 2016. The loss emergence period (LEP) assumption represents the estimated average amount of time from the point at which a loss is incurred to the point at which a loss is confirmed, typically by a charge-off. A longer LEP assumption will increase the level of the allowance for loan losses, and conversely, a shorter LEP will reduce the level of such reserves. The negative provision for covered loans in 2014 related to a decrease in the estimated additional credit impairment of certain covered loan pools (initially recognized in 2011 and 2010) subsequent to acquisition dates.

The following table summarizes the allocation of the allowance for credit losses to specific loan portfolio categories for the past five years:

	2016		2015		2014		2013		2012	
	Allowance Allocation	**Percent of Loan Category to total loans**	**Allowance Allocation**	**Percent of Loan Category to total loans**	**Allowance Allocation**	**Percent of Loan Category to total loans**	**Allowance Allocation**	**Percent of Loan Category to total loans**	**Allowance Allocation**	**Percent of Loan Category to total loans**
					($ in thousands)					
Loan Category:										
Commercial and industrial*	$ 53,005	15.3%	$ 50,956	15.8%	$ 45,610	16.7%	$ 55,046	17.5 %	$ 66,665	19.4%
Commercial real estate:										
Commercial real estate	36,405	50.6	32,037	46.3	27,426	45.7	32,002	43.6	26,676	41.1
Construction	19,446	4.8	15,969	4.7	15,414	4.0	10,341	3.7	17,393	3.9
Residential mortgage	3,702	16.6	4,625	19.5	5,093	19.1	7,786	21.7	9,423	22.4
Total Consumer	4,046	12.7	4,780	13.7	5,179	14.5	4,356	13.5	5,542	13.2
Unallocated	—	—	—	—	5,565		7,581	—	6,796	—
Total allowance for credit losses	$ 116,604	100%	$ 108,367	100%	$ 104,287	100%	$ 117,112	100 %	$ 132,495	100%

* Includes the allowance for unfunded letters of credit.

The allowance for credit losses, comprised of our allowance for loan losses and reserve for unfunded letters of credit, as a percentage of total loans was 0.68 percent at both December 31, 2016 and 2015. Our allowance allocations for losses at December 31, 2016 mostly increased within the commercial loan categories (see table above) as compared to December 31, 2015. These increases were due, in part, to both purchased and organic loan growth within the non-PCI loan portfolio over the last twelve-month period. Additionally, our estimate of the allowance for credit losses at December 31, 2016 was impacted by the level of net charge-offs and internally classified loans, assumptions based on the current economic environment, as well as other qualitative factors. Total net loan charge-offs of $3.6 million in 2016 were at the lowest level reported since 2005, both in terms of total amount and as a percentage of average loans outstanding during the period. The overall amount of the allowance for credit losses

has continued to be positively impacted by, amongst other factors, the decline in non-accrual loans as a result of the strengthening economy and significant repayments of many of these impaired loan relationships within the portfolio during 2016.

Our allowance for credit losses as a percentage of total non-PCI loans (excluding all PCI loans with carrying values totaling approximately $1.8 billion) was 0.75 percent at December 31, 2016 as compared to 0.76 percent at December 31, 2015. PCI loans, largely acquired through prior bank acquisitions, are accounted for on a pool basis and initially recorded net of fair valuation discounts related to credit which may be used to absorb future losses on such loans before any allowance for loan losses is recognized subsequent to acquisition. Due to the adequacy of such discounts, there were no allowance reserves related to PCI loans at December 31, 2016. See Notes 1 and 6 to the consolidated financial statements for additional information regarding our allowance for loan losses.

Prior to December 31, 2015, the allowance also contained reserves identified as the unallocated portion in the table above to cover inherent losses within a given loan category which have not been otherwise reviewed or measured on an individual basis. Such reserves represented management's attempt to ensure that the overall allowance reflected a margin for imprecision and the uncertainty that is inherent in estimates of probable credit losses. During 2015, Valley refined and enhanced its assessment of the adequacy of the allowance for loan losses. As a result, Valley no longer has an "unallocated" segment in its allowance for credit losses, as the risks and uncertainties meant to be captured by the unallocated allowance have been included in the qualitative framework for the respective portfolios at December 31, 2016 and 2015. As such, the unallocated allowance has in essence been reallocated to the certain portfolios based on the risks and uncertainties it was meant to capture.

Loan Repurchase Contingencies

We engage in the origination of residential mortgages for sale into the secondary market. Such loan sales were a significant portion of our mortgage loan production from the third quarter of 2012 until late in the second quarter of 2013 when market interest rates were at historical lows and consumer demand was robust. During 2016, loan sales increased significantly from 2015 and 2014 as refinance activity once again strengthened due to a favorably low interest rate environment for most of the year. In connection with loan sales, we make representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual losses incurred due to such loans. However, the performance of our loans sold has been historically strong due to our strict underwriting standards and procedures. Over the past several years, we have experienced a nominal amount of repurchase requests, and only a few of which have actually resulted in repurchases by Valley (only one loan repurchase in 2016 and no repurchases in 2015). None of the loan repurchases resulted in material loss. Accordingly, no reserves pertaining to loans sold were established on our consolidated financial statements at December 31, 2016 and 2015. See "Item 1A. Risk Factors - We may incur future losses in connection with repurchases and indemnification payments related to mortgages that we have sold into the secondary market" of this Annual Report for additional information.

Capital Adequacy

A significant measure of the strength of a financial institution is its shareholders' equity. At December 31, 2016 and 2015, shareholders' equity totaled approximately $2.4 billion and $2.2 billion, or 10.4 percent and 10.2 percent of total assets, respectively. During 2016, total shareholders' equity increased by $170.1 million primarily due to (i) net income of $168.1 million, (ii) net proceeds of $106.4 million from issuance of 9.24 million shares of common stock, no par value per share, (iii) a $7.2 million increase attributable to the effect of our stock incentive plan, (iv) net proceeds of $5.2 million from the reissuance of treasury stock and issuance of authorized common shares issued under our dividend reinvestment plan totaling 554 thousand shares, and (v) a $3.6 million decrease in our accumulated other comprehensive loss. These increases were partially offset by cash dividends declared on common and preferred stock totaling a combined $120.4 million. See Note 19 to the consolidated financial statements for more information regarding the changes in our accumulated other comprehensive loss during 2016.

Valley and Valley National Bank are subject to the regulatory capital requirements administered by the Federal Reserve Bank and the OCC. Quantitative measures established by regulation to ensure capital adequacy require Valley and Valley National Bank to maintain minimum amounts and ratios of common equity Tier 1 capital, total and Tier 1 capital to risk-weighted assets, and Tier 1 capital to average assets, as defined in the regulations.

Effective January 1, 2015, Valley implemented the Basel III regulatory capital framework and related Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Basel III final rules require a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5 percent, Tier 1 capital to risk-weighted assets of 6.0 percent, ratio of total capital to risk-weighted assets of 8.0 percent, and minimum leverage ratio of 4.0 percent. The new rule changes included the implementation of a new capital conservation buffer that is added to the minimum requirements for capital adequacy purposes. The capital conservation buffer is subject to a three year phase-in period that started on January 1, 2016, at 0.625 percent of risk-weighted assets and increases each subsequent year by 0.625 percent until reaching its final level of 2.5 percent when fully phased-in on January 1,

2019. As of December 31, 2016 and 2015, Valley and Valley National Bank exceeded all capital adequacy requirements with the capital conservation buffer under the Basel III Capital Rules. See Note 17 for Valley's and Valley National Bank's regulatory capital positions and capital ratios at December 31, 2016 and 2015.

The Dodd-Frank Act requires federal banking agencies to issue regulations that require banks with total consolidated assets of more than $10.0 billion to conduct and publish company-run annual stress tests to assess the potential impact of different scenarios on the consolidated earnings and capital of each bank and certain related items over a nine-quarter forward-looking planning horizon, taking into account all relevant exposures and activities. On October 9, 2012, the FRB published final rules implementing the stress testing requirements for banks with total consolidated assets of more than $10.0 billion but less than $50.0 billion. These rules set forth the timing and type of stress test activities, as well as rules governing controls, oversight and disclosure.

In March 2014, the FRB, OCC, and FDIC issued final supervisory guidance for these stress tests. This joint final supervisory guidance discusses supervisory expectations for stress test practices, provides examples of practices that would be consistent with those expectations, and offers additional details about stress test methodologies. It also emphasizes the importance of stress testing as an ongoing risk management practice.

On July 28, 2016, we submitted our latest stress testing results, utilizing data as of December 31, 2015, to the FRB. The full disclosure of the stress testing results, including the results for Valley National Bank, a summary of the supervisory severely adverse scenario and additional information regarding the methodologies used to conduct the stress test may be found on the Shareholder Relations section of our website (www.valleynationalbank.com) under the Dodd-Frank Act Stress Test Reports section.

Typically, our primary source of capital growth is through retention of earnings. Our rate of earnings retention is derived by dividing undistributed earnings per common share by earnings (or net income available to common stockholders) per common share. Our retention ratio was 30.2 and zero for the years ended December 31, 2016 and 2015, respectively. Our rate of earnings retention increased from the year ended December 31, 2015 which was negatively impacted by $51.1 million in pre-tax debt prepayment penalties recognized during the fourth quarter of 2015, and, to a much lesser extent, merger costs from the acquisition of CNL in December 2015. We expect our annual retention rate to improve in 2017 due to, among other factors, (i) synergies realized from the integration of CNL's back office operations completed in February 2016 and the related CNL staffing reductions effective April 1, 2016, (ii) solid loan growth, (iii) the recent increase in long-term market interest rates, and (iv) potential earnings improvement from our earnings enhancement program called LIFT just begun in the first quarter of 2017 (discussed elsewhere in this MD&A).

Cash dividends declared amounted to $0.44 per common share for both years ended December 31, 2016 and 2015. The Board is committed to examining and weighing relevant facts and considerations, including its commitment to shareholder value, each time it makes a cash dividend decision in this economic environment. The Federal Reserve has cautioned all bank holding companies about distributing dividends which may reduce the level of capital or not allow capital to grow in light of the increased capital levels as required under the Basel III rules. Prior to the date of this filing, Valley has received no objection or adverse guidance from the FRB or the OCC regarding the current level of its quarterly common stock dividend.

Valley maintains an effective shelf registration statement with the SEC that allows Valley to periodically offer and sell in one or more offerings, individually or in any combination, of Valley's common stock, preferred stock and other non-equity securities. The shelf registration statement provides Valley with capital raising flexibility and enables Valley to promptly access the capital markets in order to pursue growth opportunities that may become available in the future or permits Valley to comply with any changes in the regulatory environment that call for increased capital requirements. Valley's ability, and any decision to issue and sell securities pursuant to the shelf registration statement, is subject to market conditions and Valley's capital needs at such time. Additional equity offerings, including shares issued under Valley's dividend reinvestment plan, may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Such offerings may be necessary in the future due to several reasons beyond management's control, including numerous external factors that could negatively impact the strengthening of the U.S. economy or our ability to maintain or increase the level of our net income. See Note 18 to the consolidated financial statements for additional information on Valley's common and preferred stock issuances, as well as activity within its dividend reinvestment plan.

Off-Balance Sheet Arrangements

Contractual Obligations and Commitments. In the ordinary course of operations, Valley enters into various financial obligations, including contractual obligations that may require future cash payments. As a financial services provider, we routinely enter into commitments to extend credit, including loan commitments, standby and commercial letters of credit. Such commitments are subject to the same credit policies and approval process accorded to loans made by the Bank. See Note 15 of the consolidated financial statements for additional information.

The following table summarizes Valley's contractual obligations and other commitments to make future payments as of December 31, 2016. Payments for deposits, borrowings and debentures do not include interest. Payments related to leases, capital expenditures, other purchase obligations and commitments to sell loans are based on actual payments specified in the underlying contracts. Commitments to extend credit and standby letters of credit are presented at contractual amounts; however, since many of these commitments are expected to expire unused or only partially used based upon our historical experience, the total amounts of these commitments do not necessarily reflect future cash requirements.

	Note to Financial Statements	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
				(in thousands)		
Contractual obligations:						
Time deposits	Note 9	$ 2,122,906	$ 572,687	$ 310,235	$ 133,043	$ 3,138,871
Long-term borrowings [1]	Note 10	75,000	50,000	840,000	475,000	1,440,000
Junior subordinated debentures issued to capital trusts [1]	Note 11	—	—	—	45,363	45,363
Operating leases	Note 15	27,256	53,224	52,212	281,310	414,002
Capital expenditures		7,050	—	—	—	7,050
Other purchase obligations [2]		27,429	799	383	—	28,611
Total		$ 2,259,641	$ 676,710	$ 1,202,830	$ 934,716	$ 5,073,897
Other commitments:						
Commitments to extend credit	Note 15	$ 3,245,372	$ 627,981	$ 55,785	$ 554,854	$ 4,483,992
Standby letters of credit	Note 15	121,924	22,470	73,301	—	217,695
Commitments to sell loans	Note 15	147,250	—	—	—	147,250
Total		$ 3,514,546	$ 650,451	$ 129,086	$ 554,854	$ 4,848,937

(1) Amounts presented consist of the contractual principal balances. Carrying values and call dates are set forth in Notes 10 and 11 to the consolidated financial statements for long-term borrowings and junior subordinated debentures issued to capital trusts, respectively.

(2) This category primarily consists of contractual obligations for communication and technology costs.

Valley also has obligations under its pension benefit plans, not included in the above table, as further described in Note 12 of the consolidated financial statements.

Derivative Instruments and Hedging Activities. We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate and liquidity risks, primarily by managing the amount, sources, and duration of our assets and liabilities and, from time to time, the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash receipts and our known or expected cash payments mainly related to certain variable-rate borrowings and fixed-rate loan assets. Valley also enters into mortgage banking derivatives which are non-designated hedges. These derivatives include interest rate lock commitments provided to customers to fund certain residential mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. Valley enters into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on Valley's commitments to fund the loans as well as on its portfolio of mortgage loans held for sale.

See Note 15 to the consolidated financial statements for quantitative information on our derivative financial instruments and hedging activities.

Trust Preferred Securities. In addition to the commitments and derivative financial instruments of the types described above, our off-balance sheet arrangements include a $1.4 million ownership interest in the common securities of our statutory trusts to issue trust preferred securities. See "Capital Adequacy" section above and Note 11 of the consolidated financial statements.

Results of Operations—2015 Compared to 2014

Net interest income on a tax equivalent basis increased by $75.4 million to $558.1 million for 2015 compared with $482.7 million for 2014. The increase was mainly driven by a $2.4 billion increase in average loan balances and a $386.5 million decrease in average long-term borrowings as compared to 2014. The growth in average loans during 2015 was fueled mostly by solid demand for commercial real estate loans, automobile loans and secured personal lines of credit throughout the year, $1.2 billion of purchased participations in multi-family loans and whole 1-4 family loans (that were a mix of qualifying and non-qualifying CRA loans with adjustable and fixed rates), $1.2 billion in loans acquired from 1st United on November 1, 2014 and, to a much lesser extent, approximately $825 million in loans acquired from CNL on December 1, 2015.

Average interest earning assets totaling $17.4 billion for the year ended December 31, 2015 increased $2.4 billion, or 15.9 percent, as compared to 2014. Average loan balances increased $2.4 billion to $14.4 billion in 2015 and drove all of the $80.4 million increase in the interest income on a tax equivalent basis for loans as compared to 2014, which was partially offset by the low interest rates on new and renewed loans. The increase in average loans was primarily due to the aforementioned commercial real estate loans, automobile loans and secured personal lines of credit growth throughout the year and purchased participations in multi-family loans and whole 1-4 family loans. Average investment securities decreased $81.4 million to approximately $2.7 billion in 2015 primarily due to a lower level of reinvestment of principal and interest payments from investments due to the funding needs related to our organic and purchased loan growth during 2015. Average federal funds sold and other interest bearing deposits increased $100.8 million to $271.3 million for the year ended December 31, 2015 as compared to 2014 due to higher levels of overnight liquidity held primarily due to the timing of new loan originations and loan purchases, funds held from the issuance of subordinated notes in June 2015 used to repay the notes that matured in July 2015, and to a lesser extent, excess funds used for a portion of our prepayment of high cost borrowings in the fourth quarter of 2015.

Average interest bearing liabilities increased $1.6 billion to $12.9 billion for the year ended December 31, 2015 from the same period in 2014 mainly due to a $1.3 billion increase in average savings, NOW, and money market accounts mostly resulting from (1) $591.7 million in deposits assumed from 1st United, (2) increased use of brokered money market account balances in our loan growth funding strategy and other liquidity needs (including $500 million of such deposits we used to fund the prepayment of high cost borrowings totaling $795 million in late October 2015), and (3) approximately $46 million in average balances related to deposits assumed from CNL. Average time deposits also increased $704.5 million to $3.0 billion for 2015 as compared to 2014 mainly due to significant organic growth from retail time deposit campaigns in New Jersey, New York and Florida in the fourth quarter of 2014 and second quarter of 2015 and $256.5 million in deposits assumed from 1st United during the fourth quarter of 2014. Average short-term borrowings decreased $47.6 million to $243.2 million for 2015 as compared to 2014 mostly due to lower levels of overnight federal funds purchased and short-term FHLB advances utilized as short-term funding sources for loan growth throughout most of 2015. Average long-term borrowings decreased to approximately $2.5 billion for 2015 as compared to $2.8 billion in 2014 largely due to the prepayments of high cost borrowings of $275 million and $845 million in the fourth quarters of 2014 and 2015, respectively.

Non-interest income represented 11 percent of total interest income plus non-interest income for both 2015 and 2014, respectively. For the year ended December 31, 2015, non-interest income increased $6.2 million compared with 2014 mainly due to a decrease in the negative impact on non-interest income from the change of the FDIC loss-share receivable and increases in both net gains on sales of loans and net gains on securities transactions, partially offset by a decrease in net gains on sales of assets.

The aggregate effect of changes in the FDIC loss-share receivable amounted to a $3.3 million net reduction in non-interest income for the year ended December 31, 2015 as compared to $20.8 million for 2014. The majority of the reduction in both the receivable and non-interest income during both 2015 and 2014 relates to the prospective adjustment to the receivable related to better than originally estimated cash flows on certain pools of covered loans since the acquisition date.

Net gains on sales of loans increased $2.5 million for the year ended December 31, 2015 as compared to 2014 largely due to an increase in sales volumes, and decreased $29.5 million from December 31, 2013 mostly due to a significant decline in loans originated for sale as our new and refinanced loan origination volumes were slowed by the higher level of long-term market interest rates since June 2013.

Net gains on securities transactions increased $1.7 million to $2.5 million for the year ended December 31, 2015 as compared to $745 thousand in 2014. The increase was largely due to gross gains totaling $3.3 million on the sale of corporate debt securities and trust preferred securities with amortized cost totaling $25.9 million during 2015, and, to a much lesser extent, an increase in net gains from the normal maturities and early redemptions of certain securities. The sale transactions included a corporate debt security classified as held to maturity and a previously impaired pooled trust preferred security with amortized costs of $9.8 million and $2.6 million, respectively. These gains were partially offset by $947 thousand of gross losses recognized on the sale of trust preferred securities with a total amortized cost of $8.3 million.

Net gains on sales of assets decreased $15.3 million for the year ended December 31, 2015 as compared to $18.1 million for 2014. The decrease in 2015 was mainly the result of a $17.8 million gain recognized in December 2014 from the sale of a Manhattan branch location.

Non-interest expense increased $95.8 million to $499.1 million for the year ended December 31, 2015 from $403.3 million for 2014. The increase from 2014 was mainly attributable to increases in the loss on extinguishment of debt, salaries and employee benefits, and net occupancy and equipment. The loss on extinguishment of debt totaling $51.1 million and $10.1 million for the years ended December 31, 2015 and December 31, 2014, respectively, entirely consisted of prepayment penalties incurred in connection with the early repayment of $845 million and $275 million in high cost long-term borrowings during the fourth quarters of 2015 and 2014, respectively. Salary and employee benefits expense increased by $28.3 million for the year ended December 31, 2015 across most categories as compared to 2014 largely due to the additional staffing expenses related to our acquisition of 1st United on November 1, 2014 and, to a much lesser extent, general increases in 2015 and the acquisition of CNL on December 1, 2015. Additionally, many of the back office efficiencies related to the 1st United transaction were not fully realized until after the systems conversion in the latter part of the first quarter of 2015. Within the salary and employee benefits category, medical health insurance expenses increased $2.4 million to $17.4 million during the year ended December 31, 2015 as compared to 2014 due, in part, to general cost increases, as well as the acquisition of 1st United. In addition, net occupancy and equipment expenses increased $16.0 million for the year ended December 31, 2015 as compared to 2014. The increase was largely due to additional rents and other costs associated with the 20 branch network acquired from 1st United in 2014, as well as a general increase in repairs and maintenance expenses. During the fourth quarter of 2015, we also recorded $2.6 million of additional lease obligation expense related to 15 planned branch closures for 2016.

We also incurred merger expenses (largely within professional and legal fees) totaling $1.8 million for the year ended December 31, 2015 related to the acquisition of CNL as compared to $2.6 million for the year ended December 31, 2014 related to the acquisition of 1st United. See Note 2 to the consolidated financial statements for further details regarding the acquisition.

Income tax expense was $23.9 million for the year ended December 31, 2015, reflecting an effective tax rate of 18.9 percent, as compared to $31.1 million for the year ended 2014, reflecting an effective tax rate of 21.1 percent. The decrease in both 2015 tax expense and the effective tax rate was primarily the result of the lower pre-tax income.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

For information regarding Quantitative and Qualitative Disclosures About Market Risk, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Interest Rate Sensitivity."

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2016	December 31, 2015
	(in thousands except for share data)	
Assets		
Cash and due from banks	$ 220,791	$ 243,575
Interest bearing deposits with banks	171,710	170,225
Investment securities:		
Held to maturity (fair value of $1,924,597 at December 31, 2016 and $1,621,039 at December 31, 2015)	1,925,572	1,596,385
Available for sale	1,297,373	1,506,861
Total investment securities	3,222,945	3,103,246
Loans held for sale, at fair value	57,708	16,382
Loans	17,236,103	16,043,107
Less: Allowance for loan losses	(114,419)	(106,178)
Net loans	17,121,684	15,936,929
Premises and equipment, net	291,180	298,943
Bank owned life insurance	391,830	387,542
Accrued interest receivable	66,816	63,554
Goodwill	690,637	686,339
Other intangible assets, net	45,484	48,882
Other assets	583,654	656,999
Total Assets	$ 22,864,439	$ 21,612,616
Liabilities		
Deposits:		
Non-interest bearing	$ 5,252,825	$ 4,914,285
Interest bearing:		
Savings, NOW and money market	9,339,012	8,181,362
Time	3,138,871	3,157,904
Total deposits	17,730,708	16,253,551
Short-term borrowings	1,080,960	1,076,991
Long-term borrowings	1,433,906	1,810,728
Junior subordinated debentures issued to capital trusts	41,577	41,414
Accrued expenses and other liabilities	200,132	222,841
Total Liabilities	20,487,283	19,405,525
Shareholders' Equity		
Preferred stock (no par value, authorized 30,000,000 shares; issued 4,600,000 shares at December 31, 2016 and 2015)	111,590	111,590
Common stock (no par value, authorized 332,023,233 shares; issued 263,804,877 shares at December 31, 2016 and 253,787,561 shares at December 31, 2015)	92,353	88,626
Surplus	2,044,401	1,927,399
Retained earnings	172,754	125,171
Accumulated other comprehensive loss	(42,093)	(45,695)
Treasury stock, at cost (166,047 common shares at December 31, 2016)	(1,849)	—
Total Shareholders' Equity	2,377,156	2,207,091
Total Liabilities and Shareholders' Equity	$ 22,864,439	$ 21,612,616

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2016	2015	2014
	(in thousands, except for share data)		
Interest Income			
Interest and fees on loans	$ 685,911	$ 633,199	$ 552,821
Interest and dividends on investment securities:			
Taxable	58,143	52,050	62,458
Tax-exempt	15,537	14,568	14,683
Dividends	6,206	6,557	6,272
Interest on federal funds sold and other short-term investments	1,126	649	369
Total interest income	766,923	707,023	636,603
Interest Expense			
Interest on deposits:			
Savings, NOW and money market	39,787	24,824	19,671
Time	37,775	35,432	27,882
Interest on short-term borrowings	12,022	919	972
Interest on long-term borrowings and junior subordinated debentures	59,190	95,579	113,321
Total interest expense	148,774	156,754	161,846
Net Interest Income	618,149	550,269	474,757
Provision for credit losses	11,869	8,101	1,884
Net Interest Income After Provision for Credit Losses	606,280	542,168	472,873
Non-Interest Income			
Trust and investment services	10,345	10,020	9,512
Insurance commissions	19,106	17,233	16,853
Service charges on deposit accounts	20,879	21,176	22,771
Gains on securities transactions, net	777	2,487	745
Fees from loan servicing	6,441	6,641	7,013
Gains on sales of loans, net	22,030	4,245	1,731
Gains on sales of assets, net	1,358	2,776	18,087
Bank owned life insurance	6,694	6,815	6,392
Change in FDIC loss-share receivable	(1,291)	(3,326)	(20,792)
Other	16,886	15,735	15,304
Total non-interest income	103,225	83,802	77,616
Non-Interest Expense			
Salary and employee benefits expense	235,853	221,765	193,489
Net occupancy and equipment expense	87,140	90,521	74,492
FDIC insurance assessment	20,100	16,867	14,051
Amortization of other intangible assets	11,327	9,169	9,919
Professional and legal fees	17,755	18,945	16,859
Loss on extinguishment of debt	315	51,129	10,132
Amortization of tax credit investments	34,744	27,312	24,196
Telecommunication expenses	10,021	8,259	6,993
Other	58,870	55,108	53,124
Total non-interest expense	476,125	499,075	403,255
Income Before Income Taxes	233,380	126,895	147,234
Income tax expense	65,234	23,938	31,062
Net Income	168,146	102,957	116,172
Dividends on preferred stock	7,188	3,813	—
Net Income Available to Common Shareholders	$ 160,958	$ 99,144	$ 116,172
Earnings Per Common Share:			
Basic	$ 0.63	$ 0.42	$ 0.56
Diluted	0.63	0.42	0.56
Cash Dividends Declared Per Common Share	0.44	0.44	0.44
Weighted Average Number of Common Shares Outstanding:			
Basic	254,841,571	234,405,909	205,716,293
Diluted	255,268,336	234,437,000	205,716,293

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2016	2015	2014
		(in thousands)	
Net income	$ 168,146	$ 102,957	$ 116,172
Other comprehensive income (loss), net of tax:			
Unrealized gains and losses on securities available for sale			
Net (losses) gains arising during the period	(4,293)	(2,000)	19,398
Less reclassification adjustment for net gains included in net income	(465)	(1,446)	(433)
Total	(4,758)	(3,446)	18,965
Non-credit impairment losses on available for sale and held to maturity securities			
Net change in non-credit impairment losses on securities	417	(241)	1,334
Less reclassification adjustment for accretion of credit impairment losses included in net income	(539)	(424)	(383)
Total	(122)	(665)	951
Unrealized gains and losses on derivatives (cash flow hedges)			
Net losses on derivatives arising during the period	(2,461)	(7,239)	(12,147)
Less reclassification adjustment for net losses included in net income	7,641	4,127	3,886
Total	5,180	(3,112)	(8,261)
Defined benefit pension plan			
Net gains (losses) arising during the period	3,298	3,444	(16,207)
Amortization of prior service cost	(181)	117	177
Amortization of net loss	185	462	132
Total	3,302	4,023	(15,898)
Total other comprehensive income (loss)	3,602	(3,200)	(4,243)
Total comprehensive income	$ 171,748	$ 99,757	$ 111,929

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Preferred Stock	Common Stock Shares	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
				($ in thousands)				
Balance - December 31, 2013	$ —	199,593	$ 69,941	$ 1,403,375	$106,340	$ (38,252)	$ (364)	$ 1,541,040
Net income	—	—	—	—	116,172	—	—	116,172
Other comprehensive loss, net of tax	—	—	—	—	—	(4,243)	—	(4,243)
Cash dividends declared on common stock	—	—	—	—	(91,581)	—	—	(91,581)
Effect of stock incentive plan, net	—	1,299	234	6,269	(83)	—	(614)	5,806
Common stock issued	—	31,219	10,897	284,108	(3)	—	821	295,823
Balance - December 31, 2014	—	232,111	81,072	1,693,752	130,845	(42,495)	(157)	1,863,017
Net income	—	—	—	—	102,957	—	—	102,957
Other comprehensive loss, net of tax	—	—	—	—	—	(3,200)	—	(3,200)
Preferred stock issued	111,590	—	—	—	—	—	—	111,590
Cash dividends declared on preferred stock	—	—	—	—	(3,813)	—	—	(3,813)
Cash dividends declared on common stock	—	—	—	—	(104,753)	—	—	(104,753)
Effect of stock incentive plan, net	—	500	190	7,153	(30)	—	(2,598)	4,715
Common stock issued	—	21,177	7,364	226,494	(35)	—	2,755	236,578
Balance - December 31, 2015	111,590	253,788	88,626	1,927,399	125,171	(45,695)	—	2,207,091
Net income	—	—	—	—	168,146	—	—	168,146
Other comprehensive income, net of tax	—	—	—	—	—	3,602	—	3,602
Cash dividends declared on preferred stock	—	—	—	—	(7,188)	—	—	(7,188)
Cash dividends declared on common stock	—	—	—	—	(113,212)	—	—	(113,212)
Effect of stock incentive plan, net	—	57	365	10,737	(143)	—	(3,894)	7,065
Common stock issued	—	9,794	3,362	106,265	(20)	—	2,045	111,652
Balance - December 31, 2016	$ 111,590	263,639	$ 92,353	$ 2,044,401	$172,754	$ (42,093)	$ (1,849)	$ 2,377,156

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2016	2015	2014
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 168,146	$ 102,957	$ 116,172
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,431	21,082	19,465
Stock-based compensation	10,032	7,575	7,489
Provision for credit losses	11,869	8,101	1,884
Net amortization of premiums and accretion of discounts on securities and borrowings	24,310	22,080	26,949
Amortization of other intangible assets	11,327	9,169	9,919
Gains on securities transactions, net	(777)	(2,487)	(745)
Proceeds from sales of loans held for sale	572,439	144,790	85,452
Gains on sales of loans, net	(22,030)	(4,245)	(1,731)
Originations of loans held for sale	(425,713)	(134,328)	(91,463)
Gains on sales of assets, net	(1,358)	(2,776)	(18,087)
Net deferred income tax expense	27,154	16,453	11,455
FDIC loss-share receivable (excluding reimbursements)	1,291	3,326	20,792
Net change in:			
Trading securities	—	14,233	31
Fair value of borrowings hedged by derivative transactions	6,158	1,473	1,364
Cash surrender value of bank owned life insurance	(6,694)	(6,815)	(6,392)
Accrued interest receivable	(3,262)	(2,480)	423
Other assets	46,167	(74,589)	15,867
Accrued expenses and other liabilities	(24,313)	31,410	(14,868)
Net cash provided by operating activities	419,177	154,929	183,976
Cash flows from investing activities:			
Net loan originations and purchases	(1,379,218)	(1,756,578)	(778,300)
Investment securities held to maturity:			
Purchases	(669,157)	(239,608)	(397,186)
Sales	—	11,666	—
Maturities, calls and principal repayments	325,766	402,485	347,531
Investment securities available for sale:			
Purchases	(679,530)	(594,327)	(28,415)
Sales	4,782	140,640	62,025
Maturities, calls and principal repayments	867,998	142,588	153,673
Death benefit proceeds from bank owned life insurance	2,406	—	—
Proceeds from sales of real estate property and equipment	20,560	23,861	43,360
Purchases of real estate property and equipment	(20,707)	(34,040)	(21,862)
(Payments to) reimbursements from the FDIC	(213)	1,889	5,582
Cash and cash equivalents acquired in acquisitions	—	201,025	102,025
Net cash used in investing activities	(1,527,313)	(1,700,399)	(511,567)

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

	Years Ended December 31,		
	2016	2015	2014
		(in thousands)	
Cash flows from financing activities:			
Net change in deposits	$ 1,477,157	$ 1,051,660	$ 1,300,011
Net change in short-term borrowings	3,969	873,123	(151,470)
Proceeds from issuance of long-term borrowings, net	385,000	162,792	—
Repayments of long-term borrowings	(769,182)	(970,000)	(275,000)
Proceeds from issuance of preferred stock, net	—	111,590	—
Cash dividends paid to preferred shareholders	(7,188)	(3,813)	—
Cash dividends paid to common shareholders	(111,813)	(102,279)	(88,119)
Purchase of common shares to treasury	(3,191)	(2,108)	(1,688)
Common stock issued, net	112,085	7,898	5,096
Net cash provided by financing activities	1,086,837	1,128,863	788,830
Net change in cash and cash equivalents	(21,299)	(416,607)	461,239
Cash and cash equivalents at beginning of year	413,800	830,407	369,168
Cash and cash equivalents at end of year	$ 392,501	$ 413,800	$ 830,407
Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest on deposits and borrowings	$ 151,209	$ 159,170	$ 162,762
Federal and state income taxes	26,564	50,027	34,236
Supplemental schedule of non-cash investing activities:			
Transfer of loans to other real estate owned	$ 8,089	$ 8,828	$ 11,012
Loans transferred to loans held for sale	174,501	—	27,329
Acquisition:			
Non-cash assets acquired:			
Investments securities held to maturity	$ —	$ —	$ 7,930
Investment securities available for sale	—	327,152	216,074
Loans	—	822,716	1,160,269
Premises and equipment	—	8,550	11,234
Bank owned life insurance	—	5,090	25,224
Accrued interest receivable	—	3,741	3,792
Goodwill	—	113,587	148,115
Other intangible assets	—	18,616	9,750
Other assets	—	49,831	52,349
Total non-cash assets acquired	—	1,349,283	1,634,737
Liabilities assumed:			
Deposits	—	1,167,725	1,414,843
Short-term borrowings	—	57,087	16,796
Long-term borrowings	—	90,738	—
Accrued expenses and other liabilities	—	5,156	13,900
Total liabilities assumed	—	1,320,706	1,445,539
Net non-cash assets acquired	$ —	$ 28,577	$ 189,198
Net cash and cash equivalents acquired in acquisition	$ —	$ 201,025	$ 102,025
Common stock issued in acquisition	$ —	$ 229,602	$ 291,223

See accompanying notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Note 1)

Business

Valley National Bancorp, a New Jersey Corporation (Valley), is a bank holding company whose principal wholly-owned subsidiary is Valley National Bank (the "Bank"), a national banking association providing a full range of commercial, retail and trust and investment services largely through its offices and ATM network throughout northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, and Florida. The Bank is subject to intense competition from other financial services companies and is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by certain regulatory authorities.

Valley National Bank's subsidiaries are all included in the consolidated financial statements of Valley. These subsidiaries include, but are not limited to:

- an all-line insurance agency offering property and casualty, life and health insurance;
- an asset management adviser that is a registered investment adviser with Securities and Exchange Commission (SEC);
- title insurance agencies in New Jersey, New York and Florida;
- subsidiaries which hold, maintain and manage investment assets for the Bank;
- a subsidiary which owns and services auto loans;
- a subsidiary which specializes in health care equipment lending and other commercial equipment leases; and
- a subsidiary which owns and services New York commercial loans.

The Bank's subsidiaries also include real estate investment trust subsidiaries (the "REIT" subsidiaries) which own real estate related investments and a REIT subsidiary which owns some of the real estate utilized by the Bank and related real estate investments. Except for Valley's REIT subsidiaries, all subsidiaries mentioned above are directly or indirectly wholly-owned by the Bank. Because each REIT subsidiary must have 100 or more shareholders to qualify as a REIT, each REIT subsidiary has issued less than 20 percent of its outstanding non-voting preferred stock to individuals, most of whom are non-senior management Bank employees. The Bank owns the remaining preferred stock and all the common stock of the REITs.

Basis of Presentation

The consolidated financial statements of Valley include the accounts of its commercial bank subsidiary, Valley National Bank and all of Valley's direct or indirect wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated. 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. See Note 11 for more details. Certain prior period amounts have been reclassified to conform to the current presentation.

In preparing the consolidated financial statements in conformity with U.S. GAAP, management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Material estimates that are particularly susceptible to change are: the allowance for loan losses; the evaluation of goodwill and other intangible assets, and investment securities for impairment; fair value measurements of assets and liabilities; and income taxes. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual amounts or results could differ significantly from those estimates. The current economic environment has increased the degree of uncertainty inherent in these material estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits in other banks (including the Federal Reserve Bank of New York) and, from time to time, overnight federal funds sold. The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank based on a percentage of deposits. These reserve balances totaled $113.8 million and $59.9 million at December 31, 2016 and 2015, respectively.

Investment Securities

At the time of purchase, management generally elects to classify investment securities into one of two categories: held to maturity or available for sale. Investment securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold to maturity. Investment securities to be held for indefinite periods are classified as available for sale and carried at fair value, with unrealized holding gains and losses reported as a component of other comprehensive income or loss, net of tax. Realized gains or losses on the sale of available for sale are recognized by the specific identification method and are included in net gains on securities transactions. Investments in Federal Home Loan Bank and Federal Reserve Bank stock, which have limited marketability, are carried at cost in other assets.

Quarterly, Valley evaluates its investment securities classified as held to maturity and available for sale for other-than-temporary impairment. Other-than-temporary impairment means Valley believes the security's impairment is due to factors that could include the issuer's inability to pay interest or dividends, the potential for default, and/or other factors. When a held to maturity or available for sale debt security is assessed for other-than-temporary impairment, Valley has to first consider (a) whether it intends to sell the security, and (b) whether it is more likely than not that Valley will be required to sell the security prior to recovery of its amortized cost basis. If neither of these circumstances applies to a security, but Valley does not expect to recover the entire amortized cost basis, an other-than-temporary impairment loss has occurred that must be separated into two categories: (a) the amount related to credit loss, and (b) the amount related to other factors. In assessing the level of other-than-temporary impairment attributable to credit loss, Valley compares the present value of cash flows expected to be collected with the amortized cost basis of the security. The portion of the total other-than-temporary impairment related to credit loss is recognized in earnings, while the portion related to other factors is recognized in other comprehensive income or loss. The total other-than-temporary impairment loss is presented in the statement of income, less the portion recognized in other comprehensive income or loss. When a debt security becomes other-than-temporarily impaired, its amortized cost basis is reduced to reflect the portion of the total impairment related to credit loss. There was no other-than-temporary impairment recognized in earnings as a result of Valley's impairment analysis of its securities during 2016, 2015 and 2014.

To determine whether a security's impairment is other-than-temporary, Valley considers factors that include, among others, the causes of the decline in fair value, such as credit problems, interest rate fluctuations, or market volatility; the severity and duration of the decline; Valley's ability and intent to hold equity security investments until they recover in value (as well as the likelihood of such a recovery in the near term); Valley's intent to sell security investments; and whether it is more likely than not that Valley will be required to sell such securities before recovery of their individual amortized cost basis. For debt securities, the primary consideration in determining whether impairment is other-than-temporary is whether or not it is probable that current and/or future contractual cash flows have been or may be impaired. See the "Other-Than-Temporary Impairment Analysis" section of Note 4 for further discussion.

Interest income on investments includes amortization of purchase premiums and discounts. Realized gains and losses are derived based on the amortized cost of the security sold. Valley discontinues the recognition of interest on debt securities if the securities meet both of the following criteria: (i) regularly scheduled interest payments have not been paid or have been deferred by the issuer, and (ii) full collection of all contractual principal and interest payments is not deemed to be the most likely outcome, resulting in the recognition of other-than-temporary impairment of the security.

Loans Held for Sale

Loans held for sale generally consist of conforming residential mortgage loans originated and intended for sale in the secondary market and are carried at their estimated fair value on an instrument-by-instrument basis as permitted by the fair value option election under U.S. GAAP. Changes in fair value are recognized in non-interest income in the accompanying consolidated statements of income as a component of net gains on sales of loans. Origination fees and costs related to loans held for sale are recognized as earned and as incurred. Loans held for sale are generally sold with loan servicing rights retained by Valley. Gains recognized on loan sales include the value assigned to the rights to service the loan. See "Loan Servicing Rights" section below.

Loans and Loan Fees

Loans are reported at their outstanding principal balance net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans and premium or discounts on purchased loans, except for purchased credit-impaired loans. Loan origination and commitment fees, net of related costs are deferred and amortized as an adjustment of loan yield over the estimated life of the loans approximating the effective interest method.

Loans are deemed to be past due when the contractually required principal and interest payments have not been received as they become due. Loans are placed on non-accrual status generally, when they become 90 days past due and the full and timely collection of principal and interest becomes uncertain. When a loan is placed on non-accrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current income. Payments received on non-accrual loans are generally applied against principal. A loan in which the borrowers' obligation has not been released in bankruptcy courts may be restored to an accruing basis when it becomes well secured and is in the process of collection, or all past due amounts become current under the loan agreement and collectability is no longer doubtful.

Purchased Credit-Impaired Loans (Including Covered Loans)

Purchased credit-impaired (PCI) loans are loans acquired at a discount (that is due, in part, to credit quality). Valley's PCI loan portfolio primarily consists of loans acquired in business combinations subsequent to 2011 and (covered) loans in which the Bank will share losses with the FDIC under loss-sharing agreements that have resulted from past FDIC-assisted transactions by Valley and acquired from 1st United Bancorp, Inc. (1st United) in 2014. The PCI loans are initially recorded at fair value (as determined by the present value of expected future cash flows) with no allowance for loan losses. Interest income on PCI loans has been accounted for based on the acquired loans' expected cash flows. The PCI loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flow.

The difference between the undiscounted cash flows expected at acquisition and the investment in the loans, or the "accretable yield," is recognized as interest income utilizing the level-yield method over the life of each pool. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "nonaccretable difference," are not recognized as a yield adjustment or as a loss accrual or an allowance for loan losses. Increases in expected cash flows subsequent to the acquisition are recognized prospectively through adjustment of the yield on the pool over its remaining life, while decreases in expected cash flows are recognized as impairment through a loss provision and an increase in the allowance for loan losses. Therefore, the allowance for loan losses on these impaired pools reflect only losses incurred after the acquisition (representing the present value of all cash flows that were expected at acquisition but currently are not expected to be received). Any allowance for loan losses related to covered PCI loans is determined without consideration of the amounts recoverable through the FDIC loss-share agreements (see "FDIC Loss-Share Receivable" below). Valley had no allowance reserves related to PCI loans at December 31, 2016 and 2015.

The Bank periodically evaluates the remaining contractual required payments due and estimates of cash flows expected to be collected for the underlying loans of each PCI loan pool. These evaluations, performed quarterly, require the continued use of key assumptions and estimates, similar to the initial estimate of fair value. Changes in the contractual required payments due and estimated cash flows expected to be collected may result in changes in the accretable yield and non-accretable difference or reclassifications between accretable yield and the non-accretable difference. For the pools with better than expected cash flows, the forecasted increase is recorded as an additional accretable yield that is recognized as a prospective increase to our interest income on loans and the FDIC loss-share receivable, if applicable, is prospectively reduced by the guaranteed portion of the additional cash flows expected to be received, with a corresponding reduction to non-interest income. See Note 5 for additional information.

PCI loans that may have been classified as non-performing loans by an acquired bank are no longer classified as non-performing because these loans are accounted for on a pooled basis. Management's judgment is required in classifying loans in pools as performing loans, and is dependent on having a reasonable expectation about the timing and amount of the pool cash flows to be collected, even if certain loans within the pool are contractually past due.

FDIC Loss-Share Receivable

Valley National Bank has several loss-share agreements with the FDIC (referred to as the "FDIC loss-share receivable" reported within other assets on Valley's consolidated statements of financial condition) which relate to the LibertyPointe Bank and The Park Avenue Bank transactions entered into by Valley in 2010, as well as three prior FDIC-assisted transactions by 1st United (including Republic Federal Bank, The Bank of Miami and Old Harbor Bank) acquired by Valley in 2014. The FDIC loss-share receivable arising from the loss-agreements is measured separately from the covered loan pools because the agreements are not contractually part of the covered loans and are not transferable should the Bank choose to dispose of the covered loans.

At the date of acquisition, the FDIC loss-share receivable was measured at its fair value based on expected future cash flows covered by the loss share agreements. In addition, the asset is based on the credit adjustments estimated for each loan pool and the loss-share percentages. Our FDIC loss-share receivable totaled $7.2 million and $8.3 million at December 31, 2016 and 2015, respectively. Although this asset represents a contractual receivable from the FDIC, there is no contractual interest rate associated with the asset.

The difference between the present value and the undiscounted cash flow expected to be collected from the FDIC is accreted into non-interest income over the life of the FDIC loss-share receivable. Actual or expected losses in excess of the acquisition date estimates result in an increase in the FDIC loss-share receivable. Conversely, when actual or expected losses are less than the acquisition date estimates, the loss share receivable is decreased. This reduction is recognized prospectively over the shorter of (i) the estimated life of the respective pools of covered loans or (ii) the term of the loss-sharing agreements with the FDIC. The FDIC loss-share receivable is also reduced and increased as loss-sharing payments are received from and made to the FDIC.

Effective January 1, 2015, the losses on commercial related loans (commercial and industrial loans and commercial real estate loans) from the Republic Federal Bank transaction ceased being covered under the loss-share agreement. Any recoveries, net of expenses, of losses incurred prior to January 1, 2015 on such loans will continue to be covered (and must be shared with the FDIC in accordance with the loss-share agreement) through December 31, 2017. The losses on consumer related loans (residential mortgage loans and consumer loans) continue to be covered under the loss-share agreement through December 31, 2019. Under the terms of this loss-sharing agreement with the FDIC, losses are shared on the acquired loan and other real estate owned portfolio between 80 percent and 95 percent based upon certain aggregate loss limits.

Effective April 1, 2015, the losses on commercial related loans from the LibertyPointe Bank and The Park Avenue Bank transactions ceased to be covered under the loss-share agreements. Any recoveries, net of expenses, of losses incurred prior to April 1, 2015 on such loans will continue to be covered by the loss-sharing agreement through March 31, 2018. The losses on consumer related loans will continue to be covered under the loss-share agreements through March 31, 2020. Under the terms of the loss-sharing agreements for the LibertyPointe Bank and The Park Avenue Bank transaction, the FDIC is obligated to reimburse Valley for 80 percent and 95 percent, respectively, of any future losses on covered consumer loans up to certain aggregate loss limits.

Effective January 1, 2016, the losses on commercial related loans from The Bank of Miami transaction ceased to be covered under the loss-share agreement. Any recoveries, net of expenses, of losses incurred prior to January 1, 2016 on such loans will continue to be covered through December 31, 2018. The losses on consumer related loans continue to be covered under the loss-share agreement through December 31, 2020. Under the terms of this loss-sharing agreement with the FDIC, losses are shared on the acquired loan and other real estate owned portfolio up to 80 percent of the covered assets acquired.

Effective January 1, 2017, the losses on commercial related loans from the Old Harbor Bank transaction ceased to be covered under the loss-share agreement. Any recoveries, net of expenses, on losses incurred prior that date will be shared with the FDIC in accordance with the loss-share agreement through December 31, 2019. The losses on consumer related loans will continue to be covered under the loss-share agreement through October 31, 2021. Under the terms of this loss-sharing agreement with the FDIC, losses are shared on the acquired loans and other real estate owned portfolio up to 70 percent of those covered assets within certain aggregate loss limits.

Allowance for Credit Losses

The allowance for credit losses (the "allowance") is increased through provisions charged against current earnings and additionally by crediting amounts of recoveries received, if any, on previously charged-off loans. The allowance is reduced by charge-offs on loans or unfunded letters of credit which are determined to be a loss, in accordance with established policies, when all efforts of collection have been exhausted.

The allowance is maintained at a level estimated to absorb probable credit losses inherent in the loan portfolio as well as other credit risk related charge-offs. The allowance is based on ongoing evaluations of the probable estimated losses inherent in the non-PCI loan portfolio and off-balance sheet unfunded letters of credit, as well as reserves for impairment of PCI loans subsequent to their acquisition date. As discussed under the "Purchased Credit-Impaired Loans" section above, Valley had no allowance reserves related to PCI loans at December 31, 2016 and 2015. The Bank's methodology for evaluating the appropriateness of the allowance includes grouping the non-covered loan portfolio into loan segments based on common risk characteristics, tracking the historical levels of classified loans and delinquencies, estimating the appropriate loss look-back and loss emergence periods related to historical losses for each loan segment, providing specific reserves on impaired loans, and assigning incremental reserves where necessary based upon qualitative and economic outlook factors including numerous variables, such as the nature and trends of recent loan charge-offs. Additionally, the volume of non-performing loans, concentration risks by size, type, and geography, new markets, collateral adequacy, credit policies and procedures, staffing, underwriting consistency, loan review and economic conditions are taken into consideration.

The allowance for loan losses consists of four elements: (i) specific reserves for individually impaired credits, (ii) reserves for adversely classified, or higher risk rated, loans that are not impaired, (iii) reserves for other loans based on historical loss factors (using the appropriate loss look-back and loss emergence periods) adjusted for both internal and external qualitative risk factors to Valley, including the aforementioned factors, as well as changes in both organic and purchased loan portfolio volumes, the composition and concentrations of credit, new market initiatives, and the impact of competition on loan structuring and pricing, and (iv) an allowance for PCI loan pools impaired subsequent to the acquisition date, if applicable.

The Credit Risk Management Department individually evaluates non-accrual (non-homogeneous) commercial and industrial loans and commercial real estate loans over $250 thousand and all troubled debt restructured loans. The value of an impaired loan is measured based upon the underlying anticipated method of payment consisting of either the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral, if the loan is collateral dependent, and its payment is expected solely based on the underlying collateral. If the value of an impaired loan is less than its carrying amount, impairment is recognized through a provision to the allowance for loan losses. Collateral dependent impaired loan balances are written down to the estimated current fair value (less estimated selling costs) of each loan's underlying collateral resulting in an immediate charge-off to the allowance, excluding any consideration for personal guarantees that may be pursued in the Bank's collection process. If repayment is based upon future expected cash flows, the present value of the expected future cash flows discounted at the loan's original effective interest rate is compared to the carrying value of the loan, and any shortfall is recorded as a specific valuation allowance in the allowance for loan losses. Accrual of interest is discontinued on an impaired loan when management believes, after considering collection efforts and other factors, the borrower's financial condition is such that collection of interest is doubtful. Cash collections from non-accrual loans are generally credited to the loan balance, and no interest income is recognized on these loans until the principal balance has been determined to be fully collectible. Residential mortgage loans and consumer loans usually consist of smaller balance homogeneous loans that are collectively evaluated for impairment, and are specifically excluded from the impaired loan portfolio, except where the loan is classified as a troubled debt restructured loan.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of the loans. Loans are evaluated based on an internal credit risk rating system for the commercial and industrial loan and commercial real estate loan portfolio segments and non-performing loan status for the residential and consumer loan portfolio segments. Loans are risk-rated based on an internal credit risk grading process that evaluates, among other things: (i) the obligor's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. This analysis is performed at the relationship manager level for all commercial and industrial loans and commercial real estate loans, and evaluated by the Loan Review Department on a test basis. Loans with a grade that is below "Pass" grade are adversely classified. See Note 5 for details. Any change in the credit risk grade of adversely classified performing and/or non-performing loans affects the amount of the related allowance. Once a loan is adversely classified, the assigned relationship manager and/or a special assets officer in conjunction with the Credit Risk Management Department analyze the loan to determine whether the loan is impaired and, if impaired, the need to specifically assign a valuation allowance for loan losses to the loan. Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. Loans identified as losses by management are charged-off. Commercial loans are generally assessed for full or partial charge-off to the net realizable value for collateral dependent loans when a loan is between 90 or 120 days past due or sooner if it is probable that a loan may not be fully collectable. Residential loans and home equity loans are generally charged-off to net realizable value when the loan is 120 days past due (or sooner when the borrowers' obligation has been released in bankruptcy). Automobile loans are fully charged-off when the loan is 120 days past due or partially charged-off to the net realizable value of collateral, if the collateral is recovered prior to such time. Unsecured consumer loans are generally fully charged-off when the loan is 150 days past due.

The allowance allocations for other loans (i.e., risk rated loans that are not adversely classified and loans that are not risk rated) are calculated by applying historical loss factors for each loan portfolio segment to the applicable outstanding loan portfolio balances. Loss factors are calculated using statistical analysis supplemented by management judgment. The statistical analysis considers historical default rates, historical loss severity in the event of default, and the average loss emergence period for each loan portfolio segment. The management analysis includes an evaluation of loan portfolio volumes, the composition and concentrations of credit, credit quality and current delinquency trends.

See Notes 5 and 6 for Valley's loan credit quality and additional allowance disclosures.

Premises and Equipment, Net

Premises and equipment are stated at cost less accumulated depreciation computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives range from 3 years for capitalized software to up to 40 years for buildings. Leasehold improvements are amortized over the term of the lease or estimated useful life of the asset, whichever is shorter. Major improvements are capitalized, while repairs and maintenance costs are charged to operations as incurred. Upon retirement or disposition, any gain or loss is credited or charged to operations. See Note 7 for further details.

Bank Owned Life Insurance

Valley owns bank owned life insurance (BOLI) to help offset the cost of employee benefits. BOLI is recorded at its cash surrender value. Valley's BOLI is invested primarily in U.S. Treasury securities and residential mortgage-backed securities issued by government sponsored enterprises and Ginnie Mae. The majority of the underlying investment portfolio is managed by one independent investment firm. The change in the cash surrender value is included as a component of non-interest income and is exempt from federal and state income taxes as long as the policies are held until the death of the insured individuals.

Other Real Estate Owned

Valley acquires other real estate owned (OREO) through foreclosure on loans secured by real estate. OREO is reported at the lower of cost or fair value, as established by a current appraisal (less estimated costs to sell), and is included in other assets. Any write-downs at the date of foreclosure are charged to the allowance for loan losses. Expenses incurred to maintain these properties, unrealized losses resulting from valuation write-downs after the date of foreclosure, and realized gains and losses upon sale of the properties are included in other non-interest expense. OREO and other repossessed assets totaled $10.6 million and $19.0 million (including $588 thousand and $5.0 million of OREO properties related to the FDIC-assisted transactions, which are subject to the loss-sharing agreements) at December 31, 2016 and 2015, respectively. At December 31, 2016, OREO included foreclosed residential real estate properties totaling $1.6 million. Residential mortgage and consumer loans secured by residential real estate properties for which formal foreclosure proceedings are in process totaled $7.1 million at December 31, 2016.

Goodwill

Intangible assets resulting from acquisitions under the acquisition method of accounting consist of goodwill and other intangible assets (see "Other Intangible Assets" below). Goodwill is not amortized and is subject to an annual assessment for impairment. Currently, the goodwill impairment analysis is generally a two-step test. However, Valley may choose to perform an optional qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test for one or more units in future periods. During 2016 and 2015, Valley elected to perform step one of the two-step goodwill impairment test for all of its reporting units.

Goodwill is allocated to Valley's reporting unit, which is a business segment or one level below, at the date goodwill is actually recorded. If the carrying value of a reporting unit exceeds its estimated fair value, a second step in the analysis is performed to determine the amount of impairment, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying value of a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded equal to the excess amount in the current period earnings. Valley reviews goodwill annually or more frequently if a triggering event indicates impairment may have occurred, to determine potential impairment by determining if the fair value of the reporting unit has fallen below the carrying value.

Other Intangible Assets

Other intangible assets primarily consist of loan servicing rights (largely generated from loan servicing retained by the Bank on residential mortgage loan originations sold in the secondary market to government sponsored enterprises), core deposits (the portion of an acquisition purchase price which represents value assigned to the existing deposit base), customer lists, and covenants not to compete obtained through acquisitions. Other intangible assets are amortized using various methods over their estimated lives and are periodically evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable from future undiscounted cash flows. If impairment is deemed to exist, an adjustment is recorded to earnings in the current period for the difference between the fair value of the asset and its carrying amount. See further details regarding loan servicing rights below.

Loan Servicing Rights

Loan servicing rights are recorded when originated mortgage loans are sold with servicing rights retained, or when servicing rights are purchased. Valley initially records the loan servicing rights at fair value. Subsequently, the loan servicing rights are carried at the lower of unamortized cost or market (i.e., fair value). The fair values of the loan servicing rights are determined using a method which utilizes servicing income, discount rates, prepayment speeds and default rates specifically relative to Valley's portfolio for originated mortgage servicing rights.

The unamortized costs associated with acquiring loan servicing rights, net of any valuation allowances, are included in other intangible assets in the consolidated statements of financial condition and are accounted for using the amortization method. Under this method, Valley amortizes the loan servicing assets in proportion to and over the period of estimated net servicing revenues. On a quarterly basis, Valley stratifies its loan servicing assets into groupings based on risk characteristics and assesses each group for impairment based on fair value. A valuation allowance is established through an impairment charge to earnings to the extent

the unamortized cost of a stratified group of loan servicing rights exceeds its estimated fair value. Increases in the fair value of impaired loan servicing rights are recognized as a reduction of the valuation allowance, but not in excess of such allowance. The amortization of loan servicing rights is recorded in non-interest income.

Stock-Based Compensation

Compensation expense for stock options and restricted stock awards (i.e., non-vested stock awards) is based on the fair value of the award on the date of the grant and is recognized ratably over the service period of the award. Under Valley's long-term incentive compensation plans, award grantees that are eligible for retirement do not have a service period requirement. Compensation expense for these awards is recognized immediately in earnings. The service period for non-retirement eligible employees is the shorter of the stated vesting period of the award or the period until the employee's retirement eligibility date. The fair value of each option granted is estimated using a binomial option pricing model. The fair value of restricted stock awards is based upon the last sale price reported for Valley's common stock on the date of grant or the last sale price reported preceding such date, except for performance-based restricted stock and restricted stock unit awards with a market condition. The grant date fair value of a performance-based restricted stock or restrict stock unit award that vests based on a market condition is determined by a third party specialist using a Monte Carlo valuation model. See Note 12 for additional information.

Fair Value Measurements

In general, fair values of financial instruments are based upon quoted market prices, where available. When observable market prices and parameters are not fully available, management uses valuation techniques based upon internal and third party models requiring more management judgment to estimate the appropriate fair value measurements. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value, including adjustments based on internal cash flow model projections that utilize assumptions similar to those incorporated by market participants. Other adjustments may include amounts to reflect counterparty credit quality and Valley's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. See Note 3 for additional information.

Income Taxes

Valley uses the asset and liability method to provide income taxes on all transactions recorded in the consolidated financial statements. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on the enacted tax rates that will be in effect when the underlying items of income and expense are expected to be realized.

Valley's expense for income taxes includes the current and deferred portions of that expense. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. A valuation allowance is established to reduce deferred tax assets to the amount we expect to realize. Deferred income tax expense or benefit results from differences between assets and liabilities measured for financial reporting versus income-tax return purposes. The effect on deferred taxes of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

Valley maintains a reserve related to certain tax positions that management believes contain an element of uncertainty. An uncertain tax position is measured based on the largest amount of benefit that management believes is more likely than not to be realized. Periodically, Valley evaluates each of its tax positions and strategies to determine whether the reserve continues to be appropriate. See Note 13 for further analysis of Valley's accounting for income taxes.

Comprehensive Income

Comprehensive income or loss is defined as the change in equity of a business entity during a period due to transactions and other events and circumstances, excluding those resulting from investments by and distributions to shareholders. Comprehensive income consists of net income and other comprehensive income or loss. Valley's components of other comprehensive income or loss, net of deferred tax, include: (i) unrealized gains and losses on securities available for sale (including the non-credit portion of other-than-temporary impairment charges relating to these securities); (ii) unrealized gains and losses on derivatives used in cash flow hedging relationships; and (iii) the pension benefit adjustment for the unfunded portion of its various employee, officer, and director pension plans. Valley presents comprehensive income and its components in the consolidated statements of comprehensive income for all periods presented. See Note 19 for additional disclosures.

Earnings Per Common Share

In Valley's computation of the earnings per common share, the numerator of both the basic and diluted earnings per common share is net income available to common shareholders (which is equal to net income less dividends on preferred stock). The

weighted average number of common shares outstanding used in the denominator for basic earnings per common share is increased to determine the denominator used for diluted earnings per common share by the effect of potentially dilutive common stock equivalents utilizing the treasury stock method.

The following table shows the calculation of both basic and diluted earnings per common share for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
	(in thousands, except for share data)		
Net income available to common shareholders	$ 160,958	$ 99,144	$ 116,172
Basic weighted-average number of common shares outstanding	254,841,571	234,405,909	205,716,293
Plus: Common stock equivalents	426,765	31,091	—
Diluted weighted-average number of common shares outstanding	255,268,336	234,437,000	205,716,293
Earnings per common share:			
Basic	$ 0.63	$ 0.42	$ 0.56
Diluted	0.63	0.42	0.56

Common stock equivalents represent the dilutive effect of additional common shares issuable upon the assumed vesting or exercise, if applicable, of performance-based restricted stock units, common stock options and warrants to purchase Valley's common shares. Common stock options and warrants with exercise prices that exceed the average market price of Valley's common stock during the periods presented have an anti-dilutive effect on the diluted earnings per common share calculation and therefore are excluded from the diluted earnings per share calculation. Anti-dilutive common stock options and warrants equaled approximately 4.0 million, 4.7 million, and 6.2 million of common shares for the years ended December 31, 2016, 2015, and 2014, respectively.

Preferred and Common Stock Dividends

In June 2015, Valley issued 4.6 million shares of non-cumulative perpetual preferred stock which were initially recorded at fair value (see Note 18 for additional details on the preferred stock issuance). The preferred shares are senior to Valley common stock, whereas the current year dividends must be paid before Valley can pay dividends to its common stockholders. Preferred dividends declared are deducted from net income for computing income available to common stockholders and earnings per common share computations.

Cash dividends to both preferred and common stockholders are payable and accrued when declared by Valley's Board of Directors.

Treasury Stock

Treasury stock is recorded using the cost method and accordingly is presented as a reduction of shareholders' equity.

Derivative Instruments and Hedging Activities

As part of its asset/liability management strategies and to accommodate commercial borrowers, Valley has used interest rate swaps and caps to hedge variability in cash flows or fair values caused by changes in interest rates. Valley also uses derivatives not designated as hedges for non-speculative purposes to manage its exposure to interest rate movements related to a service for commercial lending customers, mortgage banking activities consisting of customer interest rate lock commitments and forward contracts to sell residential mortgage loans, and hybrid instruments, consisting of market linked certificates of deposit with an embedded swap contract. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Valley records all derivatives as assets or liabilities at fair value on the consolidated statements of financial condition.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income or loss and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. On a quarterly basis, Valley assesses the effectiveness of each hedging relationship by comparing the changes in cash flows or fair value of the derivative hedging instrument with the changes in cash flows or fair value of the designated

hedged item or transaction. If a hedging relationship is terminated due to ineffectiveness, and the derivative instrument is not re-designated to a new hedging relationship, the subsequent change in fair value of such instrument is charged directly to earnings. Derivatives not designated as hedges do not meet the hedge accounting requirements under U.S. GAAP. Changes in fair value of derivatives not designated in hedging relationships are recorded directly in earnings. Valley made an accounting policy election to use the exception under the ASU No. 2011-04 and calculate the credit valuation adjustments to the fair value of derivatives on a net basis by counterparty portfolio. See Note 3 for additional information.

New Authoritative Accounting Guidance

Accounting Standards Update (ASU) No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test guidance) to measure a goodwill impairment charge. Instead, an entity will be required to record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on Step 1 of the current guidance). In addition, ASU No. 2017-04 eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment, and if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. However, an entity will be required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU No. 2017-04 is effective for Valley for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and is not expected to have a significant impact on the presentation Valley's consolidated financial statements. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017.

ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" clarifies on how certain cash receipts and cash payments should be classified and presented in the statement of cash flow. The ASU No. 2016-15 includes guidance on eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for Valley for fiscal years beginning after December 15, 2017 and it should be applied using a retrospective transition method to each period presented. ASU No. 2016-15 is not expected to have a significant impact on the presentation Valley's consolidated statements of cash flows.

ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" amends the accounting guidance on the impairment of financial instruments. The ASU No. 2016-13 adds to U.S. GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity is required to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU No. 2016-13 is effective for Valley for reporting periods beginning January 1, 2020. Management is currently evaluating the impact of the ASU on Valley's consolidated financial statements. Valley expects that the new guidance will result in an increase in its allowance for credit losses due to several factors, including: (i) the allowance related to Valley loans will increase to include credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, (ii) the non-accretable difference (as defined in Note 5) on PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans, and (iii) an allowance will be established for estimated credit losses on investment securities classified as held to maturity. The extent of the increase is under evaluation, but will depend upon the nature and characteristics of the Valley's loan and investment portfolios at the adoption date, and the economic conditions and forecasts at that date.

ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" simplifies several aspects of the stock compensation guidance in Topic 718 and other related guidance. The amendments focus on income tax accounting upon vesting or exercise of share-based payments, award classification, liability classification exception for statutory tax withholding requirements, estimating forfeitures, and cash flow presentation. ASU No. 2016-09 is effective for Valley for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018 with an early adoption permitted. ASU No. 2016-09 is not expected to have a significant impact on Valley's consolidated financial statements.

ASU No. 2016-02, "Leases (Topic 842)" requires the recognition of a right of use asset and related lease liability by lessees for leases classified as operating leases under current GAAP. Topic 842, which replaces the current guidance under Topic 840, retains a distinction between finance leases and operating leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee also will not significantly change from current GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize right of use assets and lease liabilities. Topic 842 will be effective for Valley for reporting periods beginning January 1, 2019, with an early adoption permitted. Valley must apply a modified retrospective transition approach for the applicable leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective

approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Management is currently evaluating the impact of Topic 842 on Valley's consolidated financial statements by reviewing its existing lease contracts and service contracts that may include embedded leases. Valley expects a gross-up of its consolidated statements of financial condition as a result of recognizing lease liabilities and right of use assets; the extent of such gross-up is under evaluation. Valley does not expect material changes to the recognition of operating lease expense in its consolidated statements of income.

ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities" requires that: (i) equity investments with readily determinable fair values must be measured at fair value with changes in fair value recognized in net income, (ii) equity investments without readily determinable fair values must be measured at either fair value or at cost adjusted for changes in observable prices minus impairment with changes in value under either of these methods recognized in net income, (iii) entities that record financial liabilities at fair value due to a fair value option election must recognize changes in fair value in other comprehensive income if it is related to instrument-specific credit risk, and (iv) entities must assess whether a valuation allowance is required for deferred tax assets related to available-for-sale debt securities. ASU No. 2016-01 is effective for Valley for reporting periods beginning January 1, 2018 and is not expected to have a material effect on Valley's consolidated financial statements.

ASU No. 2015-07, "Fair Value Measurement (Topic 820) - Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", which removes the requirement to categorize within the fair value hierarchy all investments for which the fair value is measured using the net asset value per share practical expedient. ASU No. 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU No. 2015-07 became effective for Valley for reporting periods after January 1, 2016 and did not have an impact on Valley's fair value measurement disclosures at Note 6.

ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in the ASU No. 2015-03. ASU No. 2015-03 is effective for reporting periods beginning January 1, 2016 (with early adoption permitted), and is to be applied retrospectively. At December 31, 2015, Valley early adopted ASU No. 2015-03 to reflect the reclassification of the debt issuance costs from other assets to long-term borrowings for all periods presented in our consolidated statements of financial condition. See Note 10 to the consolidated financial statements for more details.

ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" implements a common revenue standard that clarifies the principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In 2016, the Financial Accounting Standards Board issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" and ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing," to further clarify the new guidance under Topic 606. ASU No. 2014-09 and its aforementioned amendments are effective on January 1, 2018. Management is currently evaluating by identification of revenue within the scope of the guidance to assess potential impact. Management has not yet identified any material changes in the timing of revenue recognition and it does not expect the new revenue guidance to have a significant impact on Valley's consolidated financial statements.

BUSINESS COMBINATIONS (Note 2)

Masters Coverage Corp.

On January 4, 2016, Masters Coverage Corp., an all-line insurance agency that is a wholly-owned subsidiary of the Bank, acquired certain assets of an independent insurance agency located in New York. The purchase price totaled approximately $1.4 million in cash and future cash consideration.

CNLBancshares, Inc.

On December 1, 2015, Valley completed its acquisition of CNLBancshares, Inc. (CNL) and its wholly-owned subsidiary, CNLBank, headquartered in Orlando, Florida, a commercial bank with approximately $1.6 billion in assets, $825 million in loans, $1.2 billion in deposits and 16 Florida branch offices at the date of its acquisition by Valley. The CNL acquisition increased Valley's Florida branch network to a total of 31 branches (after 5 branch closures mostly resulting from branch efficiency efforts during 2016) covering most major markets in central and southern Florida. The common shareholders of CNL received 0.705 of a share of Valley common stock for each CNL share they owned prior to the merger. The total consideration for the acquisition was approximately $230 million, consisting of 20.6 million shares of Valley common stock.

Merger expenses totaled $1.8 million for the year ended December 31, 2015, which largely related to professional and legal fees included in non-interest expense on the consolidated statements of income. Valley also recorded a $3.3 million charge within income tax expense during 2015, which mostly related to the effect of the CNL acquisition on the valuation of our deferred tax assets.

1st United Bancorp, Inc.

On November 1, 2014, Valley acquired 1st United Bancorp, Inc. (1st United) and its wholly-owned subsidiary, 1st United Bank, a commercial bank with approximately $1.7 billion in assets, $1.2 billion in loans, and $1.4 billion in deposits, before purchase accounting adjustments. The 1st United acquisition gave Valley its first Florida branch network consisting of 20 branches covering some of the most attractive urban banking markets in Florida, including locations throughout southeast Florida, the Treasure Coast, central Florida and central Gulf Coast regions. The common shareholders of 1st United received 0.89 of a share of Valley common stock for each 1st United share they owned prior to the merger. The total consideration for the acquisition was approximately $300 million, consisting of 30.7 million shares of Valley common stock and $8.9 million of cash consideration paid to 1st United stock option holders. In conjunction with the merger, Valley shareholders approved an amendment of its certificate of incorporation to increase its authorized common shares by 100 million shares during the third quarter of 2014.

Merger expenses totaled $2.6 million for the year ended December 31, 2014, which largely related to professional and legal fees included in non-interest expense on the consolidated statements of income. Valley also recorded a $7.6 million charge within income tax expense for the fourth quarter of 2014 which mostly related to the effect of the 1st United acquisition on the valuation of our deferred tax assets.

See Note 8 for addition information regarding goodwill and intangible assets resulting from business combinations.

FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Note 3)

Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 — Unadjusted exchange quoted prices in active markets for identical assets or liabilities, or identical liabilities traded as assets that the reporting entity has the ability to access at the measurement date.

Level 2 — Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly (i.e., quoted prices on similar assets), for substantially the full term of the asset or liability.

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Assets and Liabilities Measured at Fair Value on a Recurring Basis and Non-Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring and non-recurring basis by level within the fair value hierarchy as reported on the consolidated statements of financial condition at December 31, 2016 and 2015. The assets presented under "non-recurring fair value measurements" in the table below are not measured at fair value on an ongoing basis but are subject to fair value adjustments under certain circumstances (e.g., when an impairment loss is recognized).

		Fair Value Measurements at Reporting Date Using:		
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Recurring fair value measurements:				
Assets				
Investment securities:				
Available for sale:				
U.S. Treasury securities	$ 49,591	$ 49,591	$ —	$ —
U.S. government agency securities	23,041	—	23,041	—
Obligations of states and political subdivisions	119,767	—	119,767	—
Residential mortgage-backed securities	1,015,542	—	1,005,589	9,953
Trust preferred securities	8,009	—	6,074	1,935
Corporate and other debt securities	60,565	8,064	52,501	—
Equity securities	20,858	1,306	19,552	—
Total available for sale	1,297,373	58,961	1,226,524	11,888
Loans held for sale [(1)]	57,708	—	57,708	—
Other assets [(2)]	29,055	—	29,055	—
Total assets	$ 1,384,136	$ 58,961	$ 1,313,287	$ 11,888
Liabilities				
Other liabilities [(2)]	$ 44,077	$ —	$ 44,077	$ —
Total liabilities	$ 44,077	$ —	$ 44,077	$ —
Non-recurring fair value measurements:				
Collateral dependent impaired loans [(3)]	$ 5,385	$ —	$ —	$ 5,385
Loan servicing rights	6,489	—	—	6,489
Foreclosed assets [(4)]	4,532	—	—	4,532
Total	$ 16,406	$ —	$ —	$ 16,406

	December 31, 2015	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Recurring fair value measurements:				
Assets				
Investment securities:				
Available for sale:				
U.S. Treasury securities	$ 549,473	$ 549,473	$ —	$ —
U.S. government agency securities	29,963	—	29,963	—
Obligations of states and political subdivisions	124,966	—	124,966	—
Residential mortgage-backed securities	696,428	—	684,777	11,651
Trust preferred securities	8,404	—	6,262	2,142
Corporate and other debt securities	77,552	17,710	59,842	—
Equity securities	20,075	1,198	18,877	—
Total available for sale	1,506,861	568,381	924,687	13,793
Loans held for sale [(1)]	16,382	—	16,382	—
Other assets [(2)]	33,774	—	33,774	—
Total assets	$ 1,557,017	$ 568,381	$ 974,843	$ 13,793
Liabilities				
Other liabilities [(2)]	$ 50,844	$ —	$ 50,844	$ —
Total liabilities	$ 50,844	$ —	$ 50,844	$ —
Non-recurring fair value measurements:				
Collateral dependent impaired loans [(3)]	$ 15,427	$ —	$ —	$ 15,427
Loan servicing rights	2,571	—	—	2,571
Foreclosed assets [(4)]	16,672	—	—	16,672
Total	$ 34,670	$ —	$ —	$ 34,670

(1) Loans held for sale (which consist of residential mortgages) are carried at fair value and had contractual unpaid principal balances totaling approximately $58.2 million and $16.1 million at December 31, 2016 and 2015, respectively.

(2) Amount represents derivative financial instruments.

(3) Excludes PCI loans.

(4) Includes covered other real estate owned totaling $300 thousand and $4.2 million at December 31, 2016 and 2015, respectively.

The changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2016, 2015 and 2014 are summarized below:

	Available For Sale Securities		
	2016	2015	2014
		(in thousands)	
Balance, beginning of the period	$ 13,793	$ 19,309	$ 28,523
Net (losses) gains included in other comprehensive income	(203)	(1,072)	1,648
Sales	—	(2,674)	(7,718)
Settlements, net	(1,702)	(1,770)	(3,144)
Balance, end of the period	$ 11,888	$ 13,793	$ 19,309

There were no changes in unrealized gains or losses on Level 3 assets included in earnings during 2016, 2015 and 2014.

Transfers into and out of Level 3 assets are generally made in response to a decrease or an increase, respectively, in the availability of observable market data used in the securities' pricing obtained primarily through independent pricing services or dealer market participants. See further details regarding the valuation techniques used for the fair value measurement of the financial instruments below. There were no transfers of assets into and out of Level 3, or between Level 1 and Level 2 during 2016 and 2015.

There have been no material changes in the valuation methodologies used at December 31, 2016 from December 31, 2015.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following valuation techniques were used for financial instruments measured at fair value on a recurring basis. All of the valuation techniques described below apply to the unpaid principal balance excluding any accrued interest or dividends at the measurement date. Interest income and expense are recorded within the consolidated statements of income depending on the nature of the instrument using the effective interest method based on acquired discount or premium.

Available for sale securities. All U.S. Treasury securities, certain corporate and other debt securities, and certain common and preferred equity securities are reported at fair value utilizing Level 1 inputs. The majority of other investment securities are reported at fair value utilizing Level 2 inputs. The prices for these instruments are obtained through an independent pricing service or dealer market participants with whom Valley has historically transacted both purchases and sales of investment securities. Prices obtained from these sources include prices derived from market quotations and matrix pricing. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Management reviews the data and assumptions used in pricing the securities by its third party provider to ensure the highest level of significant inputs are derived from market observable data. For certain securities, the inputs used by either dealer market participants or an independent pricing service may be derived from unobservable market information (Level 3 inputs). In these instances, Valley evaluates the appropriateness and quality of the assumption and the resulting price. In addition, Valley reviews the volume and level of activity for all available for sale and attempts to identify transactions which may not be orderly or reflective of a significant level of activity and volume. For securities meeting these criteria, the quoted prices received from either market participants or an independent pricing service may be adjusted, as necessary, to estimate fair value and this results in fair values based on Level 3 inputs. In determining fair value, Valley utilizes unobservable inputs which reflect Valley's own assumptions about the inputs that market participants would use in pricing each security. In developing its assertion of market participant assumptions, Valley utilizes the best information that is both reasonable and available without undue cost and effort.

In calculating the fair value for the available for sale securities under Level 3, Valley prepared present value cash flow models for certain private label mortgage-backed securities. The cash flows for the residential mortgage-backed securities incorporated the expected cash flow of each security adjusted for default rates, loss severities and prepayments of the individual loans collateralizing the security.

The following table presents quantitative information about Level 3 inputs used to measure the fair value of these securities at December 31, 2016:

Security Type	Valuation Technique	Unobservable Input	Range	Weighted Average
Private label mortgage-backed securities	Discounted cash flow	Prepayment rate	15.0 - 22.5%	19.1%
		Default rate	3.6 - 33.2	9.0
		Loss severity	45.6 - 66.0	60.0

Significant increases or decreases in any of the unobservable inputs in the table above in isolation would result in a significantly lower or higher fair value measurement of the securities. Generally, a change in the assumption used for the default rate is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

For the Level 3 available for sale residential mortgage-backed securities (consisting of four private label securities), cash flow assumptions incorporated independent third party market participant data based on vintage year for each security. The discount rate utilized in determining the present value of cash flows for the mortgage-backed securities was arrived at by combining the yield on orderly transactions for similar maturity government sponsored mortgage-backed securities with (i) the historical average risk premium of similar structured private label securities, (ii) a risk premium reflecting current market conditions, including liquidity risk, and (iii) if applicable, a forecasted loss premium derived from the expected cash flows of each security. The estimated cash flows for each private label mortgage-backed security were then discounted at the aforementioned effective rate to determine the fair value. The quoted prices received from either market participants or independent pricing services are weighted with the internal price estimate to determine the fair value of each instrument.

For the Level 3 available for sale trust preferred securities (consisting of one pooled security), the resulting estimated future cash flows were discounted at a yield determined by reference to similarly structured securities for which observable orderly transactions occurred. The discount rate for each security was applied using a pricing matrix based on credit, security type and maturity characteristics to determine the fair value. The fair value calculation is received from an independent valuation adviser. In validating the fair value calculation from an independent valuation adviser, Valley reviews the accuracy of the inputs and the appropriateness of the unobservable inputs utilized in the valuation to ensure the fair value calculation is reasonable from a market participant perspective.

Loans held for sale. The conforming residential mortgage loans originated for sale are reported at fair value using Level 2 inputs. The fair values were calculated utilizing quoted prices for similar assets in active markets. To determine these fair values, the mortgages held for sale are put into multiple tranches, or pools, based on the coupon rate and maturity of each mortgage. The market prices for each tranche are obtained from both Fannie Mae and Freddie Mac. The market prices represent a delivery price, which reflects the underlying price each institution would pay Valley for an immediate sale of an aggregate pool of mortgages. The market prices received from Fannie Mae and Freddie Mac are then averaged and interpolated or extrapolated, where required, to calculate the fair value of each tranche. Depending upon the time elapsed since the origination of each loan held for sale, non-performance risk and changes therein were addressed in the estimate of fair value based upon the delinquency data provided to both Fannie Mae and Freddie Mac for market pricing and changes in market credit spreads. Non-performance risk did not materially impact the fair value of mortgage loans held for sale at December 31, 2016 and 2015 based on the short duration these assets were held and the high credit quality of these loans.

Derivatives. Derivatives are reported at fair value utilizing Level 2 inputs. The fair value of Valley's derivatives are determined using third party prices that are based on discounted cash flow analyses using observed market inputs, such as the LIBOR and Overnight Index Swap rate curves. The fair value of mortgage banking derivatives, consisting of interest rate lock commitments to fund residential mortgage loans and forward commitments for the future delivery of such loans (including certain loans held for sale at December 31, 2016 and 2015), is determined based on the current market prices for similar instruments provided by Freddie Mac and Fannie Mae. The fair values of most of the derivatives incorporate credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, to account for potential nonperformance risk of Valley and its counterparties. The credit valuation adjustments were not significant to the overall valuation of Valley's derivatives at December 31, 2016 and 2015.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

The following valuation techniques were used for certain non-financial assets measured at fair value on a non-recurring basis, including impaired loans reported at the fair value of the underlying collateral, loan servicing rights and foreclosed assets, which are reported at fair value upon initial recognition or subsequent impairment as described below.

Impaired loans. Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral and are commonly referred to as "collateral dependent impaired loans." Collateral values are estimated using Level 3 inputs, consisting of individual appraisals that are significantly adjusted based on customized discounting criteria. At December 31, 2016, appraisals were discounted up to 6.3 percent based on specific market data by location and property type. During 2016 and 2015, collateral dependent impaired loans were individually re-measured and reported at fair value through direct loan charge-offs to the allowance for loan losses and/or a specific valuation allowance allocation based on the fair value of the underlying collateral. The collateral dependent loan charge-offs to the allowance for loan losses totaled $4.3 million and $5.4 million for the years ended December 31, 2016 and 2015, respectively. These collateral dependent impaired loans with a total recorded investment of $8.4 million and $15.8 million at December 31, 2016 and 2015, respectively, were reduced by specific valuation allowance allocations totaling $3.0 million and $352 thousand to a reported total net carrying amount of $5.4 million and $15.4 million at December 31, 2016 and 2015, respectively.

Loan servicing rights. Fair values for each risk-stratified group of loan servicing rights are calculated using a fair value model from a third party vendor that requires inputs that are both significant to the fair value measurement and unobservable (Level 3). The fair value model is based on various assumptions, including but not limited to, prepayment speeds, internal rate of return ("discount rate"), servicing cost, ancillary income, float rate, tax rate, and inflation. The prepayment speed and the discount rate are considered two of the most significant inputs in the model. At December 31, 2016, the fair value model used prepayment speeds (stated as constant prepayment rates) from 0 percent up to 27 percent and a discount rate of 8 percent for the valuation of the loan servicing rights. A significant degree of judgment is involved in valuing the loan servicing rights using Level 3 inputs. The use of different assumptions could have a significant positive or negative effect on the fair value estimate. Impairment charges are recognized on loan servicing rights when the amortized cost of a risk-stratified group of loan servicing rights exceeds the estimated fair value. Valley recognized net impairment charges on loan servicing rights totaling $611 thousand and $88 thousand for the years ended December 31, 2016 and 2014, respectively, as compared to net recoveries of impairment charges totaling $303 thousand for the year ended December 31, 2015.

Foreclosed assets. Certain foreclosed assets (consisting of other real estate owned and other repossessed assets), upon initial recognition and transfer from loans, are re-measured and reported at fair value through a charge-off to the allowance for loan losses based upon the fair value of the foreclosed assets. The fair value of a foreclosed asset, upon initial recognition, is typically estimated using Level 3 inputs, consisting of an appraisal that is adjusted based on customized discounting criteria, similar to the criteria used for impaired loans described above. There were no adjustments to the appraisals of foreclosed assets at December 31, 2016. During the years ended December 31, 2016 and 2015, foreclosed assets measured at fair value upon initial recognition or subsequent re-measurement totaled $4.5 million and $16.7 million, respectively. The charge-offs of foreclosed assets to the allowance for loan losses totaled $1.7 million and $1.6 million for the years ended December 31, 2016 and 2015, respectively. The re-measurement of foreclosed assets at fair value subsequent to their initial recognition resulted in losses of $1.0 million, $2.0 million and $4.7 million included in non-interest expense for the years ended December 31, 2016, 2015 and 2014, respectively.

Other Fair Value Disclosures

ASC Topic 825, "Financial Instruments," requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis.

The fair value estimates presented in the following table were based on pertinent market data and relevant information on the financial instruments available as of the valuation date. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire portfolio of financial instruments. Because no market exists for a portion of the financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For instance, Valley has certain fee-generating business lines (e.g., its mortgage servicing operation, trust and investment management departments) that were not considered in these estimates since these activities are not financial instruments. In addition, the tax implications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

The carrying amounts and estimated fair values of financial instruments not measured and not reported at fair value on the consolidated statements of financial condition at December 31, 2016 and 2015 were as follows:

		December 31,			
		2016		2015	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in thousands)			
Financial assets					
Cash and due from banks	Level 1	$ 220,791	$ 220,791	$ 243,575	$ 243,575
Interest bearing deposits with banks	Level 1	171,710	171,710	170,225	170,225
Investment securities held to maturity:					
U.S. Treasury securities	Level 1	138,830	147,495	138,978	149,483
U.S. government agency securities	Level 2	11,329	11,464	12,859	13,130
Obligations of states and political subdivisions	Level 2	566,590	577,826	504,865	527,263
Residential mortgage-backed securities	Level 2	1,112,460	1,102,802	852,289	855,272
Trust preferred securities	Level 2	59,804	47,290	59,785	46,437
Corporate and other debt securities	Level 2	36,559	37,720	27,609	29,454
Total investment securities held to maturity		1,925,572	1,924,597	1,596,385	1,621,039
Net loans	Level 3	17,121,684	16,756,655	15,936,929	15,824,475
Accrued interest receivable	Level 1	66,816	66,816	63,554	63,554
Federal Reserve Bank and Federal Home Loan Bank stock (1)	Level 1	147,127	147,127	145,068	145,068
Financial liabilities					
Deposits without stated maturities	Level 1	14,591,837	14,591,837	13,095,647	13,095,647
Deposits with stated maturities	Level 2	3,138,871	3,160,572	3,157,904	3,203,389
Short-term borrowings	Level 1	1,080,960	1,081,751	1,076,991	1,076,991
Long-term borrowings	Level 2	1,433,906	1,523,386	1,810,728	1,945,741
Junior subordinated debentures issued to capital trusts	Level 2	41,577	45,785	41,414	44,127
Accrued interest payable (2)	Level 1	10,675	10,675	13,110	13,110

(1) Included in other assets.
(2) Included in accrued expenses and other liabilities.

The following methods and assumptions were used to estimate the fair value of other financial assets and financial liabilities in the table above:

Cash and due from banks and interest bearing deposits with banks. The carrying amount is considered to be a reasonable estimate of fair value because of the short maturity of these items.

Investment securities held to maturity. Fair values are based on prices obtained through an independent pricing service or dealer market participants with whom Valley has historically transacted both purchases and sales of investment securities. Prices obtained from these sources include prices derived from market quotations and matrix pricing. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things (Level 2 inputs). Additionally, Valley reviews the volume and level of activity for all classes of held to maturity securities and attempts to identify transactions which may not be orderly or reflective of a significant level of activity and volume. For securities meeting these criteria, the quoted prices received from either market participants or an independent pricing service may be adjusted, as necessary. If applicable, the adjustment to fair value is derived based on present value cash flow model projections prepared by Valley utilizing assumptions similar to those incorporated by market participants.

Loans. Fair values of loans are estimated by discounting the projected future cash flows using market discount rates that reflect the credit and interest-rate risk inherent in the loan. The discount rate is a product of both the applicable index and credit

spread, subject to the estimated current new loan interest rates. The credit spread component is static for all maturities and may not necessarily reflect the value of estimating all actual cash flows repricing. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Fair values estimated in this manner do not fully incorporate an exit-price approach to fair value, but instead are based on a comparison to current market rates for comparable loans.

Accrued interest receivable and payable. The carrying amounts of accrued interest approximate their fair value due to the short-term nature of these items.

Federal Reserve Bank and Federal Home Loan Bank stock. Federal Reserve Bank and FHLB stock are non-marketable equity securities and are reported at their redeemable carrying amounts, which approximate the fair value.

Deposits. The carrying amounts of deposits without stated maturities (i.e., non-interest bearing, savings, NOW, and money market deposits) approximate their estimated fair value. The fair value of time deposits is based on the discounted value of contractual cash flows using estimated rates currently offered for alternative funding sources of similar remaining maturity.

Short-term and long-term borrowings. The carrying amounts of certain short-term borrowings, including securities sold under agreement to repurchase and FHLB borrowings (and from time to time, federal funds purchased) approximate their fair values because they frequently re-price to a market rate. The fair values of other short-term and long-term borrowings are estimated by obtaining quoted market prices of the identical or similar financial instruments when available. When quoted prices are unavailable, the fair values of the borrowings are estimated by discounting the estimated future cash flows using current market discount rates of financial instruments with similar characteristics, terms and remaining maturity.

Junior subordinated debentures issued to capital trusts. The fair value of debentures issued to capital trusts not carried at fair value is estimated utilizing the income approach, whereby the expected cash flows, over the remaining estimated life of the security, are discounted using Valley's credit spread over the current yield on a similar maturity of U.S. Treasury security or the three-month LIBOR for the variable rate indexed debentures (Level 2 inputs). The credit spread used to discount the expected cash flows was calculated based on the median current spreads for all fixed and variable publicly traded trust preferred securities issued by banks.

INVESTMENT SECURITIES (Note 4)

Held to Maturity

The amortized cost, gross unrealized gains and losses and fair value of investment securities held to maturity at December 31, 2016 and 2015 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
December 31, 2016				
U.S. Treasury securities	$ 138,830	$ 8,665	$ —	$ 147,495
U.S. government agency securities	11,329	135	—	11,464
Obligations of states and political subdivisions:				
Obligations of states and state agencies	252,185	6,692	(1,428)	257,449
Municipal bonds	314,405	6,438	(466)	320,377
Total obligations of states and political subdivisions	566,590	13,130	(1,894)	577,826
Residential mortgage-backed securities	1,112,460	8,432	(18,090)	1,102,802
Trust preferred securities	59,804	40	(12,554)	47,290
Corporate and other debt securities	36,559	1,190	(29)	37,720
Total investment securities held to maturity	$ 1,925,572	$ 31,592	$ (32,567)	$ 1,924,597
December 31, 2015				
U.S. Treasury securities	$ 138,978	$ 10,505	$ —	$ 149,483
U.S. government agency securities	12,859	271	—	13,130
Obligations of states and political subdivisions:				
Obligations of states and state agencies	194,547	10,538	(10)	205,075
Municipal bonds	310,318	11,955	(85)	322,188
Total obligations of states and political subdivisions	504,865	22,493	(95)	527,263
Residential mortgage-backed securities	852,289	11,018	(8,035)	855,272
Trust preferred securities	59,785	36	(13,384)	46,437
Corporate and other debt securities	27,609	1,894	(49)	29,454
Total investment securities held to maturity	$ 1,596,385	$ 46,217	$ (21,563)	$ 1,621,039

The age of unrealized losses and fair value of related securities held to maturity at December 31, 2016 and 2015 were as follows:

	Less than Twelve Months		More than Twelve Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
December 31, 2016						
Obligations of states and political subdivisions:						
Obligations of states and state agencies	$ 98,114	$ (1,428)	$ —	$ —	$ 98,114	$ (1,428)
Municipal bonds	27,368	(466)	—	—	27,368	(466)
Total obligations of states and political subdivisions	125,482	(1,894)	—	—	125,482	(1,894)
Residential mortgage-backed securities	692,108	(14,420)	114,505	(3,670)	806,613	(18,090)
Trust preferred securities			45,898	(12,554)	45,898	(12,554)
Corporate and other debt securities	2,971	(29)	—	—	2,971	(29)
Total	$ 820,561	$ (16,343)	$ 160,403	$ (16,224)	$ 980,964	$ (32,567)
December 31, 2015						
Obligations of states and political subdivisions:						
Obligations of states and state agencies	$ 6,837	$ (5)	$ 1,965	$ (5)	$ 8,802	$ (10)
Municipal bonds	8,814	(72)	10,198	(13)	19,012	(85)
Total obligations of states and political subdivisions	15,651	(77)	12,163	(18)	27,814	(95)
Residential mortgage-backed securities	244,440	(2,916)	162,756	(5,119)	407,196	(8,035)
Trust preferred securities	—	—	45,047	(13,384)	45,047	(13,384)
Corporate and other debt securities	2,951	$ (49)	$ —	$ —	$ 2,951	$ (49)
Total	$ 263,042	$ (3,042)	$ 219,966	$ (18,521)	$ 483,008	$ (21,563)

The unrealized losses on investment securities held to maturity are primarily due to changes in interest rates (including, in certain cases, changes in credit spreads) and, in some cases, lack of liquidity in the marketplace. The total number of security positions in the securities held to maturity portfolio in an unrealized loss position at December 31, 2016 was 132 as compared to 74 at December 31, 2015.

The unrealized losses within the residential mortgage-backed securities category of the held to maturity portfolio at December 31, 2016 mostly related to investment grade securities issued by Ginnie Mae.

The unrealized losses existing for more than twelve months for trust preferred securities at December 31, 2016 primarily related to four non-rated single-issuer securities, issued by bank holding companies. All single-issuer trust preferred securities classified as held to maturity are paying in accordance with their terms, have no deferrals of interest or defaults and, if applicable, the issuers meet the regulatory capital requirements to be considered "well-capitalized institutions" at December 31, 2016.

Management does not believe that any individual unrealized loss as of December 31, 2016 included in the table above represents other-than-temporary impairment as management mainly attributes the declines in fair value to changes in interest rates and market volatility, not credit quality or other factors. Based on a comparison of the present value of expected cash flows to the amortized cost, management believes there are no credit losses on these securities. Valley does not have the intent to sell, nor is it more likely than not that Valley will be required to sell, the securities contained in the table above before the recovery of their amortized cost basis or maturity.

During 2015, Valley sold one corporate debt security classified as held to maturity with an amortized cost of $9.8 million. See "Realized Gains and Losses" section below for further details regarding this transaction.

As of December 31, 2016, the fair value of investments held to maturity that were pledged to secure public deposits, repurchase agreements, lines of credit, and for other purposes required by law was $968.0 million.

The contractual maturities of investments in debt securities held to maturity at December 31, 2016 are set forth in the table below. Maturities may differ from contractual maturities in residential mortgage-backed securities because the mortgages underlying the securities may be prepaid without any penalties. Therefore, residential mortgage-backed securities are not included in the maturity categories in the following summary.

	December 31, 2016	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year	$ 85,139	$ 85,139
Due after one year through five years	191,207	199,327
Due after five years through ten years	364,471	377,665
Due after ten years	172,295	159,664
Residential mortgage-backed securities	1,112,460	1,102,802
Total investment securities held to maturity	$ 1,925,572	$ 1,924,597

Actual maturities of debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty.

The weighted-average remaining expected life for residential mortgage-backed securities held to maturity was 6.7 years at December 31, 2016.

Available for Sale

The amortized cost, gross unrealized gains and losses and fair value of investment securities available for sale at December 31, 2016 and 2015 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
December 31, 2016				
U.S. Treasury securities	$ 51,020	$ 6	$ (1,435)	$ 49,591
U.S. government agency securities	22,815	232	(6)	23,041
Obligations of states and political subdivisions:				
Obligations of states and state agencies	40,696	70	(424)	40,342
Municipal bonds	80,045	147	(767)	79,425
Total obligations of states and political subdivisions	120,741	217	(1,191)	119,767
Residential mortgage-backed securities	1,029,827	2,061	(16,346)	1,015,542
Trust preferred securities*	10,164	—	(2,155)	8,009
Corporate and other debt securities	60,651	436	(522)	60,565
Equity securities	20,505	1,114	(761)	20,858
Total investment securities available for sale	$ 1,315,723	$ 4,066	$ (22,416)	$ 1,297,373
December 31, 2015				
U.S. Treasury securities	$ 551,173	$ 4	$ (1,704)	$ 549,473
U.S. government agency securities	29,316	665	(18)	29,963
Obligations of states and political subdivisions:				
Obligations of states and state agencies	44,285	196	(67)	44,414
Municipal bonds	80,717	209	(374)	80,552
Total obligations of states and political subdivisions	125,002	405	(441)	124,966
Residential mortgage-backed securities	701,764	3,348	(8,684)	696,428
Trust preferred securities*	10,458	—	(2,054)	8,404
Corporate and other debt securities	78,202	1,239	(1,889)	77,552
Equity securities	21,022	575	(1,522)	20,075
Total investment securities available for sale	$ 1,516,937	$ 6,236	$ (16,312)	$ 1,506,861

* Includes two pooled trust preferred securities, principally collateralized by securities issued by banks and insurance companies, at December 31, 2016 and 2015.

The age of unrealized losses and fair value of related securities available for sale at December 31, 2016 and 2015 were as follows:

	Less than Twelve Months		More than Twelve Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in thousands)			
December 31, 2016						
U.S. Treasury securities	$ 48,660	$ (1,435)	$ —	$ —	$ 48,660	$ (1,435)
U.S. government agency securities	2,530	(4)	4,034	(2)	6,564	(6)
Obligations of states and political subdivisions:						
Obligations of states and state agencies	28,628	(404)	753	(20)	29,381	(424)
Municipal bonds	42,573	(506)	11,081	(261)	53,654	(767)
Total obligations of states and political subdivisions	71,201	(910)	11,834	(281)	83,035	(1,191)
Residential mortgage-backed securities	788,030	(11,889)	132,718	(4,457)	920,748	(16,346)
Trust preferred securities			8,009	(2,155)	8,009	(2,155)
Corporate and other debt securities	32,292	(294)	15,192	(228)	47,484	(522)
Equity securities	—	—	14,883	(761)	14,883	(761)
Total	$ 942,713	$ (14,532)	$ 186,670	$ (7,884)	$ 1,129,383	$ (22,416)
December 31, 2015						
U.S. Treasury securities	$ 548,538	$ (1,704)	$ —	$ —	$ 548,538	$ (1,704)
U.S. government agency securities	3,489	(5)	4,736	(13)	8,225	(18)
Obligations of states and political subdivisions:						
Obligations of states and state agencies	24,359	(67)	—	—	24,359	(67)
Municipal bonds	38,207	(128)	13,551	(246)	51,758	(374)
Total obligations of states and political subdivisions	62,566	(195)	13,551	(246)	76,117	(441)
Residential mortgage-backed securities	293,615	(4,147)	164,010	(4,537)	457,625	(8,684)
Trust preferred securities	—	—	8,404	(2,054)	8,404	(2,054)
Corporate and other debt securities	21,203	(471)	36,137	(1,418)	57,340	(1,889)
Equity securities	—	—	14,273	(1,522)	14,273	(1,522)
Total	$ 929,411	$ (6,522)	$ 241,111	$ (9,790)	$ 1,170,522	$ (16,312)

The unrealized losses on investment securities available for sale are primarily due to changes in interest rates (including, in certain cases, changes in credit spreads) and, in some cases, lack of liquidity in the marketplace. The total number of security positions in the securities available for sale portfolio in an unrealized loss position at December 31, 2016 was 298 as compared to 291 at December 31, 2015.

The unrealized losses more than twelve months for the residential mortgage-backed securities category of the available for sale portfolio at December 31, 2016 largely related to several investment grade securities mainly issued by Ginnie Mae.

The unrealized losses for trust preferred securities at December 31, 2016 in the more than twelve months category in the table above entirely relate to 2 pooled trust preferred securities with a combined amortized cost of $10.2 million and a fair value of $8.0 million. One of the two pooled trust preferred securities had an unrealized loss of $1.3 million and an investment grade rating at December 31, 2016.

As of December 31, 2016, the fair value of securities available for sale that were pledged to secure public deposits, repurchase agreements, lines of credit, and for other purposes required by law, was $537.4 million.

The contractual maturities of investments securities available for sale at December 31, 2016 are set forth in the following table. Maturities may differ from contractual maturities in residential mortgage-backed securities because the mortgages underlying the securities may be prepaid without any penalties. Therefore, residential mortgage-backed securities are not included in the maturity categories in the following summary.

	December 31, 2016	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year	$ 18,770	$ 18,654
Due after one year through five years	73,904	74,158
Due after five years through ten years	114,174	112,063
Due after ten years	58,543	56,098
Residential mortgage-backed securities	1,029,827	1,015,542
Equity securities	20,505	20,858
Total investment securities available for sale	$ 1,315,723	$ 1,297,373

Actual maturities of debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty.

The weighted-average remaining expected life for residential mortgage-backed securities available for sale at December 31, 2016 was 8.6 years.

Other-Than-Temporary Impairment Analysis

Valley records impairment charges on its investment securities when the decline in fair value is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities; decline in the creditworthiness of the issuer; absence of reliable pricing information for investment securities; adverse changes in business climate; adverse actions by regulators; prolonged decline in value of equity investments; or unanticipated changes in the competitive environment could have a negative effect on Valley's investment portfolio and may result in other-than-temporary impairment on certain investment securities in future periods.

Among other securities, our investments in the private label mortgage-backed securities, trust preferred securities (including two pooled securities), corporate bonds, perpetual preferred securities and bank issued corporate bonds may pose a higher risk of future impairment charges to us as a result of the uncertain economic environment and its potential negative effect on the future performance of the security issuers and, if applicable, the underlying mortgage loan collateral of the security.

Valley's investment portfolios include private label mortgage-backed securities, trust preferred securities principally issued by bank holding companies (including two pooled trust preferred securities), corporate bonds, and perpetual preferred securities issued by banks. These investments may pose a higher risk of future impairment charges by Valley as a result of the unpredictable nature of the U.S. economy and its potential negative effect on the future performance of the security issuers and, if applicable, the underlying mortgage loan collateral of the security.

For residential mortgage-backed securities, Valley estimates loss projections for each security by stressing the cash flows from the individual loans collateralizing the security using expected default rates, loss severities, and prepayment speeds, in conjunction with the underlying credit enhancement (if applicable) for each security. Based on collateral and origination vintage specific assumptions, a range of possible cash flows is identified to determine whether other-than-temporary impairment exists.

For the single-issuer trust preferred securities and corporate and other debt securities, Valley reviews each portfolio to determine if all the securities are paying in accordance with their terms and have no deferrals of interest or defaults. A deferral event by a bank holding company for which Valley holds trust preferred securities may require the recognition of an other-than-temporary impairment charge if Valley determines that it is more likely than not that all contractual interest and principal cash flows may not be collected. Among other factors, the probability of the collection of all interest and principal determined by Valley in its impairment analysis declines if there is an increase in the estimated deferral period of the issuer. Additionally, a FDIC receivership for any single-issuer would result in an impairment and significant loss. Including the other factors outlined above, Valley analyzes the performance of the issuers on a quarterly basis, including a review of performance data from the issuers' most recent bank regulatory report, if applicable, to assess their credit risk and the probability of impairment of the contractual cash flows of the applicable security. All of the issuers had capital ratios at December 31, 2016 that were at or above the minimum amounts to be considered a "well-capitalized" financial institution, if applicable, and/or have maintained performance levels adequate to support the contractual cash flows of the trust preferred securities.

Management does not believe that any individual unrealized loss as of December 31, 2016 represents an other-than-temporary impairment, as management mainly attributes the declines in value to changes in interest rates and recent market volatility, not credit quality or other factors. Based on a comparison of the present value of expected cash flows to the amortized cost, management believes there are no credit losses on these securities. Valley has no intent to sell, nor is it more likely than not that Valley will be required to sell, the securities contained in the table above before the recovery of their amortized cost basis or, if necessary, maturity.

At December 31, 2016, approximately 43 percent of the $686.4 million carrying value of obligations of states and political subdivisions were issued by the states of (or municipalities within) New Jersey, New York, Utah and Maryland. The obligations of states and political subdivisions mainly consist of general obligation bonds and, to much lesser extent, special revenue bonds which had an aggregated amortized cost and fair value of $20.3 million and $20.8 million, respectively, at December 31, 2016. The special revenue bonds were mainly issued by the Port Authorities of New York and New Jersey, as well as various school districts. As part of Valley's pre-purchase analysis and on-going quarterly assessment of impairment of the obligations of states and political subdivisions, our Credit Risk Management Department conducts a financial analysis and risk rating assessment of each security issuer based on the issuer's most recently issued financial statements and other publicly available information. Substantially all of these investments are investment grade. As of December 31, 2016, these securities are expected to perform in accordance with their contractual terms and, as a result, Valley expects to recover the entire amortized cost basis of these securities.

For the two pooled trust preferred securities, Valley evaluates the projected cash flows from each of its tranches in the two securities to determine if they are adequate to support their future contractual principal and interest payments. Valley assesses the credit risk and probability of impairment of the contractual cash flows by projecting the default rates over the life of the security. Higher projected default rates will decrease the expected future cash flows from each security. If the projected decrease in cash flows affects the cash flows projected for the tranche held by Valley, the security would be considered to be other-than-temporarily impaired.

The perpetual preferred securities, reported in equity securities, are hybrid investments that are assessed for impairment by Valley as if they were debt securities. Therefore, Valley assessed the creditworthiness of each security issuer, as well as any potential change in the anticipated cash flows of the securities as of December 31, 2016. Based on this analysis, management believes the declines in fair value of these securities are attributable to a lack of liquidity in the marketplace and are not reflective of any deterioration in the creditworthiness of the issuers.

Other-Than-Temporarily Impaired Securities

There was no other-than-temporary impairment recognized in earnings as a result of Valley's impairment analysis of its securities during 2016 , 2015 and 2014. At December 31, 2016, four previously impaired private label mortgage-backed securities had a combined amortized cost of $10.2 million and fair value of $9.9 million, respectively, while one previously impaired pooled trust preferred security had an amortized cost of $2.8 million and fair value of $1.9 million, respectively.

The previously impaired trust preferred securities discussed above were not accruing interest during the years ended December 31, 2016, 2015, and 2014. See Note 1 for details regarding Valley's policy for the recognition of interest on impaired debt securities.

The following table presents the changes in the credit loss component of cumulative other-than-temporary impairment losses on debt securities classified as either held to maturity or available for sale that Valley has recognized in earnings, for which a portion of the impairment loss (non-credit factors) was recognized in other comprehensive income or loss for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(in thousands)	
Balance, beginning of period	$ 5,837	$ 8,947	$ 9,990
Accretion of credit loss impairment due to an increase in expected cash flows	(921)	(728)	(661)
Sales	—	(2,382)	(382)
Balance, end of period	$ 4,916	$ 5,837	$ 8,947

The credit loss component of the impairment loss represents the difference between the present value of expected future cash flows and the amortized cost basis of the security prior to considering credit losses. The beginning balance represents the credit loss component for debt securities for which other-than-temporary impairment occurred prior to each period presented. The credit loss component increases if other-than-temporary impairments (initial and subsequent) are recognized in earnings for credit impaired debt securities. The credit loss component is reduced if (i) Valley receives cash flows in excess of what it expected to

receive over the remaining life of the credit impaired debt security, (ii) the security matures, (iii) the security is fully written down, or (iv) Valley sells, intends to sell or believes it will be required to sell previously credit impaired debt securities.

Realized Gains and Losses

Gross gains and losses realized on sales, maturities and other securities transactions included in earnings for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
		(in thousands)	
Sales transactions:			
Gross gains	$ 271	$ 3,274	$ 746
Gross losses	(58)	(947)	(2)
	$ 213	$ 2,327	$ 744
Maturities and other securities transactions:			
Gross gains	$ 615	$ 293	$ 10
Gross losses	(51)	(133)	(9)
	$ 564	$ 160	$ 1
Gains on securities transactions, net	$ 777	$ 2,487	$ 745

LOANS (Note 5)

The detail of the loan portfolio as of December 31, 2016 and 2015 was as follows:

	December 31, 2016			December 31, 2015		
	Non-PCI Loans	PCI Loans*	Total	Non-PCI Loans	PCI Loans*	Total
			(in thousands)			
Loans:						
Commercial and industrial	$ 2,357,018	$ 281,177	$ 2,638,195	$ 2,156,549	$ 383,942	$ 2,540,491
Commercial real estate:						
Commercial real estate	7,628,328	1,091,339	8,719,667	6,069,532	1,355,104	7,424,636
Construction	710,266	114,680	824,946	607,694	147,253	754,947
Total commercial real estate loans	8,338,594	1,206,019	9,544,613	6,677,226	1,502,357	8,179,583
Residential mortgage	2,684,195	183,723	2,867,918	2,912,079	218,462	3,130,541
Consumer:						
Home equity	376,213	92,796	469,009	391,809	119,394	511,203
Automobile	1,139,082	145	1,139,227	1,238,826	487	1,239,313
Other consumer	569,499	7,642	577,141	426,147	15,829	441,976
Total consumer loans	2,084,794	100,583	2,185,377	2,056,782	135,710	2,192,492
Total loans	$ 15,464,601	$ 1,771,502	$ 17,236,103	$ 13,802,636	$ 2,240,471	$ 16,043,107

* PCI loans include covered loans (mostly consisting of residential mortgage and commercial real estate loans) totaling $70.4 million and $122.3 million at December 31, 2016 and 2015, respectively.

Total non-PCI loans are net of unearned premiums and deferred loan costs totaling $15.3 million and $3.5 million at December 31, 2016 and 2015, respectively. The outstanding balances (representing contractual balances owed to Valley) for PCI loans totaled $1.9 billion and $2.4 billion at December 31, 2016 and 2015, respectively.

Valley transferred $174.5 million of residential mortgage loans from the loan portfolio to loans held for sale during the third quarter of 2016. These loans were sold during the fourth quarter of 2016 resulting in net gains totaling $7.3 million. Exclusive of such transfers, there were no other sales or transfers of loans from the held for investment portfolio during 2016 and 2015.

Purchased Credit-Impaired Loans (Including Covered Loans)

PCI loans are accounted for in accordance with ASC Subtopic 310-30 and are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance (i.e., the allowance for loan losses), and aggregated and accounted for as pools of loans based on common risk characteristics. The difference between the undiscounted cash flows expected at acquisition and the initial carrying amount (fair value) of the PCI loans, or the "accretable yield," is recognized as interest income utilizing the level-yield method over the life of each pool. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "non-accretable difference," are not recognized as a yield adjustment, as a loss accrual or a valuation allowance. Reclassifications of the non-accretable difference to the accretable yield may occur subsequent to the loan acquisition dates due to increases in expected cash flows of the loan pools. Valley's PCI loan portfolio included covered loans (i.e., loans in which the Bank will share losses with the FDIC under loss-sharing agreements) totaling $70.4 million and $122.3 million at December 31, 2016 and 2015, respectively. See Note 1 for additional information.

The following table presents changes in the accretable yield for PCI loans for the years ended December 31, 2016 and 2015:

	2016	2015
	(in thousands)	
Balance, beginning of period	$ 415,179	$ 336,208
Acquisition	—	126,930
Accretion	(107,482)	(105,078)
Net (decrease) increase in expected cash flows	(9,989)	57,119
Other, net	(3,194)	—
Balance, end of period	$ 294,514	$ 415,179

The net (decrease) increase in expected cash flows for certain pools of loans (included in the table above) is recognized prospectively as an adjustment to the yield over the estimated remaining life of the individual pools. The net decrease in the expected cash flows totaling approximately $10.0 million for 2016 was largely due to better than expected collections, including loan prepayments, within certain loan pools which reduced the remaining reforecasted accretable yield during the fourth quarter of 2016. The net increase of $57.1 million during 2015 was mainly related to a decrease in the expected losses for certain loan pools during the fourth quarter of 2015.

FDIC Loss-Share Receivable

The receivable arising from the loss-sharing agreements with the FDIC is measured separately from the covered loan portfolio because the agreements are not contractually part of the covered loans and are not transferable should the Bank choose to dispose of the covered loans. The FDIC loss share receivable (which is included in other assets on Valley's consolidated statements of financial condition) totaled $7.2 million and $8.3 million at December 31, 2016 and 2015, respectively. The aggregate effects of changes in the FDIC loss-share receivable was a reduction in non-interest income of $1.3 million, $3.3 million and $20.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Related Party Loans

In the ordinary course of business, Valley has granted loans to certain directors, executive officers and their affiliates (collectively referred to as "related parties"). These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unaffiliated persons and do not involve more than normal risk of collectability.

The following table summarizes the changes in the total amounts of loans and advances to the related parties during the year ended December 31, 2016:

	2016
	(in thousands)
Outstanding at beginning of year	$ 191,566
New loans and advances	26,736
Repayments	(52,982)
Outstanding at end of year	$ 165,320

All loans to related parties are performing as of December 31, 2016.

Loan Portfolio Risk Elements and Credit Risk Management

Credit risk management. For all of its loan types discussed below, Valley adheres to a credit policy designed to minimize credit risk while generating the maximum income given the level of risk. 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 the Credit Committee. A reporting system supplements the management review process by providing management with frequent reports concerning loan production, loan quality, concentrations of credit, loan delinquencies, non-performing, and potential problem loans. Loan portfolio diversification is an important factor utilized by Valley to manage its risk across business sectors and through cyclical economic circumstances.

Commercial and industrial loans. A significant proportion of Valley's commercial and industrial loan portfolio is granted to long standing customers of proven ability, strong repayment performance, and high character. Underwriting standards are designed to assess the borrower's ability to generate recurring cash flow sufficient to meet the debt service requirements of loans granted. While such recurring cash flow serves as the primary source of repayment, a significant number of the loans are collateralized by borrower assets intended to serve as a secondary source of repayment should the need arise. Anticipated cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value, or in the case of loans secured by accounts receivable, the ability of the borrower to collect all amounts due from its customers. Short-term loans may be made on an unsecured basis based on a borrower's financial strength and past performance. Whenever possible, Valley will obtain the personal guarantee of the borrower's principals to mitigate the risk. Unsecured loans, when made, are generally granted to the Bank's most credit worthy borrowers. Unsecured commercial and industrial loans totaled $455.5 million and $386.6 million at December 31, 2016 and 2015, respectively. The commercial portfolio also includes taxi medallion loans, most of which consist of loans to fleet owners of New York City medallions. Valley's historical taxi medallion lending criteria has been conservative in regards to capping the loan amounts in relation to market valuations, as well as obtaining personal guarantees whenever possible. While the vast majority of these loans are performing at December 31, 2016, we continue to closely monitor this portfolio's performance and the potential impact of the changes in market valuations for taxi medallions due to competing car service providers and other factors.

Commercial real estate loans. Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans but generally they involve larger principal balances and longer repayment periods as compared to commercial and industrial loans. Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real property. Repayment of most loans is dependent upon the cash flow generated from the property securing the loan or the business that occupies the property. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy and accordingly, conservative loan to value ratios are required at origination, as well as stress tested to evaluate the impact of market changes relating to key underwriting elements. The properties securing the commercial real estate portfolio represent diverse types, with most properties located within Valley's primary markets.

Construction loans. With respect to loans to developers and builders, Valley originates and manages construction loans structured on either a revolving or non-revolving basis, depending on the nature of the underlying development project. These loans are generally secured by the real estate to be developed and may also be secured by additional real estate to mitigate the risk. Non-revolving construction loans often involve the disbursement of substantially all committed funds with repayment substantially dependent on the successful completion and sale, or lease, of the project. Sources of repayment for these types of loans may be from pre-committed permanent loans from other lenders, sales of developed property, or an interim loan commitment from Valley until permanent financing is obtained elsewhere. Revolving construction loans (generally relating to single-family residential construction) are controlled with loan advances dependent upon the presale of housing units financed. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Residential mortgages. Valley originates residential, first mortgage loans based on underwriting standards that generally comply with Fannie Mae and/or Freddie Mac requirements. Appraisals and valuations of real estate collateral are contracted directly with independent appraisers or from valuation services and not through appraisal management companies. The Bank's appraisal management policy and procedure is in accordance with regulatory requirements and guidance issued by the Bank's primary regulator. Credit scoring, using FICO® and other proprietary credit scoring models is employed in the ultimate, judgmental credit decision by Valley's underwriting staff. Valley does not use third party contract underwriting services. Residential mortgage loans include fixed and variable interest rate loans secured by one to four family homes generally located in northern and central New Jersey, the New York City metropolitan area, Florida and eastern Pennsylvania. Valley's ability to be repaid on such loans is closely linked to the economic and real estate market conditions in this region. In deciding whether to originate each residential mortgage, Valley considers the qualifications of the borrower as well as the value of the underlying property.

Home equity loans. Home equity lending consists of both fixed and variable interest rate products. Valley mainly provides home equity loans to its residential mortgage customers within the footprint of its primary lending territory. Valley generally will not exceed a combined (i.e., first and second mortgage) loan-to-value ratio of 75 percent when originating a home equity loan.

Automobile loans. Valley uses both judgmental and scoring systems in the credit decision process for automobile loans. Automobile originations (including light truck and sport utility vehicles) are largely produced via indirect channels, originated through approved automobile dealers. Automotive collateral is generally a depreciating asset and there are times in the life of an automobile loan where the amount owed on a vehicle may exceed its collateral value. Additionally, automobile charge-offs will vary based on the strength or weakness of the used vehicle market, original advance rate, when in the life cycle of a loan a default occurs and the condition of the collateral being liquidated. Where permitted by law, and subject to the limitations of the bankruptcy code, deficiency judgments are sought and acted upon to ultimately collect all money owed, even when a default resulted in a loss at collateral liquidation. Valley uses a third party to actively track collision and comprehensive risk insurance required of the borrower on the automobile and this third party provides coverage to Valley in the event of an uninsured collateral loss.

Other consumer loans. Valley's other consumer loan portfolio includes direct consumer term loans, both secured and unsecured. The other consumer loan portfolio includes exposures in personal lines of credit (including those secured by cash surrender value of life insurance), credit card loans and personal loans. Unsecured consumer loans totaled approximately $20.6 million and $18.8 million, including $7.0 million and $7.1 million of credit card loans, at December 31, 2016 and 2015, respectively. Valley believes the aggregate risk exposure of these loans and lines of credit was not significant at December 31, 2016.

Credit Quality

The following tables present past due, non-accrual and current loans (excluding PCI loans, which are accounted for on a pool basis) by loan portfolio class at December 31, 2016 and 2015:

	Past Due and Non-Accrual Loans						
	30-59 Days Past Due Loans	60-89 Days Past Due Loans	Accruing Loans 90 Days Or More Past Due	Non-Accrual Loans	Total Past Due Loans	Current Non-PCI Loans	Total Non-PCI Loans
				(in thousands)			
December 31, 2016							
Commercial and industrial	$ 6,705	$ 5,010	$ 142	$ 8,465	$ 20,322	$ 2,336,696	$ 2,357,018
Commercial real estate:							
Commercial real estate	5,894	8,642	474	15,079	30,089	7,598,239	7,628,328
Construction	6,077	—	1,106	715	7,898	702,368	710,266
Total commercial real estate loans	11,971	8,642	1,580	15,794	37,987	8,300,607	8,338,594
Residential mortgage	12,005	3,564	1,541	12,075	29,185	2,655,010	2,684,195
Consumer loans:							
Home equity	929	415	—	1,028	2,372	373,841	376,213
Automobile	3,192	723	188	146	4,249	1,134,833	1,139,082
Other consumer	76	9	21	—	106	569,393	569,499
Total consumer loans	4,197	1,147	209	1,174	6,727	2,078,067	2,084,794
Total	$ 34,878	$ 18,363	$ 3,472	$ 37,508	$ 94,221	$ 15,370,380	$ 15,464,601

	Past Due and Non-Accrual Loans						
	30-59 Days Past Due Loans	60-89 Days Past Due Loans	Accruing Loans 90 Days Or More Past Due	Non-Accrual Loans	Total Past Due Loans	Current Non-PCI Loans	Total Non-PCI Loans
				(in thousands)			
December 31, 2015							
Commercial and industrial	$ 3,920	$ 524	$ 213	$ 10,913	$ 15,570	$ 2,140,979	$ 2,156,549
Commercial real estate:							
Commercial real estate	2,684	—	131	24,888	27,703	6,041,829	6,069,532
Construction	1,876	2,799	—	6,163	10,838	596,856	607,694
Total commercial real estate loans	4,560	2,799	131	31,051	38,541	6,638,685	6,677,226
Residential mortgage	6,681	1,626	1,504	17,930	27,741	2,884,338	2,912,079
Consumer loans:							
Home equity	1,308	111	—	2,088	3,507	388,302	391,809
Automobile	1,969	491	164	118	2,742	1,236,084	1,238,826
Other consumer	71	24	44	—	139	426,008	426,147
Total consumer loans	3,348	626	208	2,206	6,388	2,050,394	2,056,782
Total	$ 18,509	$ 5,575	$ 2,056	$ 62,100	$ 88,240	$ 13,714,396	$ 13,802,636

If interest on non-accrual loans had been accrued in accordance with the original contractual terms, such interest income would have amounted to approximately $2.1 million, $3.5 million, and $2.2 million for the years ended December 31, 2016, 2015 and 2014, respectively; none of these amounts were included in interest income during these periods.

Impaired loans. Impaired loans, consisting of non-accrual commercial and industrial loans and commercial real estate loans over $250 thousand and all loans which were modified in troubled debt restructurings, are individually evaluated for impairment. PCI loans are not classified as impaired loans because they are accounted for on a pool basis.

The following table presents the information about impaired loans by loan portfolio class at December 31, 2016 and 2015:

	Recorded Investment With No Related Allowance	Recorded Investment With Related Allowance	Total Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
			(in thousands)		
December 31, 2016					
Commercial and industrial	$ 3,609	$ 27,031	$ 30,640	$ 35,957	$ 5,864
Commercial real estate:					
Commercial real estate	21,318	36,974	58,292	60,267	3,612
Construction	1,618	2,379	3,997	3,997	260
Total commercial real estate loans	22,936	39,353	62,289	64,264	3,872
Residential mortgage	8,398	9,958	18,356	19,712	725
Consumer loans:					
Home equity	1,182	2,352	3,534	3,626	70
Total consumer loans	1,182	2,352	3,534	3,626	70
Total	$ 36,125	$ 78,694	$ 114,819	$ 123,559	$ 10,531
December 31, 2015					
Commercial and industrial	$ 7,863	$ 17,851	$ 25,714	$ 33,071	$ 3,439
Commercial real estate:					
Commercial real estate	30,113	37,440	67,553	71,263	3,354
Construction	8,847	5,530	14,377	14,387	317
Total commercial real estate loans	38,960	42,970	81,930	85,650	3,671
Residential mortgage	7,842	14,770	22,612	24,528	1,377
Consumer loans:					
Home equity	263	1,869	2,132	2,224	295
Total consumer loans	263	1,869	2,132	2,224	295
Total	$ 54,928	$ 77,460	$ 132,388	$ 145,473	$ 8,782

Interest income recognized on a cash basis for impaired loans classified as non-accrual totaled $207 thousand, $1.3 million and $735 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

The following table presents, by loan portfolio class, the average recorded investment and interest income recognized on impaired loans for the years ended December 31, 2016, 2015 and 2014:

	2016		2015		2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
			(in thousands)			
Commercial and industrial	$ 36,552	$ 1,045	$ 28,451	$ 893	$ 30,485	$ 1,114
Commercial real estate:						
Commercial real estate	59,633	2,122	77,154	2,380	74,256	2,488
Construction	5,790	182	16,399	534	21,515	547
Total commercial real estate loans	65,423	2,304	93,553	2,914	95,771	3,035
Residential mortgage	21,340	874	24,435	728	26,863	812
Consumer loans:						
Home equity	2,626	68	3,852	111	2,214	49
Total consumer loans	2,626	68	3,852	111	2,214	49
Total	$ 125,941	$ 4,291	$ 150,291	$ 4,646	$ 155,333	$ 5,010

Troubled debt restructured loans. From time to time, Valley may extend, restructure, or otherwise modify the terms of existing loans, on a case-by-case basis, to remain competitive and retain certain customers, as well as assist other customers who may be experiencing financial difficulties. If the borrower is experiencing financial difficulties and a concession has been made at the time of such modification, the loan is classified as a troubled debt restructured loan (TDR). Valley's PCI loans are excluded from the TDR disclosures below because they are evaluated for impairment on a pool by pool basis. When an individual PCI loan within a pool is modified as a TDR, it is not removed from its pool. All TDRs are classified as impaired loans and are included in the impaired loan disclosures above.

The majority of the concessions made for TDRs involve lowering the monthly payments on loans through either a reduction in interest rate below a market rate, an extension of the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate, or a combination of these two methods. The concessions rarely result in the forgiveness of principal or accrued interest. In addition, Valley frequently obtains additional collateral or guarantor support when modifying such loans. If the borrower has demonstrated performance under the previous terms of the loan and Valley's underwriting process shows the borrower has the capacity to continue to perform under the restructured terms, the loan will continue to accrue interest. Non-accruing restructured loans may be returned to accrual status when there has been a sustained period of repayment performance (generally six consecutive months of payments) and both principal and interest are deemed collectible.

Performing TDRs (not reported as non-accrual loans) totaled $85.2 million and $77.6 million as of December 31, 2016 and 2015, respectively. Non-performing TDRs totaled $10.6 million and $21.0 million as of December 31, 2016 and 2015, respectively.

The following table presents non-PCI loans by loan class modified as TDRs during the years ended December 31, 2016 and 2015. The pre-modification and post-modification outstanding recorded investments disclosed in the table below represent the loan carrying amounts immediately prior to the modification and the carrying amounts at December 31, 2016 and 2015, respectively.

Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		($ in thousands)	
December 31, 2016			
Commercial and industrial	19	$ 18,186	$ 16,277
Commercial real estate:			
Commercial real estate	4	8,325	7,092
Construction	3	2,922	3,626
Total commercial real estate	7	11,247	10,718
Residential mortgage	7	1,867	1,826
Consumer	1	54	51
Total	34	$ 31,354	$ 28,872
December 31, 2015			
Commercial and industrial	17	$ 8,409	$ 6,793
Commercial real estate:			
Commercial real estate	5	6,768	6,709
Construction	2	646	1,391
Total commercial real estate	7	7,414	8,100
Residential mortgage	7	2,659	2,603
Consumer	2	1,111	1,095
Total	33	$ 19,593	$ 18,591

The total TDRs presented in the table above had allocated specific reserves for loan losses that totaled $4.8 million and $1.4 million at December 31, 2016 and 2015, respectively. These specific reserves are included in the allowance for loan losses for loans individually evaluated for impairment disclosed in Note 6. Partial loan charge-offs related to loans modified as TDRs presented in the table above totaled $320 thousand during 2015. There were no loan charge-offs related to loans modified as TDRs during 2016.

The non-PCI loans modified as TDRs within the previous 12 months and for which there was a payment default (90 or more days past due) for the years ended December 31, 2016 and 2015 were as follows:

Troubled Debt Restructurings Subsequently Defaulted	Years Ended December 31, 2016 Number of Contracts	2016 Recorded Investment	2015 Number of Contracts	2015 Recorded Investment
	($ in thousands)			
Commercial and industrial	—	$ —	1	$ 129
Commercial real estate	2	357	1	87
Residential mortgage	4	853	1	214
Consumer	—	—	1	75
Total	6	$ 1,210	4	$ 505

Credit quality indicators. Valley utilizes an internal loan classification system as a means of reporting problem loans within commercial and industrial, commercial real estate, and construction loan portfolio classes. Under Valley's internal risk rating system, loan relationships could be classified as "Pass," "Special Mention," "Substandard," "Doubtful," and "Loss." Substandard loans include loans that exhibit well-defined weakness and are characterized by the distinct possibility that Valley will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, based on currently existing facts, conditions and values, highly questionable and improbable. Loans classified as Loss are those considered uncollectible with insignificant value and are charged-off immediately to the allowance for loan losses, and, therefore, not presented in the table below. Loans that do not currently pose a sufficient risk to warrant classification in one of the aforementioned categories, but pose weaknesses that deserve management's close attention are deemed Special Mention. Loans rated as Pass do not currently pose any identified risk and can range from the highest to average quality, depending on the degree of potential risk. Risk ratings are updated any time the situation warrants.

The following table presents the risk category of loans by class of loans (excluding PCI loans) based on the most recent analysis performed at December 31, 2016 and 2015.

Credit exposure— by internally assigned risk rating	Pass	Special Mention	Substandard	Doubtful	Total Non-PCI Loans
			(in thousands)		
December 31, 2016					
Commercial and industrial	$ 2,246,457	$ 44,316	$ 64,649	$ 1,596	$ 2,357,018
Commercial real estate	7,486,469	57,591	84,268	—	7,628,328
Construction	708,070	200	1,996	—	710,266
Total	$ 10,440,996	$ 102,107	$ 150,913	$ 1,596	$ 10,695,612
December 31, 2015					
Commercial and industrial	$ 2,049,752	$ 68,243	$ 36,254	$ 2,300	$ 2,156,549
Commercial real estate	5,893,354	79,279	96,899	—	6,069,532
Construction	596,530	1,102	10,062	—	607,694
Total	$ 8,539,636	$ 148,624	$ 143,215	$ 2,300	$ 8,833,775

For residential mortgages, automobile, home equity and other consumer loan portfolio classes (excluding PCI loans), Valley also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in those loan classes based on payment activity as of December 31, 2016 and 2015:

Credit exposure— by payment activity	Performing Loans	Non-Performing Loans	Total Non-PCI Loans
		(in thousands)	
December 31, 2016			
Residential mortgage	$ 2,672,120	$ 12,075	$ 2,684,195
Home equity	375,185	1,028	376,213
Automobile	1,138,936	146	1,139,082
Other consumer	569,499	—	569,499
Total	$ 4,755,740	$ 13,249	$ 4,768,989
December 31, 2015			
Residential mortgage	$ 2,894,149	$ 17,930	$ 2,912,079
Home equity	389,721	2,088	391,809
Automobile	1,238,708	118	1,238,826
Other consumer	426,147	—	426,147
Total	$ 4,948,725	$ 20,136	$ 4,968,861

Valley evaluates the credit quality of its PCI loan pools based on the expectation of the underlying cash flows of each pool, derived from the aging status and by payment activity of individual loans within the pool. The following table presents the recorded investment in PCI loans by class based on individual loan payment activity as of December 31, 2016 and 2015:

Credit exposure— by payment activity	Performing Loans	Non-Performing Loans	Total PCI Loans
		(in thousands)	
December 31, 2016			
Commercial and industrial	$ 272,483	$ 8,694	$ 281,177
Commercial real estate	1,080,376	10,963	1,091,339
Construction	113,370	1,310	114,680
Residential mortgage	179,793	3,930	183,723
Consumer	98,469	2,114	100,583
Total	$ 1,744,491	$ 27,011	$ 1,771,502
December 31, 2015			
Commercial and industrial	$ 373,665	$ 10,277	$ 383,942
Commercial real estate	1,342,030	13,074	1,355,104
Construction	141,547	5,706	147,253
Residential mortgage	214,713	3,749	218,462
Consumer	129,891	5,819	135,710
Total	$ 2,201,846	$ 38,625	$ 2,240,471

ALLOWANCE FOR CREDIT LOSSES (Note 6)

The allowance for credit losses consists of the allowance for loan losses and the allowance for unfunded letters of credit. Management maintains the allowance for credit losses at a level estimated to absorb probable loan losses of the loan portfolio and unfunded letter of credit commitments at the balance sheet date. The allowance for loan losses is based on ongoing evaluations of the probable estimated losses inherent in the loan portfolio, including unexpected additional credit impairment of PCI loan pools subsequent to acquisition. There was no allowance allocation for PCI loan losses at December 31, 2016 and 2015.

The following table summarizes the allowance for credit losses at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
	(in thousands)	
Components of allowance for credit losses:		
Allowance for loan losses	$ 114,419	$ 106,178
Allowance for unfunded letters of credit	2,185	2,189
Total allowance for credit losses	$ 116,604	$ 108,367

The following table summarizes the provision for credit losses for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(in thousands)	
Components of provision for credit losses:			
Provision for loan losses	$ 11,873	$ 7,846	$ 3,445
Provision for unfunded letters of credit	(4)	255	(1,561)
Total provision for credit losses	$ 11,869	$ 8,101	$ 1,884

The following table details the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2016 and 2015:

	Commercial and Industrial	Commercial Real Estate	Residential Mortgage	Consumer	Unallocated	Total
			(in thousands)			
December 31, 2016						
Allowance for loan losses:						
Beginning balance	$ 48,767	$ 48,006	$ 4,625	$ 4,780	$ —	$ 106,178
Loans charged-off	(5,990)	(650)	(866)	(3,463)	—	(10,969)
Charged-off loans recovered	2,852	2,057	774	1,654	—	7,337
Net charge-offs	(3,138)	1,407	(92)	(1,809)	—	(3,632)
Provision for loan losses	5,191	6,438	(831)	1,075		11,873
Ending balance	$ 50,820	$ 55,851	$ 3,702	$ 4,046	$ —	$ 114,419
December 31, 2015						
Allowance for loan losses:						
Beginning balance	$ 43,676	$ 42,840	$ 5,093	$ 5,179	$ 5,565	$ 102,353
Loans charged-off	(7,928)	(2,790)	(813)	(3,441)	—	(14,972)
Charged-off loans recovered	7,233	1,759	421	1,538	—	10,951
Net charge-offs	(695)	(1,031)	(392)	(1,903)	—	(4,021)
Provision for loan losses	5,786	6,197	(76)	1,504	(5,565)	7,846
Ending balance	$ 48,767	$ 48,006	$ 4,625	$ 4,780	$ —	$ 106,178

During 2015, Valley refined and enhanced its assessment of the adequacy of the allowance for loan losses, including both changes to look-back periods for certain portfolios, as well as enhancements to its qualitative factor framework. The enhancements were meant to increase the level of precision in the allowance for credit losses. As a result, Valley no longer has an "unallocated" segment in its allowance for credit losses, as the risks and uncertainties meant to be captured by the unallocated allowance have

been included in the qualitative framework for the respective portfolios (reported in the table above) at December 31, 2016 and 2015. As such, the unallocated allowance has in essence been reallocated to the certain portfolios based on the risks and uncertainties it was meant to capture. See Note 1 to the consolidated financial statements for additional information regarding our allowance for loan losses.

The following table represents the allocation of the allowance for loan losses and the related loans by loan portfolio segment disaggregated based on the impairment methodology for the years ended December 31, 2016 and 2015. Loans individually evaluated for impairment represent Valley's impaired loans. Loans acquired with discounts related to credit quality represent Valley's PCI loans.

	Commercial and Industrial	Commercial Real Estate	Residential Mortgage	Consumer	Total
	(in thousands)				
December 31, 2016					
Allowance for loan losses:					
Individually evaluated for impairment	$ 5,864	$ 3,872	$ 725	$ 70	$ 10,531
Collectively evaluated for impairment	44,956	51,979	2,977	3,976	103,888
Total	$ 50,820	$ 55,851	$ 3,702	$ 4,046	$ 114,419
Loans:					
Individually evaluated for impairment	$ 30,640	$ 62,289	$ 18,356	$ 3,534	$ 114,819
Collectively evaluated for impairment	2,326,378	8,276,305	2,665,839	2,081,260	15,349,782
Loans acquired with discounts related to credit quality	281,177	1,206,019	183,723	100,583	1,771,502
Total	$ 2,638,195	$ 9,544,613	$ 2,867,918	$ 2,185,377	$ 17,236,103
December 31, 2015					
Allowance for loan losses:					
Individually evaluated for impairment	$ 3,439	$ 3,671	$ 1,377	$ 295	$ 8,782
Collectively evaluated for impairment	45,328	44,335	3,248	4,485	97,396
Total	$ 48,767	$ 48,006	$ 4,625	$ 4,780	$ 106,178
Loans:					
Individually evaluated for impairment	$ 25,714	$ 81,930	$ 22,612	$ 2,132	$ 132,388
Collectively evaluated for impairment	2,130,835	6,595,296	2,889,467	2,054,650	13,670,248
Loans acquired with discounts related to credit quality	383,942	1,502,357	218,462	135,710	2,240,471
Total	$ 2,540,491	$ 8,179,583	$ 3,130,541	$ 2,192,492	$ 16,043,107

PREMISES AND EQUIPMENT, NET (Note 7)

At December 31, 2016 and 2015, premises and equipment, net consisted of:

	2016	2015
	(in thousands)	
Land	$ 78,116	$ 80,519
Buildings	210,012	211,923
Leasehold improvements	73,405	70,314
Furniture and equipment	240,424	224,340
Total premises and equipment	601,957	587,096
Accumulated depreciation and amortization	(310,777)	(288,153)
Total premises and equipment, net	$ 291,180	$ 298,943

Depreciation and amortization of premises and equipment included in non-interest expense for the years ended December 31, 2016, 2015 and 2014 was approximately $24.4 million, $21.1 million, and $19.5 million, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS (Note 8)

The changes in the carrying amount of goodwill as allocated to our business segments, or reporting units thereof, for goodwill impairment analysis were:

	Business Segment / Reporting Unit*				
	Wealth Management	Consumer Lending	Commercial Lending	Investment Management	Total
			(in thousands)		
Balance at December 31, 2014	$ 20,517	$ 168,922	$ 252,900	$ 133,553	$ 575,892
Goodwill from business combinations	—	30,197	61,360	18,890	110,447
Balance at December 31, 2015	$ 20,517	$ 199,119	$ 314,260	$ 152,443	$ 686,339
Goodwill from business combinations	701	984	1,998	615	4,298
Balance at December 31, 2016	$ 21,218	$ 200,103	$ 316,258	$ 153,058	$ 690,637

* Valley's Wealth Management Division is comprised of trust, asset management and insurance services. This reporting unit is included in the Consumer Lending segment for financial reporting purposes.

Certain estimates for acquired assets and assumed liabilities are subject to change for up to one year after the acquisition date. During 2016, goodwill from business combinations primarily related to the effect of the combined adjustments to the estimated fair values of the acquired assets and liabilities as of the acquisition date of CNL, as well as $701 thousand of goodwill from the acquisition of certain assets from an independent insurance agency during the first quarter of 2016. The adjustments mostly related to the fair value of certain PCI loans, core deposit intangibles and time deposits which, resulted in an increase in goodwill totaling $3.6 million. There was no impairment of goodwill during the years ended December 31, 2016, 2015 and 2014.

The following tables summarize other intangible assets as of December 31, 2016 and 2015:

	Gross Intangible Assets	Accumulated Amortization	Valuation Allowance	Net Intangible Assets
		(in thousands)		
December 31, 2016				
Loan servicing rights	$ 73,002	$ (52,634)	$ (900)	$ 19,468
Core deposits	61,504	(37,562)	—	23,942
Other	4,087	(2,013)	—	2,074
Total other intangible assets	$ 138,593	$ (92,209)	$ (900)	$ 45,484
December 31, 2015				
Loan servicing rights	$ 75,932	$ (59,251)	$ (289)	$ 16,392
Core deposits	62,714	(31,934)	—	30,780
Other	4,374	(2,664)	—	1,710
Total other intangible assets	$ 143,020	$ (93,849)	$ (289)	$ 48,882

Core deposits are amortized using an accelerated method and have a weighted average amortization period of 11 years. The line item labeled "Other" included in the table above primarily consists of customer lists and covenants not to compete, which are amortized over their expected lives generally using a straight-line method and have a weighted average amortization period of 20 years. In 2016, Valley recorded $660 thousand in other intangibles, consisting of customer lists acquired from an independent insurance agency. In 2015, Valley recorded $19.3 million in core deposit intangibles resulting from the CNL acquisition. Valley evaluates core deposits and other intangibles for impairment when an indication of impairment exists. No impairment was recognized during the years ended December 31, 2016, 2015 and 2014.

The following table summarizes the change in loan servicing rights during the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(in thousands)	
Loan servicing rights			
Balance at beginning of year	$ 16,681	$ 20,446	$ 26,068
Origination of loan servicing rights	8,479	1,696	1,065
Amortization expense	(4,792)	(5,461)	(6,687)
Balance at end of year	$ 20,368	$ 16,681	$ 20,446
Valuation allowance			
Balance at beginning of year	$ (289)	$ (592)	$ (504)
Impairment adjustment	(611)	303	(88)
Balance at end of year	$ (900)	$ (289)	$ (592)
Balance at end of year, net of valuation allowance	$ 19,468	$ 16,392	$ 19,854

Loan servicing rights are accounted for using the amortization method (see Note 1 for more details).

The Bank is a servicer of residential mortgage and SBA loan portfolios, and it is compensated for loan administrative services performed for mortgage servicing rights of loans originated and sold by the Bank, and to a lesser extent, purchased mortgage servicing rights. The aggregate principal balances of residential mortgage loans serviced by the Bank for others approximated $2.5 billion, $2.1 billion and $2.3 billion at December 31, 2016, 2015 and 2014, respectively. The SBA loans serviced by the Bank for third-party investors totaled $23.8 million, $32.3 million and $26.9 million at December 31, 2016, 2015 and 2014, respectively. The outstanding balance of all loans serviced for others is not included in the consolidated statements of financial condition.

Valley recognized amortization expense on other intangible assets, including recoveries and net impairment charges on loan servicing rights (reflected in the table above), of $11.3 million, $9.2 million and $9.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The following table presents the estimated amortization expense of other intangible assets over the next five-year period:

Year	Loan Servicing Rights	Core Deposits	Other
		(in thousands)	
2017	$ 4,888	$ 4,842	$ 280
2018	3,989	4,215	249
2019	3,101	3,671	235
2020	2,417	3,127	220
2021	1,771	2,582	206

DEPOSITS (Note 9)

Included in time deposits are certificates of deposit over $100 thousand totaling $1.7 billion at both December 31, 2016 and 2015. Interest expense on time deposits of $100 thousand or more totaled approximately $1.5 million, $4.0 million, and $5.9 million in 2016, 2015 and 2014, respectively.

The scheduled maturities of time deposits as of December 31, 2016 are as follows:

Year	Amount
	(in thousands)
2017	$ 2,122,906
2018	473,924
2019	98,763
2020	147,548
2021	162,687
Thereafter	133,043
Total time deposits	$ 3,138,871

Deposits from certain directors, executive officers and their affiliates totaled $85.6 million and $57.3 million at December 31, 2016 and 2015, respectively.

BORROWED FUNDS (Note 10)

Short-Term Borrowings

Short-term borrowings at December 31, 2016 and 2015 consisted of the following:

	2016	2015
	(in thousands)	
Securities sold under agreements to repurchase	$ 298,960	$ 500,991
Federal funds purchased	—	50,000
FHLB advances	782,000	526,000
Total short-term borrowings	$ 1,080,960	$ 1,076,991

The weighted average interest rate for short-term borrowings was 0.65 percent and 0.69 percent at December 31, 2016 and 2015, respectively.

Long-Term Borrowings

Long-term borrowings at December 31, 2016 and 2015 consisted of the following:

	2016	2015
	(in thousands)	
FHLB advances, net [(1)]	$ 1,031,666	$ 1,272,591
Securities sold under agreements to repurchase	165,000	307,500
Subordinated debt, net [(2)]	236,731	230,573
Other	509	64
Total long-term borrowings	$ 1,433,906	$ 1,810,728

(1) FHLB advances are presented net of unamortized prepayment penalties and other purchase accounting adjustments totaling $18.3 million and $3.6 million at December 31, 2016 and 2015, respectively.

(2) Subordinated debt is presented net of unamortized debt issuance costs totaling $1.9 million and $2.2 million at December 31, 2016 and 2015, respectively.

In August 2016, Valley prepaid $355 million and $50 million of the long-term FHLB advances and securities sold under agreements to repurchase, respectively. These prepaid borrowings, which had contractual maturity dates in 2018 and a total average interest rate of 3.69 percent, were funded with a new fixed-rate five-year FHLB advance totaling $405.0 million. The transaction was accounted for as a debt modification under U.S. GAAP. As a result, the new advance has an adjusted annual interest rate of 2.51 percent, after amortization of prepayment penalties totaling $20.0 million paid to the FHLB.

In May 2016, Valley prepaid $87 million of FHLB advances assumed in the acquisition of CNL. The prepayment was entirely funded by cash balances that were held as a collateral at the FHLB of Atlanta and resulted in the recognition of a $315 thousand loss on extinguishment of debt for the year ended December 31, 2016.

In December 2015, Valley prepaid $625 million and $220 million of the long-term FHLB advances and securities sold under agreements to repurchase, respectively. These prepaid borrowings had contractual amounts of $795 million and $50 million maturing in 2017 and 2018, respectively, and had a combined weighted average interest rate of 3.72 percent. The debt extinguishment resulted in a loss, consisting of prepayment penalties, totaling approximately $51.1 million for the year ended December 31, 2015.

FHLB Advances. The long-term FHLB advances had a weighted average interest rate of 3.37 percent and 3.96 percent at December 31, 2016 and 2015, respectively. These FHLB advances are secured by pledges of certain eligible collateral, including but not limited to U.S. government and agency mortgage-backed securities and a blanket assignment of qualifying first lien mortgage loans, consisting of both residential mortgage and commercial real estate loans. The pledged assets to the FHLB also collateralize a $100 million letter of credit issued by the FHLB on Valley's behalf to secure certain public deposits held at the Bank.

The long-term FHLB advances at December 31, 2016 are scheduled for contractual balance repayments as follows:

Year	Amount
	(in thousands)
2017	$ 10,000
2021	840,000
Thereafter	200,000
Total long-term FHLB advances	$ 1,050,000

Valley has no FHLB advances maturing in the years 2018 to 2020. The FHLB advances with scheduled repayments in years after 2017, reported in the table above, include $10 million in advances which are callable for early redemption by the FHLB during 2017 with interest rates ranging from 2.27 percent to 3.25 percent.

Long-term borrowings for securities sold under agreements. The long-term borrowings for securities sold under agreements had a weighted average interest rate of 2.41 percent and 3.35 percent at December 31, 2016 and 2015, respectively.

The long-term repos at December 31, 2016 are scheduled for contractual balance repayments as follows:

Year	Amount
	(in thousands)
2017	$ 65,000
2018	50,000
Thereafter	50,000
Total long-term securities sold under agreements to repurchase	$ 165,000

Subordinated Debt. In June 2015, the Bank issued $100 million of 4.55 percent subordinated debentures (notes) due July 30, 2025 with no call dates or prepayments allowed unless certain conditions exist. This subordinated note issuance was intended to replace our $100 million of 5 percent subordinated notes which matured and were repaid in July 2015. Interest on the subordinated notes is payable semi-annually in arrears on June 30 and December 30 of each year.

In September 2013, Valley issued $125 million of its 5.125 percent subordinated notes due September 27, 2023 with no call dates or prepayments allowed, unless certain conditions exist. Interest on the subordinated debentures is payable semi-annually in arrears on March 27 and September 27 of each year. In conjunction with the issuance, Valley entered into an interest rate swap transaction used to hedge the change in the fair value of the subordinated notes. In August 2016, the fair value interest rate swap with a notional amount of $125 million was terminated resulting in an adjusted fixed annual interest rate of 3.32 percent on the subordinated notes, after amortization of the derivative valuation adjustment recorded at the termination date (see Note 15). The subordinated notes had a net carrying value of $136.7 million and $130.6 million at December 31, 2016 and 2015, respectively.

Pledged Securities. The fair value of securities pledged to secure public deposits, repurchase agreements, lines of credit, FHLB advances and for other purposes required by law approximated $1.5 billion and $1.4 billion at December 31, 2016 and 2015, respectively.

JUNIOR SUBORDINATED DEBENTURES ISSUED TO CAPITAL TRUSTS (Note 11)

Valley acquired GCB Capital Trust III, State Bancorp Capital Trust I, and State Bancorp Capital Trust II in past bank acquisitions. These statutory trusts were established for the sole purpose of issuing trust preferred securities and related trust common securities. The proceeds from such issuances were used by the trust to purchase an equivalent amount of junior subordinated debentures issued by the acquired bank, and now assumed by Valley. The junior subordinated debentures, the sole assets of the trusts, are unsecured obligations of Valley, and are subordinate and junior in right of payment to all present and future senior and subordinated indebtedness and certain other financial obligations of Valley. Valley does not consolidate its capital trusts based on U.S. GAAP but wholly owns all of the common securities of each trust.

The table below summarizes the outstanding junior subordinated debentures and the related trust preferred securities issued by each trust as of December 31, 2016 and 2015:

	GCB Capital Trust III	State Bancorp Capital Trust I	State Bancorp Capital Trust II
		($ in thousands)	
Junior Subordinated Debentures:			
December 31, 2016			
Carrying value [(1)]	$ 24,777	$ 8,724	$ 8,076
Contractual principal balance	24,743	10,310	10,310
December 31, 2015			
Carrying value [(1)]	$ 24,846	$ 8,624	$ 7,944
Contractual principal balance	24,743	10,310	10,310
Annual interest rate [(2)]	6.96%	3-month LIBOR+3.45%	3-month LIBOR+2.85%
Stated maturity date	July 30, 2037	November 7, 2032	January 23, 2034
Initial call date	July 30, 2017	November 7, 2007	January 23, 2009
Trust Preferred Securities:			
December 31, 2016 and 2015			
Face value	$ 24,000	$ 10,000	$ 10,000
Annual distribution rate [(2)]	6.96%	3-month LIBOR+3.45%	3-month LIBOR+2.85%
Issuance date	July 2, 2007	October 29, 2002	December 19, 2003
Distribution dates [(3)]	Quarterly	Quarterly	Quarterly

(1) The carrying values include unamortized purchase accounting adjustments at December 31, 2016 and 2015.
(2) Interest on GCB Capital Trust III is fixed until July 30, 2017, then resets to 3-month LIBOR plus 1.4 percent. The annual interest rate for all of the junior subordinated debentures and related trust preferred securities excludes the effect of the purchase accounting adjustments.
(3) All cash distributions are cumulative.

The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at the stated maturity date or upon redemption on the date no earlier than the call dates noted in the table above. The trusts' ability to pay amounts due on the trust preferred securities is solely dependent upon Valley making payments on the related junior subordinated debentures. Valley's obligation under the junior subordinated debentures and other relevant trust agreements, in aggregate, constitutes a full and unconditional guarantee by Valley of the trusts' obligations under the trust preferred securities issued. Under the junior subordinated debenture agreements, Valley has the right to defer payment of interest on the debentures and, therefore, distributions on the trust preferred securities, for up to five years, but not beyond the stated maturity dates in the table above. Currently, Valley has no intention to exercise its right to defer interest payments on the debentures.

The trust preferred securities are included in Valley's total risk-based capital (as Tier 2 capital) for regulatory purposes at December 31, 2016. Based on the regulatory capital guidance under the Basel III rules, the trust preferred securities issued by our capital trusts were fully phased out of Tier 1 capital on January 1, 2016.

BENEFIT PLANS (Note 12)

Pension Plan

The Bank has a non-contributory defined benefit plan (qualified plan) covering most of its employees. The qualified plan benefits are based upon years of credited service and the employee's highest average compensation as defined. Additionally, the Bank has a supplemental non-qualified, non-funded retirement plan, which is designed to supplement the pension plan for key officers, and Valley has a non-qualified, non-funded directors' retirement plan (both of these plans are referred to as the "non-qualified plans" below).

Effective December 31, 2013 the benefits earned under the qualified and non-qualified were frozen. As a result, Valley re-measured the projected benefit obligation of the affected plans and the funded status of each plan at June 30, 2013. Consequently, participants in each plan will not accrue further benefits and their pension benefits will be determined based on the compensation and service as of December 31, 2013. Plan benefits will not increase for any compensation or service earned after such date. However, participants' benefits will continue to vest as long as they work for Valley.

The following table sets forth the change in the projected benefit obligation, the change in fair value of plan assets and the funded status and amounts recognized in Valley's consolidated financial statements for the qualified and non-qualified plans at December 31, 2016 and 2015:

	2016	2015
	(in thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 157,661	$ 176,339
Interest cost	6,681	6,889
Actuarial loss (gain)	2,047	(17,177)
Benefits paid	(5,546)	(8,390)
Projected benefit obligation at end of year	$ 161,306	$ 157,661
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 189,414	$ 194,646
Actual return on plan assets	22,424	2,875
Employer contributions	347	283
Benefits paid	(5,546)	(8,390)
Fair value of plan assets at end of year*	$ 206,639	$ 189,414
Funded status of the plan		
Asset recognized	$ 45,333	$ 31,753
Accumulated benefit obligation	161,306	157,661

* Includes accrued interest receivable of $606 thousand and $607 thousand as of December 31, 2016 and 2015, respectively.

Amounts recognized as a component of accumulated other comprehensive loss as of year-end that have not been recognized as a component of the net periodic pension expense for Valley's qualified and non-qualified plans are presented in the following table. Valley expects to recognize approximately $367 thousand of the net actuarial loss reported in the following table as of December 31, 2016 as a component of net periodic pension expense during 2017.

	2016	2015
	(in thousands)	
Net actuarial loss	$ 30,140	$ 36,271
Deferred tax benefit	(12,647)	(15,118)
Total	$ 17,493	$ 21,153

The non-qualified plans had a projected benefit obligation, accumulated benefit obligation, and fair value of plan assets as follows:

	2016	2015
	(in thousands)	
Projected benefit obligation	$ 18,286	$ 17,411
Accumulated benefit obligation	18,286	17,411
Fair value of plan assets	—	—

In determining discount rate assumptions, management looks to current rates on fixed-income corporate debt securities that receive a rating of AA or higher from either Moody's or S&P with durations equal to the expected benefit payments streams required of each plan. The weighted average discount rate used in determining the actuarial present value of benefit obligations for the qualified and non-qualified plans were 4.11 percent and 4.33 percent as of December 31, 2016 and 2015, respectively.

The net periodic pension income for the qualified and non-qualified plans included the following components for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(in thousands)	
Interest cost	$ 6,681	$ 6,889	$ 6,897
Expected return on plan assets	(14,539)	(14,023)	(12,967)
Amortization of net loss	294	790	226
Total net periodic pension income	$ (7,564)	$ (6,344)	$ (5,844)

At the end of 2016, Valley changed the method utilized to estimate the interest cost component of net periodic pension costs for our qualified and non-qualified plans. Historically, Valley estimated the interest cost component (and the service cost component when it was applicable) using a single weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Valley will elect to use a spot rate approach for the plans in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve to the relevant projected cash flows, as Valley believes this provides a better estimate of service and interest costs. Valley considers this a change in estimate and, accordingly, will account for it prospectively starting in 2017. This change does not affect the measurement of the total benefit obligation. For 2017, the change in estimate is expected to increase net periodic pension income by approximately $765 thousand when compared to the prior approach.

Other changes in the qualified and non-qualified plan assets and benefit obligations recognized in other comprehensive income/loss for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
	(in thousands)	
Net gain	$ (5,837)	$ (6,030)
Prior service cost	462	—
Amortization of actuarial loss	(294)	(790)
Total recognized in other comprehensive income	$ (5,669)	$ (6,820)
Total recognized in net periodic pension income and other comprehensive income/loss (before tax)	$ (13,233)	$ (13,163)

The benefit payments, which reflect expected future service, as appropriate, expected to be paid in future years are presented in the following table:

Year	Amount
	(in thousands)
2017	$ 6,847
2018	7,206
2019	7,744
2020	8,081
2021	8,423
Thereafter	45,462

The weighted average discount rate, expected long-term rate of return on assets and rate of compensation increase used in determining Valley's pension expense for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Discount rate	4.33%	4.02%	4.89%
Expected long-term return on plan assets	7.50%	7.50%	7.50%
Rate of compensation increase	N/A	N/A	N/A

The expected rate of return on plan assets assumption is based on the concept that it is a long-term assumption independent of the current economic environment and changes would be made in the expected return only when long-term inflation expectations change, asset allocations change or when asset class returns are expected to change for the long-term.

In accordance with Section 402 (c) of ERISA, the qualified plan's investment managers are granted full discretion to buy, sell, invest and reinvest the portions of the portfolio assigned to them consistent with the Bank's Pension Committee's policy and

guidelines. The target asset allocation set for the qualified plan are equity securities ranging from 25 percent to 65 percent and fixed income securities ranging from 35 percent to 75 percent. The absolute investment objective for the equity portion is to earn at least 7 percent cumulative annualized real return, after adjustment by the Consumer Price Index (CPI), over rolling five-year periods, while the relative objective is to earn returns above the S&P 500 Index over rolling three-year periods. For the fixed income portion, the absolute objective is to earn at least a 3 percent cumulative annual real return, after adjustment by the CPI over rolling five-year periods with a relative objective of earning returns above the Merrill Lynch Intermediate Government/ Corporate Index over rolling three-year periods. Cash equivalents will be invested in money market funds or in other high quality instruments approved by the Trustees of the qualified plan.

The exposure of the plan assets of the qualified plan to a concentration of credit risk is limited by the Bank's Pension Committee's diversification of the investments into various investment options with multiple asset managers. The Pension Committee engages an investment management advisory firm that regularly monitors the performance of the asset managers and ensures they are within compliance of the policies adopted by the Trustees. If the risk profile and overall return of assets managed are not in line with the risk objectives or expected return benchmarks for the qualified plan, the advisory firm may recommend the termination of an asset manager to the Pension Committee.

In general, the plan assets of the qualified plan are investment securities that are well-diversified in terms of industry, capitalization and asset class. The following table presents the qualified plan weighted-average asset allocations by asset category that are measured at fair value on a recurring basis by level within the fair value hierarchy under ASC Topic 820. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. See Note 3 for further details regarding the fair value hierarchy.

			Fair Value Measurements at Reporting Date Using:		
	% of Total Investments	**December 31, 2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			($ in thousands)		
Assets:					
Investments:					
Equity securities	43%	$ 88,250	$ 88,250	$ —	$ —
Corporate bonds	21	43,152	—	43,152	—
Mutual funds	19	38,975	38,975	—	—
U.S. Treasury securities	12	24,910	24,910	—	—
Cash and money market funds	5	10,402	10,402	—	—
U.S. government agency securities	*	344	—	344	—
Total investments	100%	$ 206,033	$ 162,537	$ 43,496	$ —

			Fair Value Measurements at Reporting Date Using:		
	% of Total Investments	**December 31, 2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			($ in thousands)		
Assets:					
Investments:					
Equity securities	41%	$ 76,578	$ 76,578	$ —	$ —
Corporate bonds	22	41,786	—	41,786	—
Mutual funds	19	36,052	36,052	—	—
U.S. Treasury securities	12	22,130	2,213	—	—
Cash and money market funds	6	11,913	11,913	—	—
U.S. government agency securities	*	348	—	348	—
Total investments	100%	$ 188,807	$ 126,756	$ 42,134	$ —

* Represents less than one percent of total investments.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities, U.S. Treasury securities and cash and money market funds are valued at fair value in the table above utilizing exchange quoted prices in active markets for identical instruments (Level 1 inputs). Mutual funds are measured at their respective net asset values, which represents fair values of the securities held in the funds based on exchange quoted prices available in active markets (Level 1 inputs).

Corporate bonds and U.S. government agency securities are reported at fair value utilizing Level 2 inputs. The prices for these investments are derived from market quotations and matrix pricing obtained through an independent pricing service. Such fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Based upon actuarial estimates, Valley does not expect to make any contributions to the qualified plan. Funding requirements for subsequent years are uncertain and will significantly depend on whether the plan's actuary changes any assumptions used to calculate plan funding levels, the actual return on plan assets, changes in the employee groups covered by the plan, and any legislative or regulatory changes affecting plan funding requirements. For tax planning, financial planning, cash flow management or cost reduction purposes, Valley may increase, accelerate, decrease or delay contributions to the plan to the extent permitted by law.

Other Non-Qualified Plans

Valley maintains other non-qualified plans for former directors of banks acquired, as well as a non-qualified plan for former senior management of Merchants Bank of New York acquired in January of 2001. Valley did not merge these plans into its existing non-qualified plans. Collectively, at December 31, 2016 and 2015, the remaining obligations under these plans were $3.3 million and $3.4 million, respectively, of which $1.5 million and $1.6 million, respectively, were funded by Valley. As of December 31, 2016 and 2015, the entire obligations were included in other liabilities and $867 thousand (net of a $614 thousand tax benefit) and $1.0 million (net of a $748 thousand tax benefit), respectively, were recorded in accumulated other comprehensive loss. The $1.5 million in accumulated other comprehensive loss will be reclassified to expense on a straight-line basis over the remaining benefit periods of these non-qualified plans.

Bonus Plan

Valley National Bank and its subsidiaries may award cash incentive and merit bonuses to its officers and employees based upon a percentage of the covered employees' compensation as determined by the achievement of certain performance objectives. Amounts charged to salary expense were $10.5 million, $9.0 million and $6.8 million during 2016, 2015 and 2014, respectively.

Savings and Investment Plan

Valley National Bank maintains a KSOP, which is defined as a 401(k) plan with an employee stock ownership feature. This plan covers eligible employees of the Bank and its subsidiaries and allows employees to contribute a percentage of their salary, with the Bank matching a certain percentage of the employee contribution in cash and invested in accordance with each participant's investment elections. The Bank recorded $6.7 million, $7.1 million and $6.0 million in expense for contributions to the plan for the years ended December 31, 2016, 2015 and 2014, respectively.

Effective January 1, 2016, Valley amended the benefits under the Bank's 401(k) plan. Under the amendment, Valley's matching contribution increased to a 100 percent of the first 4 percent of compensation contributed by an employee each pay period, and 50 percent of the next 2 percent of compensation contributed, for a maximum matching contribution of 5 percent with an annual limit of $13,250 in 2016. During 2015 and 2014, Valley's matching contribution was dollar-for-dollar up to 6 percent of compensation contributed by an employee each pay period.

Stock-Based Compensation

Valley currently has one active employee stock option plan, the 2016 Long-Term Stock Incentive Plan (the "2016 Stock Plan"), adopted by Valley's Board of Directors on January 29, 2016 and approved by its shareholders on April 28, 2016. The 2016 Stock Plan provides for certain increases and decreases in the number of shares available for grant under Valley's 2009 Long-Term Stock Incentive Plan (the "2009 Stock Plan"). Effective January 1, 2016, the 2.2 million of common shares remaining under the 2009 Stock Plan became available for future grants under the 2016 Stock Plan. Accordingly, Valley will no longer grant new awards under the 2009 Stock Plan.

The Employee Stock Incentive Plan is administered by the Compensation and Human Resources Committee (the "Committee") appointed by Valley's Board of Directors. The Committee can grant awards to officers and key employees of Valley.

The purpose of the Employee Stock Incentive Plan is to provide additional incentive to officers and key employees of Valley and its subsidiaries, whose substantial contributions are essential to the continued growth and success of Valley, and to attract and retain competent and dedicated officers and other key employees whose efforts will result in the continued and long-term growth of Valley's business.

Under the 2016 Stock Plan, Valley may award shares of common stock to its employees and non-employee directors in the form of stock appreciation rights, both incentive and non-qualified stock options, restricted stock and restricted stock units (RSUs). As of December 31, 2016, 8.3 million shares of common stock were available for issuance under the 2016 Stock Plan. The essential features of each award are described in the award agreement relating to that award. The grant, exercise, vesting, settlement or payment of an award may be based upon the fair value of Valley's common stock on the last sale price reported for Valley's common stock on such date or the last sale price reported preceding such date, except for performance-based awards with a market condition. The grant date fair values of performance-based awards that vest based on a market condition are determined by a third party specialist using a Monte Carlo valuation model. The maximum term to exercise an incentive stock option is ten years from the date of grant and is subject to a vesting schedule.

Valley recorded total stock-based compensation expense, primarily for restricted stock awards, totaling $10.0 million, $8.8 million and $7.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. The stock-based compensation expense for 2016, 2015 and 2014 included $3.5 million, $2.6 million and $3.9 million, respectively, related to stock awards granted to retirement eligible employees and was immediately recognized. The fair values of all other stock awards are expensed over the shorter of the vesting or required service period. As of December 31, 2016, the unrecognized amortization expense for all stock-based compensation totaled approximately $13.8 million and will be recognized over an average remaining vesting period of approximately 2.5 years.

Restricted Stock. Restricted stock is awarded to key employees providing for the immediate award of our common stock subject to certain vesting and restrictions under the Employee Stock Incentive Plan. Compensation expense is measured based on the grant-date fair value of the shares.

The following table sets forth the changes in restricted stock awards outstanding for the years ended December 31, 2016, 2015 and 2014:

	Restricted Stock Awards Outstanding		
	2016	2015	2014
Outstanding at beginning of year	2,755,138	2,574,616	1,709,312
Granted	544,307	886,427	1,488,960
Vested	(1,050,293)	(559,958)	(524,663)
Forfeited	(148,336)	(145,947)	(98,993)
Outstanding at end of year	2,100,816	2,755,138	2,574,616

The restricted stock awards granted in 2016 have vesting periods ranging from three to six years. The average grant date fair value of restricted stock awarded during the year ended December 31, 2016 was $8.84 per share. Included in the restricted shares granted (in the table above) during 2014, 240 thousand shares were performance-based awards made to executive officers. The performance-based restricted stock awards vest based on the same performance measures for the RSU grants discussed further below. A portion of the performance-based restricted stock awards vest after three years based on the cumulative performance of Valley during that time period with an opportunity for earlier vesting of a portion of the shares based on growth in tangible book value performance. During 2016 and 2015, 53 thousand and 50 thousand restricted shares, respectively, of the performance-based restricted stock awards vested. The remaining outstanding awards were unvested as of December 31, 2016, of which 85 thousand shares vested during the first quarter of 2017. The remaining unvested restricted stock awards were subsequently forfeited during the first quarter of 2017 due to failure to meet the performance and market conditions.

Restricted Stock Units. Valley granted 431 thousand shares and 313 thousand shares of performance-based RSUs to certain executive officers for the year ended December 31, 2016 and 2015, respectively. The RSUs vest based on (i) growth in tangible book value per share plus dividends (75 percent of performance shares) and (ii) total shareholder return as compared to our peer group (25 percent of performance shares). The RSUs "cliff" vest after three years based on the cumulative performance of Valley during that time period. The RSUs earn dividend equivalents (equal to cash dividends paid on Valley's common share) over the applicable performance period. Dividend equivalents and accrued interest, per the terms of the agreements, are accumulated and paid to the grantee at the vesting date, or forfeited if the performance conditions are not met. The grant date fair value of the RSUs was $8.32 and $8.98 per share for the years ended December 31, 2016 and 2015, respectively. Compensation costs related to RSUs totaled $2.8 million and $2.3 million, and were included in total stock-based compensation expense for the years ended December 31, 2016 and 2015, respectively.

Our 2016 Stock Plan provides for our non-employee directors to be eligible recipients of limited equity awards. Commencing with our 2017 annual meeting, each non-employee director will receive RSU awards totaling $50,000 in grant date fair value as part of their annual retainer. The RSUs will be granted on the date of the annual shareholders' meeting, with the number of RSUs to be determined using the closing market price on the date prior to grant. The RSUs vest on the earliest of the next annual shareholders' meeting or the first anniversary of the grant date, with acceleration upon a change in control, death or disability, but not resignation from the board.

Stock Options. The fair value of each option granted on the date of grant is estimated using a binomial option pricing model. The fair values are estimated using assumptions for dividend yield based on the annual dividend rate; the stock volatility, based on Valley's historical and implied stock price volatility; the risk free interest rates, based on the U.S. Treasury constant maturity bonds, in effect on the actual grant dates, with a remaining term approximating the expected term of the options; and expected exercise term calculated based on Valley's historical exercise experience.

The following table summarizes stock options activity as of December 31, 2016, 2015 and 2014 and changes during the years ended on those dates:

	2016		2015		2014	
Stock Options	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	1,383,365	$ 16	1,828,591	$ 17	2,322,593	$ 17
Granted	—	—	100,000	11	—	—
Forfeited or expired	(650,876)	18	(545,226)	18	(494,002)	19
Outstanding at end of year	732,489	14	1,383,365	16	1,828,591	17
Exercisable at year-end	632,489	14	1,283,365	16	1,828,591	17

The following table summarizes information about stock options outstanding and exercisable at December 31, 2016:

Options Outstanding and Exercisable			
Range of Exercise Prices	**Number of Options**	**Weighted Average Remaining Contractual Life in Years**	**Weighted Average Exercise Price**
$10-14	134,681	3.6	$ 12
14-15	445,654	1.1	15
15-17	3,388	1.1	16
18-19	48,766	0.1	19
	632,489	1.6	14

Director Restricted Stock Plan. The Director Restricted Stock Plan provides the non-employee members of the Board of Directors with the opportunity to forgo some or their entire annual cash retainer and meeting fees in exchange for shares of Valley restricted stock. On January 29, 2014, the Director Restricted Stock Plan was amended to provide that no additional fees may be exchanged for Valley's restricted stock effective April 1, 2014. The Director Restricted Stock Plan will terminate after April 2018 when the remaining restricted stock under the plan vests and is delivered, or is forfeited pursuant to such plan.

The following table sets forth the changes in director's restricted stock awards outstanding for the years ended December 31, 2016, 2015 and 2014:

	Restricted Stock Awards Outstanding		
	2016	**2015**	**2014**
Outstanding at beginning of year	80,117	98,086	121,792
Vested	(24,607)	(17,969)	(23,706)
Outstanding at end of year	55,510	80,117	98,086

INCOME TAXES (Note 13)

Income tax expense for the years ended December 31, 2016, 2015 and 2014 consisted of the following:

	2016	2015	2014
		(in thousands)	
Current expense (benefit):			
Federal	$ 25,176	$ 7,978	$ 25,156
State	12,904	(493)	(5,549)
	38,080	7,485	19,607
Deferred expense:			
Federal	10,658	(7,539)	(13,888)
State	16,496	23,992	25,343
	27,154	16,453	11,455
Total income tax expense	$ 65,234	$ 23,938	$ 31,062

The tax effects of temporary differences that gave rise to the significant portions of the deferred tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

	2016	2015
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 47,485	$ 44,382
Depreciation	12,432	15,661
Employee benefits	16,121	16,104
Investment securities, including other-than-temporary impairment losses	17,272	18,697
Net operating loss carryforwards	46,667	57,722
Purchase accounting	33,172	40,585
Other	22,183	21,310
Total deferred tax assets	195,332	214,461
Deferred tax liabilities:		
Pension plans	24,575	18,861
Other investments	20,831	15,720
Other	20,418	21,449
Total deferred tax liabilities	65,824	56,030
Net deferred tax asset (included in other assets)	$ 129,508	$ 158,431

Valley's federal net operating loss carryforwards totaled approximately $77.6 million at December 31, 2016 and expire during the period from 2029 through 2034 and state net operating loss carryforwards totaled approximately $514.3 million at December 31, 2016 and expire during the period from 2017 through 2036. Valley’s federal and state alternative minimum tax credit carryforwards were approximately $1.9 million and $3.7 million at December 31, 2016, respectively, and can be carried forward indefinitely.

Based upon taxes paid and projections of future taxable income over the periods in which the net deferred tax assets are deductible, management believes that it is more likely than not that Valley will realize the benefits of these deductible differences and loss carryforwards.

Reconciliation between the reported income tax expense and the amount computed by multiplying consolidated income before taxes by the statutory federal income tax rate of 35 percent for the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
		(in thousands)	
Federal income tax at expected statutory rate	$ 81,683	$ 44,413	$ 51,532
Increase (decrease) due to:			
State income tax expense, net of federal tax effect	19,197	15,274	12,866
Tax-exempt interest, net of interest incurred to carry tax-exempt securities	(5,308)	(4,864)	(4,406)
Bank owned life insurance	(2,343)	(2,385)	(2,237)
Tax credits from securities and other investments	(25,954)	(28,988)	(20,555)
Reduction in reserve for uncertainties	—	—	(6,971)
Other, net	(2,041)	488	833
Income tax expense	$ 65,234	$ 23,938	$ 31,062

A reconciliation of Valley's gross unrecognized tax benefits for 2016, 2015 and 2014 are presented in the table below:

	2016	2015	2014
		(in thousands)	
Beginning balance	$ 19,892	$ 18,647	$ 30,713
Additions based on tax positions related to prior years	3,958	1,245	1,408
Settlements with taxing authorities	(4,820)	—	(9,050)
Reductions due to expiration of statute of limitations	(2,886)	—	(4,424)
Ending balance	$ 16,144	$ 19,892	$ 18,647

The entire balance of unrecognized tax benefits, if recognized, would favorably affect our effective income tax rate. It is reasonably possible that the liability for unrecognized tax benefits could increase or decrease in the next twelve months due to completion of tax authorities' exams or the expiration of statutes of limitations. Management estimates that the liability for unrecognized tax benefits could decrease by $16.1 million within the next twelve months.

Valley's policy is to report interest and penalties, if any, related to unrecognized tax benefits in income tax expense. Valley has accrued approximately $4.6 million and $5.2 million of interest associated with Valley's uncertain tax positions at December 31, 2016 and 2015, respectively.

Valley files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, Valley is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2009. Valley is under examination by the IRS and also currently under routine examination by various state jurisdictions, and we expect the examinations to be completed within the next twelve months. Valley has considered, for all open audits, any potential adjustments in establishing our reserve for unrecognized tax benefits as of December 31, 2016.

TAX CREDIT INVESTMENTS (Note 14)

Valley's tax credit investments are primarily related to investments promoting qualified affordable housing projects, and other investments related to community development and renewable energy sources. Some of these tax-advantaged investments support Valley's regulatory compliance with the Community Reinvestment Act. Valley's investments in these entities generate a return primarily through the realization of federal income tax credits, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These tax credits and deductions are recognized as a reduction of income tax expense.

Valley's tax credit investments are carried in other assets on the consolidated statements of financial condition. Valley's unfunded capital and other commitments related to the tax credit investments are carried in accrued expenses and other liabilities on the consolidated statements of financial condition. Valley recognizes amortization of tax credit investments, including impairment losses, within non-interest expense of the consolidated statements of income using the equity method of accounting. An impairment loss is recognized when the fair value of the tax credit investment is less than its carrying value.

The following table presents the balances of Valley's affordable housing tax credit investments, other tax credit investments, and related unfunded commitments at December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
	(in thousands)	
Other Assets:		
Affordable housing tax credit investments, net	$ 29,567	$ 32,094
Other tax credit investments, net	44,763	70,681
Total tax credit investments, net	$ 74,330	$ 102,775
Other Liabilities:		
Unfunded affordable housing tax credit commitments	$ 4,850	$ 7,330
Unfunded other tax credit commitments	7,276	12,545
Total unfunded tax credit commitments	$ 12,126	$ 19,875

The following table presents other information relating to Valley's affordable housing tax credit investments and other tax credit investments for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(in thousands)	
Components of Income Tax Expense:			
Affordable housing tax credits and other tax benefits	$ 5,013	$ 4,709	$ 5,296
Other tax credit investment credits and tax benefits	33,294	23,877	14,357
Total reduction in income tax expense	$ 38,307	$ 28,586	$ 19,653
Amortization of Tax Credit Investments:			
Affordable housing tax credit investment losses	$ 2,077	$ 2,594	$ 3,184
Affordable housing tax credit investment impairment losses	450	1,321	3,211
Other tax credit investment losses	790	1,079	2,359
Other tax credit investment impairment losses	31,427	22,318	15,442
Total amortization of tax credit investments recorded in non-interest expense	$ 34,744	$ 27,312	$ 24,196

COMMITMENTS AND CONTINGENCIES (Note 15)

Lease Commitments

Certain bank facilities are occupied under non-cancelable long-term operating leases, which expire at various dates through 2058. Certain lease agreements provide for renewal options and increases in rental payments based upon increases in the consumer price index or the lessors' cost of operating the facility. Minimum aggregate lease payments for the remainder of the lease terms are as follows:

Year	Gross Rents	Sublease Rents	Net Rents
		(in thousands)	
2017	$ 27,256	$ 2,888	$ 24,368
2018	26,863	2,260	24,603
2019	26,361	2,125	24,236
2020	26,458	2,059	24,399
2021	25,754	1,972	23,782
Thereafter	281,310	9,631	271,679
Total lease commitments	$ 414,002	$ 20,935	$ 393,067

Net occupancy expense for years ended December 31, 2016, 2015, and 2014 included net rental expense of $27.7 million, $31.7 million, and $21.2 million, respectively, net of rental income of $4.0 million, $3.8 million, and $3.1 million, respectively, for leased bank facilities.

Financial Instruments With Off-balance Sheet Risk

In the ordinary course of business in meeting the financial needs of its customers, Valley, through its subsidiary Valley National Bank, is a party to various financial instruments, which are not reflected in the consolidated financial statements. These financial instruments include standby and commercial letters of credit, unused portions of lines of credit and commitments to extend various types of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated financial statements. The commitment or contract amount of these instruments is an indicator of the Bank's level of involvement in each type of instrument as well as the exposure to credit loss in the event of non-performance by the other party to the financial instrument. The Bank seeks to limit any exposure of credit loss by applying the same credit policies in making commitments, as it does for on-balance sheet lending facilities.

The following table provides a summary of financial instruments with off-balance sheet risk at December 31, 2016 and 2015:

	2016	2015
	(in thousands)	
Commitments under commercial loans and lines of credit	$ 2,855,326	$ 2,554,146
Home equity and other revolving lines of credit	904,999	822,506
Outstanding commercial mortgage loan commitments	560,929	724,236
Standby letters of credit	217,695	198,253
Commitments to sell loans	147,250	41,860
Outstanding residential mortgage loan commitments	108,063	54,293
Commitments under unused lines of credit—credit card	49,715	50,532
Commercial letters of credit	4,960	4,249

Obligations to advance funds under commitments to extend credit, including commitments under unused lines of credit, are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have specified expiration dates, which may be extended upon request, or other termination clauses and generally require payment of a fee. These commitments do not necessarily represent future cash requirements as it is anticipated that many of these commitments will expire without being fully drawn upon. The Bank's lending activity for outstanding loan commitments is primarily to customers within the states of New Jersey, New York, and Florida.

Standby letters of credit represent the guarantee by the Bank of the obligations or performance of the bank customer in the event of the default of payment or nonperformance to a third party beneficiary.

Loan sale commitments represent contracts for the sale of residential mortgage loans to third parties in the ordinary course of the Bank's business. These commitments require the Bank to deliver loans within a specific period to the third party. The risk to the Bank is its non-delivery of loans required by the commitment, which could lead to financial penalties. The Bank has not defaulted on its loan sale commitments.

Litigation

In the normal course of business, Valley is a party to various outstanding legal proceedings and claims. In the opinion of management, the financial condition, results of operations and liquidity of Valley should not be materially affected by the outcome of such legal proceedings and claims. However, in the event of an unexpected adverse outcome in one or more of our legal proceedings, operating results for a particular period may be negatively impacted. Disclosure is required when a risk of material loss in a litigation or claim is more than remote, even when the risk of a material loss is less than likely. Unless an estimate cannot be made, disclosure is also required of the estimate of the reasonably possible loss or range of loss.

Although there can be no assurance as to the ultimate outcome, Valley has generally denied, or believes it has a meritorious defense and will deny liability in litigation pending against Valley and claims made, including the matter described below. Valley intends to defend vigorously each case against it. Liabilities are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated.

Merrick Bank Corporation v. Valley National Bank and American Express Travel Related Services v. Valley National Bank litigation. For about a decade, Valley served as the depository bank for various charter operators under regulations of the Department of Transportation (DOT) and contracts entered into with charter operators under those regulations. The purported

intent of the regulations is to afford some protection to the customers of the charter operators. A charter operator has several options with regard to fulfilling its obligations under the regulations, with one option requiring the charter operator to deposit the proceeds of tickets purchased for a charter flight into an FDIC insured bank account. The funds for a flight are released when the charter operator certifies that the flight has been completed. Valley stopped serving as a depository bank for the charter business due to the narrow profit in that business combined with the legal expenses incurred to defend itself in a prior case in which Valley was completely successful and the anticipated legal expenses from the following similar cases that are still pending.

Valley served as the depository bank for Myrtle Beach Direct Air (Direct Air) under a contract between Direct Air and Valley approved by the DOT under the DOT regulations. Direct Air commenced operations in 2007 but in March 2012 Direct Air ceased operations and filed for bankruptcy. Thereafter the United States Justice Department charged three of the principals of Direct Air with criminal fraud; that case is expected to go to trial in September 2017. Merrick Bank Corp. (Merrick) was the merchant bank for Direct Air and processed credit card purchases for Direct Air. Following the bankruptcy of Direct Air, Merrick incurred chargebacks in the approximate amount of $26.2 million when the Direct Air customers whose flights had been canceled obtained a credit from their card issuing banks for the cost of the ticket or other item purchased from Direct Air. Merrick was not able to recover the chargebacks from Direct Air. Direct Air's depository account at Valley contained approximately $1.0 million at the time Direct Air ceased operations.

Merrick filed an action against Valley with ten counts in December 2013. Valley moved to dismiss five of the counts and, in March 2015, the court dismissed four of the five counts. American Express Travel Related Services (American Express) filed a similar action against Valley claiming about $3.0 million in chargebacks. Five of American Express' eleven counts have been dismissed. The two cases have now been consolidated in the Federal District Court of New Jersey.

The parties are scheduled for mediation in March 2017 after which, if the mediation is not successful, Valley will file summary judgment motions on all of the remaining counts in both the Merrick and American Express cases.

At December 31, 2016, Valley could not estimate an amount or range of reasonably possible losses related to the matter described above. Based upon information currently available and advice of counsel, Valley believes that the eventual outcome of such claims will not have a material adverse effect on Valley's consolidated financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of the matters, if unfavorable, may be material to Valley's results of operations for a particular period.

Derivative Instruments and Hedging Activities

Valley is exposed to certain risks arising from both its business operations and economic conditions. Valley principally manages its exposure to a wide variety of business and operational risks through management of its core business activities. Valley manages economic risks, including interest rate and liquidity risks, primarily by managing the amount, sources, and duration of its assets and liabilities and, from time to time, the use of derivative financial instruments. Specifically, Valley enters into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Valley's derivative financial instruments are used to manage differences in the amount, timing, and duration of Valley's known or expected cash receipts and its known or expected cash payments related to assets and liabilities as outlined below.

Cash Flow Hedges of Interest Rate Risk. Valley's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, Valley uses interest rate swaps and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the payment of either fixed or variable-rate amounts in exchange for the receipt of variable or fixed-rate amounts from a counterparty. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium.

At December 31, 2016, Valley had the following cash flow hedge derivatives:

- Two interest rate swaps with a total notional amount of $100 million to hedge the changes in cash flows associated with prime-rate-indexed deposits, consisting of consumer and commercial money market deposit accounts. The swaps require the payment by Valley of fixed-rate amounts at approximately 5.11 percent in exchange for the receipt of variable-rate payments at the prime rate and expire in July 2017.
- One interest rate cap with a total notional amount of $125 million with a strike rate of 7.44 percent and a maturity date of September 27, 2023 used to hedge the total change in cash flows associated with prime-rate indexed deposits, consisting of consumer and commercial money market deposit accounts, which have variable interest rates indexed to the prime rate.
- Three forward starting interest rate swaps with a total notional amount of $300 million to hedge the changes in cash flows associated with certain brokered money market deposits. Starting in November 2015, the interest rate swaps required Valley to pay fixed-rate amounts ranging from approximately 2.57 percent to 2.97 percent, in exchange for the receipt

of variable-rate payments at the three-month LIBOR rate. The three swaps have expiration dates ranging from November 2018 to November 2020.

- Four forward starting interest rate swaps with a total notional amount of $182 million to hedge the changes in cash flows associated with borrowed funds. Starting in March and April 2016, the interest rate swaps required Valley to pay fixed-rate amounts ranging from approximately 2.51 percent to 2.88 percent, in exchange for the receipt of variable-rate payments at the three-month LIBOR rate. The four swaps have expiration dates ranging from March 2019 to September 2020.

Fair Value Hedges of Fixed Rate Assets and Liabilities. Valley is exposed to changes in the fair value of certain of its fixed rate assets or liabilities due to changes in benchmark interest rates based on one-month LIBOR. From time to time, Valley uses interest rate swaps to manage its exposure to changes in fair value. Interest rate swaps designated as fair value hedges involve the receipt of variable rate payments from a counterparty in exchange for Valley making fixed rate payments over the life of the agreements without the exchange of the underlying notional amount. For derivatives that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. Valley includes the gain or loss on the hedged items in the same income statement line item as the loss or gain on the related derivatives.

At December 31, 2016, Valley had one interest rate swap with a notional amount of approximately $8.0 million used to hedge the change in the fair value of a commercial loan.

In August 2016, Valley terminated an interest rate swap with a notional amount of $125 million. The terminated swap, originally maturing in September 2023, was used to hedge the change in the fair value of Valley's $125 million of 5.125 percent subordinated notes issued in September 2013. The transaction resulted in an adjusted annual interest rate of 3.32 percent on the subordinated notes, after amortization of the derivative valuation adjustment recorded at the termination date.

Non-designated Hedges. Derivatives not designated as hedges may be used to manage Valley's exposure to interest rate movements or to provide service to customers but do not meet the requirements for hedge accounting under U.S. GAAP. Derivatives not designated as hedges are not entered into for speculative purposes. Under a program, Valley executes interest rate swaps with commercial lending customers to facilitate their respective risk management strategies. These interest rate swaps with customers are simultaneously offset by interest rate swaps that Valley executes with a third party, such that Valley minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

In 2014, Valley issued $25 million of market linked certificates of deposit through a broker dealer. The rate paid on these hybrid instruments is based on a formula derived from the spread between the long and short ends of the constant maturity swap (CMS) rate curve. This type of instrument is referred to as a "steepener" since it derives its value from the slope of the CMS curve. Valley has determined that these hybrid instruments contain an embedded swap contract which has been bifurcated from the host contract. Valley entered into a swap (with a total notional amount of $25 million) almost simultaneously with the deposit issuance where the receive rate on the swap mirrors the pay rate on the brokered deposits. The bifurcated derivative and the stand alone swap are both marked to market through other non-interest expense. Although these instruments do not meet the hedge accounting requirements, the change in fair value of both the bifurcated derivative and the stand alone swap tend to move in opposite directions with changes in the three-month LIBOR rate and, therefore, provide an effective economic hedge.

Valley also regularly enters into mortgage banking derivatives which are non-designated hedges. These derivatives include interest rate lock commitments provided to customers to fund certain residential mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. Valley enters into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on Valley's commitments to fund the loans as well as on its portfolio of mortgage loans held for sale.

Amounts included in the consolidated statements of financial condition related to the fair value of Valley's derivative financial instruments were as follows:

	December 31, 2016			December 31, 2015		
	Fair Value			Fair Value		
	Other Assets	Other Liabilities	Notional Amount	Other Assets	Other Liabilities	Notional Amount
	(in thousands)					
Derivatives designated as hedging instruments:						
Cash flow hedge interest rate caps and swaps	$ 802	$ 15,641	$ 707,000	$ 1,284	$ 24,823	$ 907,000
Fair value hedge interest rate swaps	—	986	7,999	7,658	1,306	133,209
Total derivatives designated as hedging instruments	$ 802	$ 16,627	$ 714,999	$ 8,942	$ 26,129	$ 1,040,209
Derivatives not designated as hedging instruments:						
Interest rate swaps and embedded derivatives	$ 25,285	$ 25,284	$ 1,075,722	$ 24,628	$ 24,623	$ 654,134
Mortgage banking derivatives	2,968	2,166	246,583	204	92	73,438
Total derivatives not designated as hedging instruments	$ 28,253	$ 27,450	$ 1,322,305	$ 24,832	$ 24,715	$ 727,572

Losses included in the consolidated statements of income and in other comprehensive income (loss), on a pre-tax basis, related to interest rate derivatives designated as hedges of cash flows were as follows:

	2016	2015	2014
		(in thousands)	
Amount of loss reclassified from accumulated other comprehensive loss to interest expense	$ (13,034)	$ (7,075)	$ (6,663)
Amount of loss recognized in other comprehensive income	(4,035)	(12,360)	(20,910)

The net gains or losses related to cash flow hedge ineffectiveness were immaterial during the years ended December 31, 2016, 2015 and 2014. The accumulated net after-tax losses related to effective cash flow hedges included in accumulated other comprehensive loss were $12.5 million and $17.6 million at December 31, 2016 and 2015, respectively.

Amounts reported in accumulated other comprehensive loss related to cash flow interest rate derivatives are reclassified to interest expense as interest payments are made on the hedged variable interest rate liabilities. Valley estimates that $8.8 million will be reclassified as an increase to interest expense in 2017.

Gains (losses) included in the consolidated statements of income related to interest rate derivatives designated as hedges of fair value were as follows:

	2016	2015	2014
		(in thousands)	
Derivative—interest rate swaps:			
Interest income	$ 320	$ 176	$ (13)
Interest expense	6,670	1,400	9,380
Hedged item—loans, deposits and long-term borrowings:			
Interest income	$ (320)	$ (176)	$ 13
Interest expense	(6,645)	(1,473)	(9,449)

During the years ended December 31, 2016, 2015 and 2014, the amounts recognized in non-interest expense related to the ineffectiveness of fair value hedges were immaterial.

Net gains (losses) included in the consolidated statements of income related to derivative instruments not designated as hedging instruments were as follows:

	2016	2015	2014
		(in thousands)	
Non-designated hedge interest rate derivatives			
Other non-interest expense	$ 690	$ 158	$ (214)

Collateral Requirements and Credit Risk Related Contingency Features. By using derivatives, Valley is exposed to credit risk if counterparties to the derivative contracts do not perform as expected. 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 at Valley in conjunction with Valley's consolidated counterparty risk management process. Valley's counterparties and the risk limits monitored by management are periodically reviewed and approved by the Board of Directors.

Valley has agreements with its derivative counterparties providing that if Valley defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Valley could also be declared in default on its derivative counterparty agreements. Additionally, Valley has an agreement with several of its derivative counterparties that contains provisions that require Valley's debt to maintain an investment grade credit rating from each of the major credit rating agencies from which it receives a credit rating. If Valley's credit rating is reduced below investment grade or such rating is withdrawn or suspended, then the counterparty could terminate the derivative positions, and Valley would be required to settle its obligations under the agreements. As of December 31, 2016, Valley was in compliance with all of the provisions of its derivative counterparty agreements. As of December 31, 2016, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $25.2 million. Valley has derivative counterparty agreements that require minimum collateral posting thresholds for certain counterparties. At December 31, 2016, Valley had $52.4 million in collateral posted with its counterparties.

BALANCE SHEET OFFSETTING (Note 16)

Certain financial instruments, including derivatives (consisting of interest rate caps and swaps) and repurchase agreements (accounted for as secured long-term borrowings), may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar 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 repurchase agreement should Valley be in default.

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, 2016 and 2015.

	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset		Net Amount
				Financial Instruments	Cash Collateral	
			(in thousands)			
December 31, 2016						
Assets:						
Interest rate caps and swaps	$ 26,087	$ —	$ 26,087	$ (5,268)	$ —	$ 20,819
Liabilities:						
Interest rate caps and swaps	$ 41,911	$ —	$ 41,911	$ (5,268)	$ (36,643) (1)	$ —
Repurchase agreements	165,000	—	165,000	—	(165,000) (2)	—
Total	$ 206,911	$ —	$ 206,911	$ (5,268)	$ (201,643)	$ —
December 31, 2015						
Assets:						
Interest rate caps and swaps	$ 33,570	$ —	$ 33,570	$ (8,942)	$ —	$ 24,628
Liabilities:						
Interest rate caps and swaps	$ 50,752	$ —	$ 50,752	$ (8,942)	$ (41,810) (1)	$ —
Repurchase agreements	475,000	—	475,000	—	(475,000) (2)	—
Total	$ 525,752	$ —	$ 525,752	$ (8,942)	$ (516,810)	$ —

(1) Represents the amount of collateral posted with counterparties that offsets net liabilities at December 31, 2016 and 2015, respectively. Actual cash collateral posted with counterparties totaled $52.4 million and $53.0 million at December 31, 2016 and 2015, respectively.

(2) Represents the fair value of non-cash pledged investment securities.

REGULATORY AND CAPITAL REQUIREMENTS (Note 17)

Valley's primary source of cash is dividends from the Bank. Valley National Bank, a national banking association, is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. In addition, the dividends declared cannot be in excess of the amount which would cause the subsidiary bank to fall below the minimum required for capital adequacy purposes.

Valley and Valley National Bank are subject to the regulatory capital requirements administered by the Federal Reserve Bank and the OCC. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct significant impact on Valley's consolidated financial statements. Under capital adequacy guidelines Valley and Valley National Bank must meet specific capital guidelines that involve quantitative measures of Valley's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Valley and Valley National Bank to maintain minimum amounts and ratios of common equity Tier 1 capital, total and Tier 1 capital to risk-weighted assets, and Tier 1 capital to average assets, as defined in the regulations.

Effective January 1, 2015, Valley implemented the Basel III regulatory capital framework and related Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Basel III final rules require a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5 percent, Tier 1 capital to risk-weighted assets of 6.0 percent, ratio of total capital to risk-weighted assets of 8.0 percent, and minimum leverage ratio of 4.0 percent. The new rule changes included the implementation of a new capital conservation buffer that is added to the minimum requirements for capital adequacy purposes. The capital conservation buffer is subject to a three year phase-in period that started on January 1, 2016, at 0.625 percent of risk-weighted assets and increases each subsequent year by 0.625 percent until reaching its final level of 2.5 percent when fully phased-in on January 1, 2019. The final rule also revised the definition and calculation of Tier 1 capital, total capital and risk-weighted assets. As of December 31, 2016 and 2015, Valley and Valley National Bank exceeded all capital adequacy requirements with the capital conservation buffer under the Basel III Capital Rules (see table below).

The following table presents Valley's and Valley National Bank's actual capital positions and ratios under the Basel III risk-based capital guidelines at December 31, 2016 and 2015:

	Actual		Minimum Capital Requirements		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			($ in thousands)			
As of December 31, 2016						
Total Risk-based Capital						
Valley	$ 2,084,531	12.15%	$ 1,480,006	8.625%	N/A	N/A
Valley National Bank	2,023,857	11.82	1,476,767	8.625	$ 1,712,193	10.00%
Common Equity Tier 1 Capital						
Valley	1,590,825	9.27	879,424	5.125	N/A	N/A
Valley National Bank	1,807,201	10.55	877,499	5.125	1,112,926	6.50
Tier 1 Risk-based Capital						
Valley	1,698,767	9.90	1,136,816	6.625	N/A	N/A
Valley National Bank	1,807,201	10.55	1,134,328	6.625	1,369,755	8.00
Tier 1 Leverage Capital						
Valley	1,698,767	7.74	878,244	4.00	N/A	N/A
Valley National Bank	1,807,201	8.25	876,026	4.00	1,095,032	5.00
As of December 31, 2015						
Total Risk-based Capital						
Valley	$ 1,910,304	12.02%	$ 1,271,171	8.00%	N/A	N/A
Valley National Bank	1,826,420	11.53	1,266,942	8.00	$ 1,583,677	10.00%
Common Equity Tier 1 Capital						
Valley	1,431,973	9.01	715,034	4.50	N/A	N/A
Valley National Bank	1,618,053	10.22	712,655	4.50	1,029,390	6.50
Tier 1 Risk-based Capital						
Valley	1,543,937	9.72	953,378	6.00	N/A	N/A
Valley National Bank	1,618,053	10.22	950,206	6.00	1,266,942	8.00
Tier 1 Leverage Capital						
Valley	1,543,937	7.90	781,388	4.00	N/A	N/A
Valley National Bank	1,618,053	8.29	780,831	4.00	976,039	5.00

COMMON AND PREFERRED STOCK (Note 18)

Common Stock

Common Stock Issuance. In December 2016, Valley issued and sold 9.24 million of its common stock in a registered public offering. The net proceeds of the offering were $106.4 million and will be used to, among other things, support continued loan growth at the Bank.

Dividend Reinvestment Plan. Valley may issue up to 10.0 million authorized and previously unissued or treasury shares of Valley common stock for purchases under Valley's dividend reinvestment plan (DRIP). Under the DRIP, a shareholder may choose to have future cash dividends automatically invested in Valley common stock and make voluntary optional cash payments of up to $100 thousand per quarter to purchase shares of Valley common stock. Shares purchased under this plan will be issued directly from Valley or in open market transactions. During 2016, 2015 and 2014, 554 thousand, 713 thousand, and 499 thousand of common shares, respectively, were reissued from treasury stock or issued from authorized common shares under the DRIP for net proceeds totaling $5.2 million, $7.0 million and $5.0 million, respectively.

Common Stock Warrants. On January 1, 2012, Valley assumed in the acquisition of State Bancorp, Inc. a warrant issued (in connection with State Bancorp's redeemed preferred stock issuance) to the U.S. Treasury in December 2008. The ten-year warrant to purchase up to 489 thousand of Valley common shares has an exercise price of $11.30 per share, and is exercisable on a net exercise basis. During May 2015, the U.S. Treasury sold the warrant shares individually through a public action, in which Valley did not receive any of the proceeds. All of the warrants, which will expire on December 5, 2018, remained outstanding and unexercised at December 31, 2016.

In connection with the issuance of senior preferred shares in 2008 under the TARP program, Valley issued to the U.S. Treasury a ten-year warrant to purchase up to approximately $2.5 million of Valley common shares. During 2010, the U.S. Treasury sold the warrant shares individually through a public auction, in which Valley did not receive any of the proceeds. The warrants are currently traded on the New York Stock Exchange under the ticker symbol "VLY WS". Each warrant entitles the holder to purchase approximately 1.103 Valley common shares at $16.12 per share and is exercisable through the expiration date of November 14, 2018.

Repurchase Plan. In 2007, Valley's Board of Directors approved the repurchase of up to $4.7 million of common shares. Purchases of Valley's common shares may be made from time to time in the open market or in privately negotiated transactions generally not exceeding prevailing market prices. Repurchased shares are held in treasury and are expected to be used for general corporate purposes or issued under the dividend reinvestment plan. Under the repurchase plan, Valley made no purchases of its outstanding shares during the years ended December 31, 2016, 2015 and 2014.

Other Stock Repurchases. Valley also purchases shares directly from its employees in connection with employee elections to withhold taxes related to the vesting of stock awards, including vested stock options exchanged for Valley common stock in the CNL acquisition. During the years ended December 31, 2016, 2015 and 2014, Valley purchased approximately 328 thousand, 387 thousand and 174 thousand shares, respectively, of its outstanding common stock at an average price of $9.73, $9.95 and $9.68, respectively, for such purpose.

Preferred Stock

On June 19, 2015, Valley issued 4.6 million shares of its Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A, no par value per share, with a liquidation preference of $25 per share. Dividends on the preferred stock accrue and are payable quarterly in arrears, at a fixed rate per annum equal to 6.25 percent from the original issue date to, but excluding, June 30, 2025, and thereafter at a floating rate per annum equal to three-month LIBOR plus a spread of 3.85 percent. The net proceeds from the preferred stock offering totaled approximately $111.6 million. The preferred stock is included in Valley's Tier 1 capital and total risk-based capital at December 31, 2016 and 2015.

OTHER COMPREHENSIVE INCOME (Note 19)

The following table presents the tax effects allocated to each component of other comprehensive income (loss) for the years ended December 31, 2016, 2015 and 2014. Components of other comprehensive income (loss) include changes in net unrealized gains and losses on securities available for sale (including the non-credit portion of other-than-temporary impairment charges relating to certain securities during the period); unrealized gains and losses on derivatives used in cash flow hedging relationships; and the pension benefit adjustment for the unfunded portion of various employee, officer and director pension plans.

	2016			2015			2014		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
	(in thousands)								
Unrealized gains and losses on available for sale (AFS) securities									
Net (losses) gains arising during the period	$ (7,294)	$ 3,001	$ (4,293)	$ (3,458)	$ 1,458	$ (2,000)	$ 33,329	$ (13,931)	$ 19,398
Less reclassification adjustment for net gains included in net income (1)	(777)	312	(465)	(2,487)	1,041	(1,446)	(745)	312	(433)
Net change	(8,071)	3,313	(4,758)	(5,945)	2,499	(3,446)	32,584	(13,619)	18,965
Non-credit impairment losses on securities available for sale and held to maturity									
Net change in non-credit impairment losses on securities	719	(302)	417	(416)	175	(241)	2,299	(965)	1,334
Less reclassification adjustment for accretion of credit impairment losses included in net income (2)	(921)	382	(539)	(728)	304	(424)	(661)	278	(383)
Net change	(202)	80	(122)	(1,144)	479	(665)	1,638	(687)	951
Unrealized gains and losses on derivatives (cash flow hedges)									
Net (losses) gains arising during the period	(4,035)	1,574	(2,461)	(12,360)	5,121	(7,239)	(20,910)	8,763	(12,147)
Less reclassification adjustment for net losses included in net income (3)	13,034	(5,393)	7,641	7,075	(2,948)	4,127	6,663	(2,777)	3,886
Net change	8,999	(3,819)	5,180	(5,285)	2,173	(3,112)	(14,247)	5,986	(8,261)
Defined benefit pension plan									
Net gains (losses) arising during the period	5,837	(2,539)	3,298	6,030	(2,586)	3,444	(27,902)	11,695	(16,207)
Amortization of prior service cost (4)	(300)	119	(181)	206	(89)	117	305	(128)	177
Amortization of net loss (4)	294	(109)	185	790	(328)	462	226	(94)	132
Net change	5,831	(2,529)	3,302	7,026	(3,003)	4,023	(27,371)	11,473	(15,898)
Total other comprehensive income (loss)	$ 6,557	$ (2,955)	$ 3,602	$ (5,348)	$ 2,148	$ (3,200)	$ (7,396)	$ 3,153	$ (4,243)

(1) Included in gains on securities transactions, net.
(2) Included in interest and dividends on investment securities (taxable).
(3) Included in interest expense.
(4) Included in the computation of net periodic pension cost. See Note 12 for details.

The following table presents the after-tax changes in the balances of each component of accumulated other comprehensive loss for the years ended December 31, 2016, 2015 and 2014:

	Components of Accumulated Other Comprehensive Loss				
	Unrealized Gains and Losses on AFS Securities	Non-credit Impairment Losses on Securities	Unrealized Gains and Losses on Derivatives	Defined Benefit Pension Plan	Total Accumulated Other Comprehensive Loss
			(in thousands)		
Balance-December 31, 2013	$ (20,855)	$ (806)	$ (6,271)	$ (10,320)	$ (38,252)
Other comprehensive income (loss) before reclassifications	19,398	1,334	(12,147)	(16,207)	(7,622)
Amounts reclassified from other comprehensive income (loss)	(433)	(383)	3,886	309	3,379
Other comprehensive income (loss), net	18,965	951	(8,261)	(15,898)	(4,243)
Balance-December 31, 2014	(1,890)	145	(14,532)	(26,218)	(42,495)
Other comprehensive (loss) income before reclassifications	(2,000)	(241)	(7,239)	3,444	(6,036)
Amounts reclassified from other comprehensive (loss) income	(1,446)	(424)	4,127	579	2,836
Other comprehensive (loss) income, net	(3,446)	(665)	(3,112)	4,023	(3,200)
Balance-December 31, 2015	(5,336)	(520)	(17,644)	(22,195)	(45,695)
Other comprehensive (loss) income before reclassifications	(4,293)	417	(2,461)	3,298	(3,039)
Amounts reclassified from other comprehensive (loss) income	(465)	(539)	7,641	4	6,641
Other comprehensive (loss) income, net	(4,758)	(122)	5,180	3,302	3,602
Balance-December 31, 2016	$ (10,094)	$ (642)	$ (12,464)	$ (18,893)	$ (42,093)

QUARTERLY FINANCIAL DATA (UNAUDITED) (Note 20)

	Quarters Ended 2016			
	March 31	June 30	September 30	December 31
	(in thousands, except for share data)			
Interest income	$ 185,597	$ 189,028	$ 191,203	$ 201,095
Interest expense	37,444	37,573	37,057	36,700
Net interest income	148,153	151,455	154,146	164,395
Provision for credit losses	800	1,429	5,840	3,800
Non-interest income:				
Gains on sales of loans, net	1,795	3,105	4,823	12,307
Other non-interest income	19,653	21,159	20,030	20,353
Non-interest expense:				
Loss on extinguishment of debt	—	315	—	—
Amortization of tax credit investments	7,264	7,646	6,450	13,384
Other non-interest expense	110,961	111,842	106,818	111,445
Income before income taxes	50,576	54,487	59,891	68,426
Income tax expense	14,389	15,460	17,049	18,336
Net income	36,187	39,027	42,842	50,090
Dividend on preferred stock	1,797	1,797	1,797	1,797
Net income available to common shareholders	34,390	37,230	41,045	48,293
Earnings per common share:				
Basic	$ 0.14	$ 0.15	$ 0.16	$ 0.19
Diluted	0.14	0.15	$ 0.16	0.19
Cash dividends declared per common share	0.11	0.11	0.11	0.11
Weighted average number of common shares outstanding:				
Basic	254,075,349	254,381,170	254,473,994	256,422,437
Diluted	254,347,420	254,771,213	254,940,307	256,952,036

	Quarters Ended 2015			
	March 31	June 30	September 30	December 31
	(in thousands, except for share data)			
Interest income	$ 170,985	$ 175,754	$ 174,690	$ 185,594
Interest expense	38,899	39,577	40,730	37,548
Net interest income	132,086	136,177	133,960	148,046
Provision for credit losses	—	4,500	94	3,507
Non-interest income:				
Gains on sales of loans, net	598	422	2,014	1,211
Other non-interest income	18,047	19,778	18,905	22,827
Non-interest expense:				
Loss on extinguishment of debt	—	—	—	51,129
Amortization of tax credit investments	4,496	4,511	5,224	13,081
Other non-interest expense	103,622	102,901	103,428	110,683
Income before income taxes	42,613	44,465	46,133	(6,316)
Income tax expense	12,272	12,474	10,179	(10,987)
Net income	30,341	31,991	35,954	4,671
Dividend on preferred stock	—	—	2,017	1,796
Net income available to common shareholders	30,341	31,991	33,937	2,875
Earnings per common share:				
Basic	$ 0.13	$ 0.14	$ 0.15	$ 0.01
Diluted	0.13	0.14	0.15	0.01
Cash dividends declared per common share	0.11	0.11	0.11	0.11
Weighted average number of common shares outstanding:				
Basic	232,338,775	232,565,404	232,737,953	239,916,562
Diluted	232,341,921	232,586,616	232,780,219	239,972,546

PARENT COMPANY INFORMATION (Note 21)

Condensed Statements of Financial Condition

	December 31,	
	2016	2015
	(in thousands)	
Assets		
Cash	$ 68,927	$ 63,330
Interest bearing deposits with banks	82	135
Investment securities available for sale	239	806
Investments in and receivables due from subsidiaries	2,591,982	2,398,784
Other assets	36,188	61,365
Total Assets	$ 2,697,418	$ 2,524,420
Liabilities and Shareholders' Equity		
Dividends payable to shareholders	$ 29,477	$ 28,054
Long-term borrowings	236,731	230,573
Junior subordinated debentures issued to capital trusts	41,577	41,414
Accrued expenses and other liabilities	12,477	17,288
Shareholders' equity	2,377,156	2,207,091
Total Liabilities and Shareholders' Equity	$ 2,697,418	$ 2,524,420

Condensed Statements of Income

	Years Ended December 31,		
	2016	2015	2014
		(in thousands)	
Income			
Dividends from subsidiary	$ 90,000	$ 110,000	$ 110,000
Income from subsidiary	4,550	2,363	—
Gains on securities transactions, net	239	—	—
Other interest and income	34	211	436
Total Income	94,823	112,574	110,436
Total Expenses	33,604	20,578	11,172
Income before income tax benefit and equity in undistributed (losses) earnings of subsidiary	61,219	91,996	99,264
Income tax benefit	(23,349)	(21,939)	(3,245)
Income before equity in undistributed earnings (losses) of subsidiary	84,568	113,935	102,509
Equity in undistributed earnings (losses) of subsidiary	83,578	(10,978)	13,663
Net Income	168,146	102,957	116,172
Dividends on preferred stock	7,188	3,813	—
Net Income Available to Common Shareholders	$ 160,958	$ 99,144	$ 116,172

Condensed Statements of Cash Flows

	Years Ended December 31,		
	2016	2015	2014
		(in thousands)	
Cash flows from operating activities:			
Net Income	$ 168,146	$ 102,957	$ 116,172
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed (earnings) losses of subsidiary	(83,578)	10,978	(13,663)
Depreciation and amortization	—	—	18
Stock-based compensation	10,032	7,575	7,489
Net amortization of premiums and accretion of discounts on securities	163	162	163
Gains on securities transactions, net	(239)	—	—
Net change in:			
Other assets	8,007	(41,452)	6,632
Accrued expenses and other liabilities	18,381	9,604	(1,851)
Net cash provided by operating activities	120,912	89,824	114,960
Cash flows from investing activities:			
Investment securities available for sale:			
Sales	739	49	46
Purchases	—	—	(500)
Cash and cash equivalents acquired in acquisitions	—	109	14,776
Capital contributions to subsidiary	(106,000)	(115,000)	—
Subordinated debt issued by subsidiary	—	(100,000)	—
Net cash (used in) provided by investing activities	(105,261)	(214,842)	14,322
Cash flows from financing activities:			
Proceeds from issuance of long-term borrowings, net	—	98,897	—
Proceeds from issuance of preferred stock, net	—	111,590	—
Dividends paid to preferred shareholders	(7,188)	(3,813)	—
Dividends paid to common shareholders	(111,813)	(102,279)	(88,119)
Purchase of common shares to treasury	(3,191)	(2,108)	(1,688)
Common stock issued, net	112,085	7,898	5,096
Net cash (used in) provided by financing activities	(10,107)	110,185	(84,711)
Net change in cash and cash equivalents	5,544	(14,833)	44,571
Cash and cash equivalents at beginning of year	63,465	78,298	33,727
Cash and cash equivalents at end of year	$ 69,009	$ 63,465	$ 78,298

BUSINESS SEGMENTS (Note 22)

Valley has four business segments that it monitors and reports on to manage Valley's business operations. These segments are consumer lending, commercial lending, investment management, and corporate and other adjustments. Valley's reportable segments have been determined based upon its internal structure of operations and lines of business. Each business segment is reviewed routinely for its asset growth, contribution to income before income taxes and return on average interest earning assets and impairment (if events or circumstances indicate a possible inability to realize the carrying amount). Expenses related to the branch network, all other components of retail banking, along with the back office departments of our subsidiary bank are allocated from the corporate and other adjustments segment to each of the other three business segments. Interest expense and internal transfer expense (for general corporate expenses) are allocated to each business segment utilizing a "pool funding" methodology, which involves the allocation of uniform funding cost based on each segments' average earning assets outstanding for the period. The financial reporting for each segment contains allocations and reporting in line with Valley's operations, which may not necessarily be comparable to any other financial institution. The accounting for each segment includes internal accounting policies

designed to measure consistent and reasonable financial reporting, and may result in income and expense measurements that differ from amounts under U.S. GAAP. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data.

The consumer lending segment is mainly comprised of residential mortgages, home equity loans and automobile loans. The duration of the residential mortgage loan portfolio is subject to movements in the market level of interest rates and forecasted prepayment speeds. The average weighted life of the automobile loans within the portfolio is relatively unaffected by movements in the market level of interest rates. However, the average life may be impacted by new loans as a result of the availability of credit within the automobile marketplace and consumer demand for purchasing new or used automobiles. Consumer lending segment also includes the Wealth Management Division, comprised of trust, asset management, insurance services, and asset-based lending support services.

The commercial lending segment is mainly comprised of floating rate and adjustable rate commercial and industrial loans, as well as fixed rate owner occupied and commercial real estate loans. Due to the portfolio's interest rate characteristics, commercial lending is Valley's business segment that is most sensitive to movements in market interest rates.

The investment management segment generates a large portion of Valley's income through investments in various types of securities. These securities are mainly comprised of fixed rate investments and depending on our liquid cash position, federal funds sold and interest-bearing deposits with banks (primarily the Federal Reserve Bank of New York), as part of our asset/liability management strategies. The fixed rate investments are one of Valley's assets that are least sensitive assets to immediate changes in market interest rates. However, a portion of the investment portfolio is invested in shorter-duration securities to maintain the overall asset sensitivity of Valley's balance sheet.

The amounts disclosed as "corporate and other adjustments" represent income and expense items not directly attributable to a specific segment, including net gains and losses on securities not reported in the investment management segment above, interest expense related to subordinated notes and income and expense from derivative financial instruments.

The following tables represent the financial data for Valley's four business segments for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31, 2016				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and Other Adjustments	Total
			($ in thousands)		
Average interest earning assets (unaudited)	$ 5,081,798	$ 11,318,947	$ 3,428,567	$ —	$ 19,829,312
Interest income	$ 176,929	$ 509,376	$ 89,378	$ (8,760)	$ 766,923
Interest expense	35,175	78,347	23,732	11,520	148,774
Net interest income (loss)	141,754	431,029	65,646	(20,280)	618,149
Provision for credit losses	905	10,964	—	—	11,869
Net interest income (loss) after provision for credit losses	140,849	420,065	65,646	(20,280)	606,280
Non-interest income	63,443	3,292	6,694	29,796	103,225
Non-interest expense	62,721	70,145	1,281	341,978	476,125
Internal expense transfer	71,578	160,198	48,475	(280,251)	—
Income (loss) before income taxes	$ 69,993	$ 193,014	$ 22,584	$ (52,211)	$ 233,380
Return on average interest earning assets (pre-tax) (unaudited)	1.38%	1.71%	0.66%	N/A	1.18%

	Year Ended December 31, 2015				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and Other Adjustments	Total
			($ in thousands)		
Average interest earning assets (unaudited)	$ 4,764,306	$ 9,682,714	$ 2,978,484	$ —	$ 17,425,504
Interest income	$ 170,569	$ 463,062	$ 81,669	$ (8,277)	$ 707,023
Interest expense	39,787	80,861	24,873	11,233	156,754
Net interest income (loss)	130,782	382,201	56,796	(19,510)	550,269
Provision for credit losses	1,153	6,948	—	—	8,101
Net interest income (loss) after provision for credit losses	129,629	375,253	56,796	(19,510)	542,168
Non-interest income	45,306	744	6,815	30,937	83,802
Non-interest expense	59,794	68,156	1,074	370,051	499,075
Internal expense transfer	72,441	146,463	45,460	(264,364)	—
Income (loss) before income taxes	$ 42,700	$ 161,378	$ 17,077	$ (94,260)	$ 126,895
Return on average interest earning assets (pre-tax) (unaudited)	0.90%	1.67%	0.57%	N/A	0.73%

	Year Ended December 31, 2014				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and Other Adjustments	Total
			($ in thousands)		
Average interest earning assets (unaudited)	$ 4,122,468	$ 7,959,215	$ 2,959,100	$ —	$ 15,040,783
Interest income	$ 154,078	$ 399,192	$ 91,689	$ (8,356)	$ 636,603
Interest expense	41,343	79,820	29,676	11,007	161,846
Net interest income (loss)	112,735	319,372	62,013	(19,363)	474,757
Provision for credit losses	438	1,446	—	—	1,884
Net interest income (loss) after provision for credit losses	112,297	317,926	62,013	(19,363)	472,873
Non-interest income	40,611	(19,624)	6,392	50,237	77,616
Non-interest expense	59,051	58,142	1,369	284,693	403,255
Internal expense transfer	65,477	126,465	47,060	(239,002)	—
Income (loss) before income taxes	$ 28,380	$ 113,695	$ 19,976	$ (14,817)	$ 147,234
Return on average interest earning assets (pre-tax) (unaudited)	0.69%	1.43%	0.68%	N/A	0.98%

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Valley National Bancorp:

We have audited the accompanying consolidated statements of financial condition of Valley National Bancorp (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Short Hills, New Jersey
February 28, 2017

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Valley maintains "disclosure controls and procedures" which, consistent with Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, is defined to mean controls and other procedures that are designed to ensure that information required to be disclosed in the reports that Valley files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that such information is accumulated and communicated to Valley's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Valley's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Valley's disclosure controls and procedures. Based on such evaluation, Valley's Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures were effective as of December 31, 2016 (the end of the period covered by this Annual Report on Form 10-K).

Valley's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, provides reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system reflects resource constraints and the benefits of controls must be considered relative to their costs. Because there are inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Valley have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns occur because of simple error or mistake. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all future conditions; over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There have been no changes in Valley's internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, Valley's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Valley's management is responsible for establishing and maintaining adequate internal control over financial reporting. Valley's internal control over financial reporting is a process designed to provide reasonable assurance to Valley's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2016 management assessed the effectiveness of Valley's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Management's assessment included an evaluation of the design of Valley's internal control over financial reporting and testing of the operating effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee.

Based on this assessment, management determined that, as of December 31, 2016, Valley's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

KPMG LLP, the independent registered public accounting firm that audited Valley's December 31, 2016 consolidated financial statements included in this Annual Report on Form 10-K, has issued an audit report expressing an opinion on the effectiveness of Valley's internal control over financial reporting as of December 31, 2016. The report is included in this item under the heading "Report of Independent Registered Public Accounting Firm."

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of Valley National Bancorp:

We have audited Valley National Bancorp's (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's Management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of the Company as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Short Hills, New Jersey
February 28, 2017

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Certain information regarding executive officers is included under the section captioned “Executive Officers” in Item 1 of this Annual Report on Form 10-K. The information set forth under the captions “Director Information”, “Corporate Governance”, and “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2017 Proxy Statement is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information set forth under the captions “Director Compensation”, “Compensation Committee Interlocks and Insider Participation” and “Executive Compensation” in the 2017 Proxy Statement is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

The information set forth under the captions “Equity Compensation Plan Information” and “Stock Ownership of Management and Principal Shareholders” in the 2017 Proxy Statement is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information set forth under the captions “Compensation Committee Interlocks and Insider Participation”, “Certain Transactions with Management” and “Corporate Governance” in the 2017 Proxy Statement is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information set forth under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm” in the 2017 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) Financial Statements and Schedules:

The following Financial Statements and Supplementary Data are filed as part of this annual report:

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All financial statement schedules are omitted because they are either inapplicable or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

(b) Exhibits (numbered in accordance with Item 601 of Regulation S-K):

(3) Articles of Incorporation and By-laws:

A. Restated Certificate of Incorporation of the Registrant, incorporated herein by reference to Exhibit 3.A of the Registrant's Form 10-K Annual Report for the year ended December 31, 2015.

B. By-laws of the Registrant, as amended and restated, incorporated herein by reference to Exhibit 3.1 to the Registrant's Form 8-K Current Report filed on December 7, 2016.

(4) Instruments Defining the Rights of Security Holders:

A. Indenture, dated as of September 27, 2013, by and between Valley and The Bank of New York Mellon Trust Company, N.A., as Trustee, incorporated herein by reference to Exhibit 4.1 to the Registrant's Form 8-K Current Report filed on September 27, 2013. (Valley 5.125% sub debt due September 27, 2023).

B. First Supplemental Indenture, dated as of September 27, 2013, by and between Valley and The Bank of New York Mellon Trust Company, N.A., as Trustee, including the form of the Notes attached as Exhibit A thereto, incorporated herein by reference to Exhibit 4.2 to the Registrant's Form 8-K Current Report filed on September 27, 2013 (Valley 5.125% sub debt due September 27, 2023).

C. Warrant to purchase Common Stock of Valley National Bancorp, incorporated herein by reference to Exhibit 4.1 to the Registrant's Form 8-K Current Report filed on January 3, 2012 (No. 001-11277) (Warrants to purchase at $11.87, exercisable until December 5, 2018).

D. Specimen stock certificate of Valley National Bancorp 6.25% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A, incorporated herein by reference to Exhibit 4.2 to the Registrant's Form 8-A/A filed on July 9, 2015.

E. Indenture, dated as of June 19, 2015, by and between Valley and The Bank of New York Mellon Trust Company, N.A., as Trustee, incorporated herein by reference to Exhibit 4.1 to the Registrant's Form 8-K Current Report filed on June 19, 2015. (Valley 4.55% sub debt due July 30, 2025).

F. First Supplemental Indenture, dated as of June 19, 2015, by and between Valley and The Bank of New York Mellon Trust Company, N.A., as Trustee, including the form of the Notes attached as Exhibit A thereto, incorporated herein by reference to Exhibit 4.2 to the Registrant's Form 8-K Current Report filed on June 19, 2015 (Valley 4.55% sub debt due July 30, 2025).

G. Agreement to provide SEC with Indentures not filed. (Item 601(b)(4)(iii)(A).*

(10) Material Contracts:

A. Amended and Restated Change in Control Agreements among Valley National Bank, Valley and Gerald H. Lipkin and Alan D. Eskow, dated June 22, 2011, incorporated herein by reference to Exhibits 10.A and 10.C to the Registrant's Form 10-Q Quarterly Report filed on August 9, 2011 (No. 001-11277).+

B. Severance Agreement dated January 24, 2017 between Valley, Valley National Bank and Gerald H. Lipkin, which replaced in full all predecessor severance and guaranteed retirement agreements, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on January 26, 2017.+

C. Severance Agreements dated January 22, 2008 between Valley, Valley National Bank and Alan D. Eskow, incorporated herein by reference to Exhibits 10.7 to the Registrant's Form 8-K Current Report filed on January 28, 2008 (No. 001-11277).+

D. Form of Amended and Restated Change in Control Agreement applicable to Executive Vice Presidents of Valley National Bank and Valley, incorporated herein by reference to Exhibit 10.E to the Registrant's Form 10-Q Quarterly Report filed on August 9, 2011 (No. 001-11277).+

E. Valley National Bancorp 2010 Executive Incentive Plan, incorporated herein by reference to Exhibit 10 to the Registrant's Form 8-K Current Report filed on April 19, 2010 (No. 001-11277).+

F. The Valley National Bancorp Benefit Equalization Plan, as Amended and Restated, incorporated herein by reference to Exhibit 10 to the Registrant's Form 10-Q Quarterly Report filed on November 6, 2015.+

G. Form of Participant Agreement for the Benefit Equalization Plan, incorporated herein by reference to Exhibit 10.J to the Registrant's Form 10-K Annual Report for the year ended December 31, 2011 (No. 001-11277).+

H. The Valley National Bancorp 2004 Director Restricted Stock Plan, as amended, incorporated herein by reference to Exhibit 10.L to the Registrant's Form 10-K Annual Report for the year ended December 31, 2013.+

I. Form of Restricted Stock Award Agreement used in connection with Valley National Bancorp 2004 Director Restricted Stock Plan, incorporated herein by reference to Exhibit 10.H to the Registrant's Form 10-K Annual Report for the year ended December 31, 2010 (No. 001-11277).+

J. Valley National Bancorp 2009 Long-Term Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 10.P to the Registrant's Form 10-K Annual Report for the year ended December 31, 2014.+

K. Form of Valley National Bancorp Incentive Stock Option Agreement used in connection with Valley National Bancorp 2009 Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on May 27, 2009 (No. 001-11277).+

L. Form of Valley National Bancorp Non-Qualified Stock Option Agreement used in connection with Valley National Bancorp 2009 Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit 10.2 to the Registrant's Form 8-K Current Report filed on May 27, 2009 (No. 001-11277).+

M. Form of Valley National Bancorp Restricted Stock Award Agreement used in connection with Valley National Bancorp 2009 Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit 10.3 to the Registrant's Form 8-K Current Report filed on May 27, 2009 (No. 001-11277).+

N. Form of Valley National Bancorp Escrow Agreement for Restricted Stock Award used in connection with Valley National Bancorp 2009 Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit 10.4 to the Registrant's Form 8-K Current Report filed on May 27, 2009 (No. 001-11277)+

O. Form of Valley National Bancorp Agreement for Performance Based Restricted Stock Unit Award used in connection with Valley National Bancorp 2009 Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit 10.V to the Registrant's Form 10-K Annual Report for the year ended December 31, 2014.+

P. Valley National Bancorp 2016 Long-Term Stock Incentive Plan, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on May 2, 2016.+

Q. Form of Valley National Bancorp Agreement for Performance Based Restricted Stock Unit Award, incorporated herein by reference to Exhibit 10.2 to the Registrant's Form 8-K Current Report filed on May 2, 2016.+

R. Form of Valley National Bancorp Agreement for Restricted Stock Award used in connection with Valley National Bancorp 2016 Long-Term Stock Incentive Plan.+*

S. Valley National Bancorp Deferred Compensation Plan, dated as of January 1, 2017.+ *

T. Employment Agreement, dated as of May 7, 2014, by and among Rudy Schupp, Valley and Valley National Bank, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on May 8, 2014.+

U. Amendment to the Employment Agreement, dated as of September 23, 2016, by and among Rudy Schupp, Valley and Valley National Bank, incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q Quarterly Report filed on November 8, 2016.+

V. Change in Control Agreement between Valley, Valley National Bank and Rudy Schupp, dated as of November 18, 2014.+*

W. Change in Control Agreement between Valley, Valley National Bank and Robert Bardusch, dated April 18, 2016, incorporated herein by reference to Exhibit 10.3 to the Registrant's Form 10-Q Quarterly Report filed on August 8, 2016.+

X. Change in Control Severance Plan applicable to First Senior Vice Presidents and Senior Vice Presidents who previously had or were eligible for change in control agreements, incorporated herein by reference to Exhibit 10.4 to the Registrant's Form 10-Q Quarterly Report filed on August 8, 2016.+

Y. Severance Letter Agreement, dated as of September 21, 2016, between Valley National Bank, Valley and Ira Robbins, incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on September 27, 2016.+

Z. Amended and Restated Change in Control Agreement, dated as of September 21, 2016, among Valley National Bank, Valley and Ira Robbins, incorporated herein by reference to Exhibit 10.2 to the Registrant's Form 8-K Current Report filed on September 27, 2016.+

AA. Form of Change in Control Agreements for First Senior Vice Presidents and Senior Vice Presidents who have not yet been brought into the Change in Control Plan.+*

BB. Severance Letter Agreement, dated as of September 21, 2016, between Valley National Bank, Valley and Thomas A. Iadanza, incorporated herein by reference to Exhibit 10.3 to the Registrant's Form 8-K Current Report filed on September 27, 2016.+

CC. Amended and Restated Change in Control Agreement, dated as of September 21, 2016, among Valley National Bank, Valley and Thomas A. Iadanza, incorporated herein by reference to Exhibit 10.4 to the Registrant's Form 8-K Current Report filed on September 27, 2016.+

DD. Severance Letter Agreement, dated as of January 3, 2017, between Valley, Valley National Bank and Ronald H. Janis.+*

EE. Change in Control Agreement, dated as of January 3, 2017, between Valley, Valley National Bank and Ronald H. Janis.+*

FF. Consulting and Retirement Agreement, dated as of January 4, 2017, between Valley, Valley National Bank and Peter Crocitto, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on January 9, 2017.+

(12.1) Computation of Ratios of Earnings to Fixed Charges.*

(12.2) Computation of Ratios of Earnings to Fixed Charges Including Preferred Stock.*

(21) List of Subsidiaries:

	Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned by the Parent Directly or Indirectly
(a)	Subsidiaries of Valley:		
	Valley National Bank	United States	100%
	GCB Capital Trust III	Delaware	100%
	State Bancorp Capital Trust I	Delaware	100%
	State Bancorp Capital Trust II	Delaware	100%
(b)	Subsidiaries of Valley National Bank:		
	Hallmark Capital Management, Inc.	New Jersey	100%
	Highland Capital Corp.	New Jersey	100%
	Intracoastal Title Services of Florida, Inc.	Florida	100%
	Masters Coverage Corp.	New York	100%
	New York Metro Title Agency, Inc.	New York	100%
	Valley Commercial Capital, LLC	New Jersey	100%
	Valley National Title Services, Inc.	New Jersey	100%
	Valley Securities Holdings, LLC	New Jersey	100%
	VNB Loan Services, Inc.	New York	100%
	VNB New York, LLC	New York	100%
(c)	Subsidiaries of Masters Coverage Corp.:		
	Life Line Planning, Inc.	New York	100%
	RISC One, Inc.	New York	100%
(d)	Subsidiaries of Valley Securities Holdings, LLC:		
	Shrewsbury Capital Corporation	New Jersey	100%
	Valley Investments, Inc.	New Jersey	100%
	VNB Realty, Inc.	New Jersey	100%
(e)	Subsidiary of Shrewsbury Capital Corporation:		
	GCB Realty, LLC	New Jersey	100%
(f)	Subsidiary of VNB Realty, Inc.:		
	VNB Capital Corp.	New York	100%

(23) Consent of KPMG LLP.*

(24) Power of Attorney of Certain Directors and Officers of Valley.*

(31.1) Certification of Gerald H. Lipkin, Chairman of the Board and Chief Executive Officer of the Company, pursuant to Securities Exchange Rule 13a-14(a).*

(31.2) Certification of Alan D. Eskow, Senior Executive Vice President and Chief Financial Officer of the Company, pursuant to Securities Exchange Rule 13a-14(a).*

(32) Certification, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Gerald H. Lipkin, Chairman and Chief Executive Officer of the Company and Alan D. Eskow, Senior Executive Vice President and Chief Financial Officer of the Company.*

(101) Interactive Data File. *

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* Filed herewith.

\+ Management contract and compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALLEY NATIONAL BANCORP

By: /S/ GERALD H. LIPKIN

Gerald H. Lipkin, ***Chairman of the Board and Chief Executive Officer***

By: /s/ ALAN D. ESKOW

Alan D. Eskow,
Senior Executive Vice President and Chief Financial Officer

Dated: February 28, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated:

Signature	Title	Date
/S/ GERALD H. LIPKIN **Gerald H. Lipkin**	Chairman of the Board and Chief Executive Officer and Director	February 28, 2017
/S/ ALAN D. ESKOW **Alan D. Eskow**	Senior Executive Vice President, Chief Financial Officer (Principal Financial Officer) and Corporate Secretary	February 28, 2017
/S/ MITCHELL L. CRANDELL **Mitchell L. Crandell**	First Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2017
ANDREW B. ABRAMSON* **Andrew B. Abramson**	Director	February 28, 2017
PETER J. BAUM* **Peter J. Baum**	Director	February 28, 2017
PAMELA R. BRONANDER* **Pamela R. Bronander**	Director	February 28, 2017
ERIC P. EDELSTEIN* **Eric P. Edelstein**	Director	February 28, 2017
MARY J. STEELE GUILFOILE* **Mary J. Steele Guilfoile**	Director	February 28, 2017
GRAHAM O. JONES* **Graham O. Jones**	Director	February 28, 2017
GERALD KORDE* **Gerald Korde**	Director	February 28, 2017
MICHAEL L. LARUSSO* **Michael L. LaRusso**	Director	February 28, 2017

Signature	Title	Date
MARC J. LENNER* Marc J. Lenner	Director	February 28, 2017
BARNETT RUKIN* Barnett Rukin	Director	February 28, 2017
SURESH L. SANI* Suresh L. Sani	Director	February 28, 2017
JEFFREY S. WILKS* Jeffrey S. Wilks	Director	February 28, 2017

*

/S/ ALAN D. ESKOW Alan D. Eskow, attorney-in fact.	February 28, 2017

1455 VALLEY ROAD
WAYNE, NEW JERSEY 07470
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD, THURSDAY, APRIL 27, 2017

To Our Shareholders:

We invite you to the Annual Meeting of Shareholders of Valley National Bancorp ("Valley") to be held at 100 Furler Street, Totowa, NJ on Thursday, April 27, 2017 at 9:00 a.m., local time to vote on the following matters:

1. Election of 12 directors;
2. Ratification of the appointment of KPMG LLP as Valley's independent registered public accounting firm for the fiscal year ending December 31, 2017;
3. An advisory vote on executive compensation;
4. An advisory vote on the frequency of advisory votes on executive compensation; and
5. An amendment to the Restated Certificate of Incorporation of Valley National Bancorp to increase the number of authorized shares of common stock and preferred stock.

We provide access to our proxy materials to certain of our shareholders via the Internet instead of mailing paper copies of the materials. This reduces both the amount of paper necessary to produce the materials and the costs associated with printing and mailing the materials to all shareholders. The Notice of Internet Availability of Proxy Materials ("E-Proxy Notice"), which contains instructions on how to access the notice of annual meeting, proxy statement and annual report on the Internet and how to execute your proxy, is first being mailed to holders of our common stock on or about March 17, 2017. This notice also contains instructions on how to request a paper copy of the proxy materials.

Only shareholders of record at the close of business on Monday, February 27, 2017 are entitled to notice of, and to vote at the meeting. **Your vote is very important.** Whether or not you plan to attend the meeting, please vote in accordance with the instructions provided in the E-Proxy Notice. If you receive paper copies of the proxy materials, please execute and return the enclosed proxy card in the envelope provided or submit your proxy by telephone or the Internet as instructed on the enclosed proxy card. The prompt return of your proxy will save Valley the expense of further requests for proxies.

Attendance at the meeting is limited to shareholders or their proxy holders and Valley guests. Only shareholders or their valid proxy holders may address the meeting. Please allow ample time for the admission process. See information on page 3 – "Annual Meeting Attendance."

If you accessed this proxy statement through the Internet after receiving an E-Proxy Notice, you may cast your vote by telephone or over the Internet by following the instructions in that Notice. If you received this proxy statement by mail, you may cast your vote by mail, by telephone or over the Internet by following the instructions on the enclosed proxy card.

We appreciate your participation and interest in Valley.

Sincerely,

Alan D. Eskow	Gerald H. Lipkin
Corporate Secretary	Chairman and Chief Executive Officer

Wayne, New Jersey
March 17, 2017

Important notice regarding the availability of proxy materials for the 2017 Annual Meeting of Shareholders: This Proxy Statement for the 2017 Annual Meeting of Shareholders, our 2016 Annual Report to Shareholders and the proxy card or voting instruction form are available on our website at: http://www.valleynationalbank.com/filings.html.

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VALLEY NATIONAL BANCORP
1455 Valley Road
Wayne, New Jersey 07470

PROXY STATEMENT

GENERAL INFORMATION

We are providing this proxy statement in connection with the solicitation of proxies by the Board of Directors of Valley National Bancorp ("Valley," the "Company," "we," "our" and "us") for use at Valley's 2017 Annual Meeting of Shareholders (the "Annual Meeting") and at any adjournment or postponement of the meeting. You are cordially invited to attend the meeting, which will be held at 100 Furler Street, Totowa, NJ, on Thursday, April 27, 2017 at 9:00 a.m., local time. This proxy statement is first being made available to shareholders on or about March 17, 2017.

E-PROXY

Pursuant to the rules of the Securities and Exchange Commission ("SEC"), we are furnishing our proxy materials to certain shareholders over the Internet. Most shareholders are receiving by mail a Notice of Internet Availability of Proxy Materials ("E-Proxy Notice"), which provides general information about the annual meeting, the matters to be voted on at the annual meeting, the website on which our proxy statement and annual report are available for review, printing and downloading, and instructions on how to submit proxy votes. The E-Proxy Notice also provides instructions on how to request a paper copy of the proxy materials and how to elect to receive a paper copy of the proxy materials or electronic copy of the proxy materials by e-mail for future meetings.

Shareholders who are current employees of Valley or who have elected to receive proxy materials via electronic delivery will receive via e-mail the proxy statement, annual report and instructions on how to vote. Shareholders who elect to receive paper copies of the proxy materials will receive these materials by mail.

The 2017 notice of annual meeting of shareholders, this proxy statement, the Company's 2016 annual report to shareholders and the proxy card or voting instruction form are referred to as our "proxy materials", and are available electronically at the following website: http://www.valleynationalbank.com/filings.html.

SHAREHOLDERS ENTITLED TO VOTE

The record date for the meeting is Monday, February 27, 2017. Only holders of common stock of record at the close of business on that date are entitled to vote at the meeting.

On the record date there were 263,833,405 shares of common stock outstanding. Each share is entitled to one vote on each matter properly brought before the meeting.

HOUSEHOLDING

When more than one holder of our common stock shares the same address, we may deliver only one E-Proxy Notice or set of proxy materials, as applicable, to that address unless we have received contrary instructions from one or more of those shareholders. Similarly, brokers and other intermediaries holding shares of Valley common stock in "street name" for more than one beneficial owner with the same address may deliver only one E-Proxy Notice or set of proxy materials, as applicable, to that address if they have received consent from the beneficial owners of the stock.

We will deliver promptly upon written or oral request a separate copy of the E-Proxy Notice or set of proxy materials, as applicable, to any shareholder of record at a shared address to which a single copy of those documents was delivered. To receive these additional copies, you may write or call to Tina Zarkadas, Assistant Vice President, Shareholder Relations Specialist, Valley National Bancorp, at 1455 Valley Road, Wayne, NJ 07470, telephone (973) 305-3380 or e-mail her at tscortes@valleynationalbank.com. If your shares are held in "street name", you should contact the broker or other intermediary who holds the shares on your behalf to request an additional copy of the E-Proxy Notice or set of proxy materials.

If you are a shareholder of record and are either receiving multiple E-Proxy Notices or multiple paper copies of the proxy materials, as applicable, and wish to request future delivery of a single copy or are receiving a single E-Proxy Notice or copy of the proxy materials, as applicable, and wish to request future delivery of multiple copies, please contact Ms. Zarkadas at the address or telephone number above. If your shares are held in "street name", you should contact the broker or other intermediary who holds the shares on your behalf.

PROXIES AND VOTING PROCEDURES

Your vote is important and you are encouraged to vote your shares promptly. Each proxy submitted will be voted as directed. However, if a proxy solicited by the Board of Directors does not specify how it is to be voted, it will be voted as the Board recommends—that is:

- Item 1 – FOR the election of each of the 12 nominees for director named in this proxy statement;
- Item 2 – FOR the ratification of the appointment of KPMG LLP;
- Item 3 – FOR the approval, on an advisory basis, of the compensation of our named executive officers;
- Item 4 – that future advisory votes on executive compensation be held EVERY YEAR; and
- Item 5 – FOR the approval of the amendment to Valley's Restated Certificate of Incorporation to increase the number of authorized shares of Valley's common stock and preferred stock.

We are offering you three alternative ways to vote your shares:

BY INTERNET. If you wish to vote using the Internet, you can access the web page at www.voteproxy.com and follow the on-screen instructions or scan the QR code on your E-Proxy Notice or proxy card with your smartphone. Have your proxy card available when you access the web page.

BY TELEPHONE. If you wish to vote by telephone, call toll-free 1-800-PROXIES (1-800-776-9437) in the United States or 1-718-921-8500 from foreign countries from any touch-tone telephone and follow instructions. Have your E-Proxy Notice or proxy card available when you call.

BY MAIL. To vote your proxy by mail, please sign your name exactly as it appears on your proxy card, date, and mail your proxy card in the envelope provided as soon as possible.

Regardless of the method that you use to vote, you will be able to vote in person or revoke your earlier proxy if you follow the instructions provided below in the sections entitled "Voting in Person" and "Revoking Your Proxy". If you are a participant in the Company's Dividend Reinvestment Plan, the shares that are held in your dividend reinvestment account will be voted in the same manner as your other shares, whether you vote by mail, by telephone or by Internet.

If you are an employee or former employee of the Company, and participate in our Savings and Investment Plan (a 401(k) plan with an employee stock ownership feature—"KSOP"), you will receive a separate proxy card representing the total shares you own through this plan. The proxy card will serve as a voting instruction form for the plan trustee. The plan trustee will vote plan shares for which voting instructions are not received in the same proportion as the shares for which instructions were received under the plan.

VOTING IN PERSON. The method by which you vote will not limit your right to vote at the meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy executed in your favor from the holder of record to be able to vote at the meeting. If you submit a proxy and then wish to change your vote or vote in person at the meeting, you will need to revoke the proxy that you have submitted, as described below.

REVOKING YOUR PROXY

You can revoke your proxy at any time before it is exercised by:

- Delivery of a properly executed, later-dated proxy; or
- A written revocation of your proxy.

A later-dated proxy or written revocation must be received before the meeting by the Corporate Secretary of the Company, Alan D. Eskow, Valley National Bancorp, at 1455 Valley Road, Wayne, NJ 07470, or it must be delivered to the Corporate Secretary at the meeting before proxies are voted. You may also revoke your proxy by submitting a new proxy via telephone or the Internet. You will be able to change your vote as many times as you wish prior to the Annual Meeting and the last vote received chronologically will supersede any prior votes.

QUORUM REQUIRED TO HOLD THE ANNUAL MEETING

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote generally for the election of directors is necessary to constitute a quorum at the meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker "non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary power to vote with respect to that item and has not received voting instructions from the beneficial owner. Brokers do not have discretionary power to vote on the following items absent instructions from the beneficial owner: the election of directors (Item 1), the advisory vote on executive compensation (Item 3), the advisory vote on the frequency of advisory votes on executive compensation (Item 4) or the amendment to the certificate of incorportion (Item 5).

REQUIRED VOTE

- To be elected to a new term, directors must receive a majority of the votes cast (the number of shares voted "FOR" a nominee must exceed the number of shares voted "AGAINST" the nominee). Each nominee for director has tendered an irrevocable resignation that will become effective if he or she fails to receive a majority of the votes cast at the annual meeting and the Board accepts the tendered resignation. Abstentions and broker non-votes are not counted as votes cast and have no effect on the

election of a director. If there is a contested election (which is not the case in 2017), directors would be elected by a plurality of votes cast at the meeting.

- The ratification of the appointment of KPMG LLP will be approved if a majority of the votes cast are voted FOR the proposal. Abstentions and broker non-votes are not counted as votes cast and will have no impact on the outcome.
- The advisory vote on executive compensation will be approved if a majority of the votes cast are voted FOR the proposal. Abstentions and broker non-votes are not counted as votes cast and will have no effect on the outcome.
- The advisory vote on the option of every year, every 2 years and every 3 years that receives the highest number of votes cast by shareholders will be the frequency for future advisory votes on executive compensation that has been selected by shareholders. Abstentions and broker non-votes are not counted as votes cast and will have no impact on the outcome.
- The vote to approve the amendment to Valley's Restated Certificate of Incorporation to increase the number of authorized shares of Valley's common stock and preferred stock will be approved if a majority of the votes cast by the holders of Valley common stock are voted FOR such proposal. Abstentions and voted broker non-votes are not counted as votes cast and will have no effect on the outcome.

ANNUAL MEETING ATTENDANCE

Only shareholders or their proxy holders and Valley guests may attend the Annual Meeting. For registered shareholders receiving paper copies or the proxy materials, an admission ticket is attached to your proxy card. Please detach and bring the admission ticket with you to the meeting. For other registered shareholders, please bring your E-Proxy Notice to be admitted to the meeting.

If your shares are held in street name, you must bring to the meeting evidence of your stock ownership indicating that you beneficially owned the shares on the record date for voting and a valid form of photo identification to be allowed access. If you wish to vote at the meeting, you must bring a proxy executed in your favor from the holder of record.

METHOD AND COST OF PROXY SOLICITATION

This proxy solicitation is being made by our Board of Directors and we will pay the cost of soliciting proxies. Proxies may be solicited by officers, directors and employees of the Company in person, by mail, telephone, facsimile or other electronic means. We will not specially compensate those persons for their solicitation activities. In accordance with the regulations of the SEC and the New York Stock Exchange ("NYSE"), we will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expense incurred in sending proxies and proxy materials to their customers who are beneficial owners of Valley common stock. We are paying Laurel Hill Advisory Group, LLC - US a fee of $8,000 plus out of pocket expenses to assist with solicitation of proxies.

ITEM 1

ELECTION OF DIRECTORS

DIRECTOR INFORMATION

We are asking you to vote for the election of directors. Under our by-laws, the Board of Directors (the "Board") fixes the exact number of directors, with a minimum of 5 and a maximum of 25. The number of directors has been fixed by the Board at 12.

The persons named as proxies intend to vote the proxies FOR the election of the 12 persons named below (unless the shareholder otherwise directs). If, for any reason, any nominee becomes unavailable for election and the Board selects a substitute nominee, the proxies will be voted for the substitute nominee selected by the Board. The Board has no reason to believe that any of the named nominees is not available or will not serve if elected. The Board retains the right to reduce the number of directors to be elected if any nominee is not available to be elected.

Each candidate for director has been nominated to serve a one-year term until our 2018 annual meeting and thereafter until the person's successor has been duly elected and qualified. In considering a candidate for director, the Board seeks to ensure that the Board is composed of members whose particular experience, qualifications, attributes and skills, as a whole, can satisfy its supervision responsibilities effectively. To accomplish this, guidelines are set by the Nominating and Corporate Governance Committee, further discussed below under the Corporate Governance section.

Set forth below are the names and ages of the Board's nominees for election; the nominees' position with the Company (if any); the principal occupation or employment of each nominee for at least the past five years; the period during which each nominee has served as our director; any other directorships during the past five years held by the nominee with companies registered pursuant to Section 12 of the Exchange Act of 1934, as amended (the "Exchange Act") or subject to the requirements of Section 15(d) of the Securities Exchange Act or registered as an investment company under the Investment Company Act of 1940; and other biographical information for each individual director. In addition, described below is each director nominee's particular experience, qualification, attributes or skills that has led the Board to conclude that the person should serve as a director of Valley.

Consistent with our Corporate Governance Guidelines, Mr. Barnett Rukin is retiring as a director after over 25 years of service on our Board. We thank him for his expertise and dedication during his service.

Gerald H. Lipkin, 76

Chairman of the Board and Chief Executive Officer of Valley National Bancorp and Valley National Bank.

Director since: 1986

Other directorships: Federal Reserve Bank of New York (FRBNY); Federal Home Loan Bank of New York (FHLBNY)

Mr. Lipkin began his career at Valley in 1975 as a Senior Vice President and lending officer, and has spent his entire business career directly in the banking industry. He became CEO and Chairman of Valley in 1989. Prior to joining Valley, he spent 13 years in various positions with the Comptroller of the Currency as a bank examiner and then Deputy Regional Administrator for the New York region. Mr. Lipkin was elected a Class A director to the Federal Reserve Bank of New York in 2013. He serves on the Federal Home Loan Bank of New York's Board as a Member Director representing New Jersey for a four year term that commenced on January 1, 2014. Mr. Lipkin is a graduate of Rutgers University where he earned a Bachelor's Degree in Economics. He received a Master's Degree in Business Administration in Banking and Finance from New York University. He is also a graduate of the Stonier School of Banking. Mr. Lipkin's education, his over 51 years of experience in lending and commercial banking in conjunction with his leadership ability make him a valuable member of our Board of Directors.

Andrew B. Abramson, 63

President and Chief Executive Officer, Value Companies, Inc. (a real estate development and property management firm).

Director since: 1994

Mr. Abramson is a licensed real estate broker in the States of New Jersey and New York. He graduated from Cornell University with a Bachelor's Degree, and a Master's Degree, both in Civil Engineering. With 37 years as a business owner, an investor and developer in real estate, he brings management, financial, and real estate market experience and expertise to Valley's Board of Directors.

Peter J. Baum, 61

Chief Financial Officer and Chief Operating Officer, Essex Manufacturing, Inc. (manufacturer, importer and distributor of consumer products).

Director since: 2012

Mr. Baum joined Essex Manufacturing, Inc. in 1978 as an Asian sourcing manager. Essex Manufacturing, Inc. has been in business over 54 years and imports various consumer products from Asia. Essex distributes these products to large retail customers in the U.S. and globally. Mr. Baum graduated from The Wharton School at the University of Pennsylvania in 1978 with a B.S. in Economics. Mr. Baum brings over 35 years of business experience including as a business owner for 19 years. Mr. Baum also brings financial experience and expertise to Valley's Board of Directors.

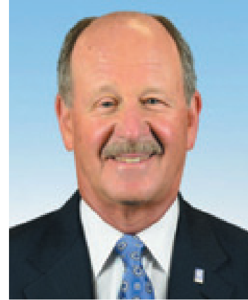
Pamela R. Bronander, 60

Vice President, KMC Mechanical, Inc.; President, Kaye Mechanical Contractors LLC (mechanical contractor).

Director since: 1993

Ms. Bronander has full managerial responsibility for the financial, operational, human resources, and legal aspects of two mechanical contracting companies: K.M.C. Mechanical, Inc and Kaye Mechanical Contractors, LLC that serve the Tristate area. Ms. Bronander was formerly an officer of Scandia Packaging Machinery Company. She graduated with a Bachelor's Degree in Economics from Lafayette College. Ms Bronander brings years of general business, managerial and small business financial expertise to Valley's Board of Directors.

Eric P. Edelstein, 67



Consultant.

Director since: 2003

Mr. Edelstein is a former Director of Aeroflex, Incorporated and Computer Horizon Corp.; former Executive Vice President and Chief Financial Officer of Griffon Corporation (a diversified manufacturing and holding company), and a former Managing Partner at Arthur Andersen LLP (an accounting firm). Mr. Edelstein was employed by Arthur Andersen LLP for 30 years and held various roles in the accounting and audit division, as well as the management consulting division. He received his Bachelor's Degree in Business Administration and his Master's Degree in Professional Accounting from Rutgers University. With 30 years of experience as a practicing CPA and as a management consultant, Mr. Edelstein brings in-depth knowledge of generally accepted accounting and auditing standards as well as a wide range of business expertise to our Board. He has worked with audit committees and boards of directors in the past and provides Valley's Board of Directors with extensive experience in auditing and preparation of financial statements.

Mary J. Steele Guilfoile, 63

Chairman of MG Advisors, Inc. (financial services merger and acquisition advisory and consulting firm).

Director since: 2003

Other directorships: Interpublic Group of Companies, Inc., CH Robinson Worldwide

Ms. Guilfoile is the former Executive Vice President and Corporate Treasurer of J.P. Morgan Chase & Co. (a global financial services firm) and a former Partner, Chief Financial Officer and Chief Operating Officer of The Beacon Group, LLC (a private equity, strategic advisory and wealth management partnership). Ms. Guilfoile is Chairman of MG Advisors, Inc. and is also a Partner of The Beacon Group L.P. (a private investment group), a CPA, Chairman of the Audit Committee of Interpublic Group of Companies, Inc., and was Chairman of the Audit Committee of Viasys Healthcare, Inc. She received her Bachelor's Degree in Accounting from Boston College Carroll School of Management and her Master's Degree in Business Administration with concentrations in strategic marketing and finance from Columbia University Graduate School of Business. With her wide range of professional experience and knowledge, Ms. Guilfoile brings a variety of business experience in corporate governance, risk management, accounting, auditing, investment and management expertise to Valley's Board of Directors.

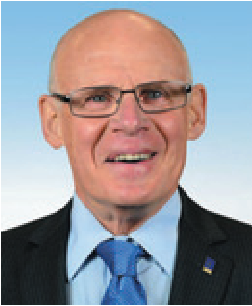
Graham O. Jones, 72

Partner and Attorney, at law firm of Jones & Jones.

Director since: 1997

Mr. Jones has been practicing law since 1969, with an emphasis on banking law since 1980. He has been a Partner of Jones & Jones since 1982 and served as the former President and Director of Hoke, Inc., (manufacturer and distributor of fluid control products). He was a Director and General Counsel for 12 years at Midland Bancorporation, Inc. and Midland Bank & Trust Company. Mr. Jones was a partner at Norwood Associates II for 10 years and was a President and Director for Adwildon Corporation (bank holding company). Mr. Jones received his Bachelor's Degree from Brown University and his Juris Doctor Degree from the University of North Carolina School of Law. With his business and banking affiliations, including partnerships and directorships, as well as professional and civic affiliations, he brings a long history of banking law expertise and a variety of business experience and professional achievements to Valley's Board of Directors.

Gerald Korde, 73



President, Birch Lumber Company, Inc. (wholesale and retail lumber distribution company).

Director since: 1989

Mr. Korde is the owner of Birch Lumber Company, Inc. and has various business interests including real estate investment projects with Chelsea Senior Living and Inglemoor Care Center of Livingston. He earned a Bachelor's Degree in Finance from the University of Cincinnati. Mr. Korde's years of general business and managerial expertise, including his background as a former owner and manager of motels, provides a long history of entrepreneurship and managerial knowledge that brings value to Valley's Board of Directors.

Michael L. LaRusso, 71

Financial Consultant.

Director since: 2004

Mr. LaRusso is a former Executive Vice President and a Director of Corporate Monitoring Group at Union Bank of California. He held various positions as a federal bank regulator with the Comptroller of the Currency for 23 years and assumed a senior bank executive role for 15 years in large regional and/or multinational banking companies (including Wachovia, Citicorp and Union Bank of California). He holds a Bachelor's Degree in Finance from Seton Hall University and he is also a graduate of the Stonier School of Banking. Mr. LaRusso's extensive management and leadership experience with these financial institutions positions him well to serve on Valley's Board of Directors.

Marc J. Lenner, 51

Chief Executive Officer and Chief Financial Officer of Lester M. Entin Associates (a real estate development and management company).

Director since: 2007

Mr. Lenner became the Chief Executive Officer and Chief Financial Officer at Lester M. Entin Associates in January 2000 after serving in various other executive positions within the company. He has experience in multiple areas of commercial real estate markets throughout the country (with a focus in the New York tri-state area), including management, acquisitions, financing, development and leasing. Mr. Lenner is the Co-Director of a charitable foundation where he manages a multi-million dollar equity and bond portfolio. Prior to Lester M. Entin Associates, he was employed by Hoberman Miller Goldstein and Lesser, P.C., an accounting firm. He attended Muhlenberg College where he earned a Bachelor's Degree in both Business Administration and Accounting. With Mr. Lenner's financial and professional background, he provides management, finance and real estate experience to Valley's Board of Directors.

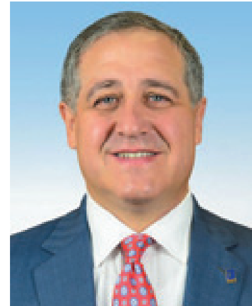
Suresh L. Sani, 52

President, First Pioneer Properties, Inc. (a commercial real estate management company).

Director since: 2007

Mr. Sani is a former associate at the law firm of Shea & Gould. As president of First Pioneer Properties, Inc., he is responsible for the acquisition, financing, developing, leasing and managing of real estate assets. He has over 25 years of experience in managing and owning commercial real estate in Valley's lending market area. Mr. Sani received his Bachelor's Degree from Harvard College and a Juris Doctor Degree from the New York University School of Law. He brings a legal background, small business network management and real estate expertise to Valley's Board of Directors.

Jeffrey S. Wilks, 57



Principal and Executive Vice President of Spiegel Associates (a real estate ownership and development company).

Director since: 2012

Other directorships: State Bancorp, Inc.

Mr. Wilks served as a director of State Bancorp, Inc. from 2001 to 2011 and was appointed to Valley's Board of Directors in connection with Valley's acquisition of State Bancorp, Inc., effective January 1, 2012. From 1992 to 1995 Mr. Wilks was an Associate Director of Sandler O'Neill, an investment bank specializing in the banking industry. Prior to that, Mr. Wilks was a Vice President of Corporate Finance at NatWest USA and Vice President of NatWest USA Capital Corp. and NatWest Equity Corp., each an investment affiliate of NatWest USA. Mr. Wilks serves on the board of directors of the New Cassell Business Association, is a member of the Board of Trustees of Central Synagogue, New York, is a member of the board of the Museum at Eldridge Street, and is a member of the Board of City Parks Foundation. Mr. Wilks served as Director of the Banking and Finance Committee of the UJA - Federation of New York from 1991 to 2001. Mr. Wilks earned his BSBA in Accounting and Finance from Boston University. Mr. Wilks brings experience in banking, finance and investments to Valley's Board of Directors.

RECOMMENDATION ON ITEM 1

THE VALLEY BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINATED SLATE OF DIRECTORS.

ITEM 2

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP ("KPMG") as our independent registered public accounting firm to audit Valley's financial statements for 2017. We are asking you to ratify that appointment.

KPMG audited our books and records for the years ended December 31, 2016, 2015 and 2014. The fees billed for services rendered to us by KPMG for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Audit fees	$ 1,332,750	$ 1,395,000
Audit-related fees (1)	291,000	333,200
Tax fees (2)	6,345	6,993
All other fees (3)	0	44,000
Total	$ 1,630,095	$ 1,779,193

(1) Fees paid for benefit plan audits and a review of Form S-3, Form S-4, and S-8 registration statements and related expert consents.

(2) Includes fees rendered in connection with tax services relating to state and local matters.

(3) Consulting fees related to non-audit services.

The Audit Committee maintains a formal policy concerning the pre-approval of audit and non-audit services to be provided by its independent accountants to Valley. The policy requires that all services to be performed by KPMG, including audit services, audit-related services and permitted non-audit services, be pre-approved by the Audit Committee. Specific services being provided by the independent accountants are regularly reviewed in accordance with the pre-approval policy. At each subsequent Audit Committee meeting, the Audit Committee receives updates on the services actually provided by the independent accountants, and management may also present additional services for pre-approval.

All services rendered by KPMG are permissible under applicable laws and regulations, and the Audit Committee pre-approved all audit, audit-related and non-audit services performed by KPMG during fiscal 2016. Representatives of KPMG will be available at the annual meeting and will have the opportunity to make a statement and answer appropriate questions from shareholders.

RECOMMENDATION ON ITEM 2

THE VALLEY BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF KPMG AS VALLEY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2017.

REPORT OF THE AUDIT COMMITTEE

February 28, 2017

To the Board of Directors of Valley National Bancorp:

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls, and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The Company's independent registered public accounting firm, KPMG LLP ("KPMG"), performs an annual independent audit of the financial statements and expresses an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles.

The following is the report of the Audit Committee with respect to the audited financial statements for fiscal year 2016. With respect to fiscal year 2016, the Audit Committee has:

- reviewed and discussed Valley's audited financial statements with management and KPMG;
- discussed with KPMG the scope of its services, including its audit plan;
- reviewed Valley's internal control procedures;
- discussed with KPMG the matters required to be discussed by Auditing Standard No. 1301, adopted by the Public Company Accounting Oversight Board;
- received the written disclosures and the letter from KPMG required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG's communications with the Audit Committee concerning independence, and discussed with KPMG their independence from management and Valley; and
- approved the audit and non-audit services provided during fiscal year 2016 by KPMG.

Based on the foregoing review and discussions, the Audit Committee approved the audited financial statements to be included in our Annual Report on Form 10-K for fiscal year 2016.

Pursuant to Section 404 of the Sarbanes-Oxley Act, management is required to prepare as part of the Company's 2016 Annual Report on Form 10-K, a report by management on its assessment of the Company's internal control over financial reporting, including management's assessment of the effectiveness of such internal control. KPMG is also required by Section 404 to prepare and include as part of the Company's 2016 Annual Report on Form 10-K, the auditors' attestation report on management's assessment.

During the course of 2016, management regularly discussed the internal control review and assessment process with the Audit Committee, including the framework used to evaluate the effectiveness of such internal control, and at regular intervals updated the Audit Committee on the status of this process and actions taken by management to respond to issues identified during this process. The Audit Committee also discussed this process with KPMG. Management's assessment report and the auditor's attestation report are included as part of the 2016 Annual Report on Form 10-K.

Eric P. Edelstein, Chairman
Andrew B. Abramson
Gerald Korde
Michael L. LaRusso
Barnett Rukin
Suresh L. Sani
Jeffrey S. Wilks

CORPORATE GOVERNANCE

Our business and affairs are managed under the direction of the Board of Directors. Members of the Board are kept informed of Valley's business through discussions with the Chairman and our other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. In this regard, to further educate directors about Valley and assist committees in their work, committees are encouraged to invite non-member directors to attend committee meetings to learn about the workings of the Board. All members of the Board also serve as directors of our subsidiary bank, Valley National Bank (the "Bank"). It is our policy that all directors attend the annual meeting absent a compelling reason, such as family or medical emergencies. In 2016, all directors then serving attended our annual meeting.

Our Board of Directors believes that the purpose of corporate governance is to ensure that we maximize shareholder value in a manner consistent with legal requirements and safe and sound banking principles. The Board has adopted corporate governance practices which the Board and senior management believe promote this purpose. Periodically, these governance practices, as well as the rules and listing standards of the NYSE and the regulations of the SEC, are reviewed by senior management, legal counsel and the Board.

BOARD LEADERSHIP STRUCTURE AND THE BOARD'S ROLE IN RISK OVERSIGHT

Chairman and CEO Roles. Valley is led by Mr. Gerald Lipkin, who has served as our Chairman and CEO since 1989.

Our Board is currently comprised of Mr. Lipkin and 12 other directors, of whom ten are independent under NYSE guidelines. The Board has three standing independent committees with separate chairpersons – an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation and Human Resources Committee. We also have a Risk Committee which is responsible for overseeing risk management. In addition, our Audit Committee engages in oversight of financial statement risk exposures and our full Board regularly engages in discussions of risk management and receives reports on risk from our executive management, other company officers and the chairman of the Risk Committee. Each of our other Board committees also considers the risk within its area of responsibilities.

Lead Director. The Board created the position of Lead Director and each year since 2014 has appointed Mr. Abramson as its Lead Director. In accordance with our corporate governance guidelines, our non-management directors meet in executive session regularly and our independent directors meet in executive session at least twice a year. These meetings are chaired by Mr. Abramson in his role as Lead Director.

Our corporate leadership structure is commonly utilized by other public companies in the United States. We believe that having a combined Chairman/CEO, a lead director and independent chairpersons for each of the above Board committees provides the right form of leadership for Valley at this time. We have a single leader for our Company who can present a consistent vision, and he is seen by our customers, business partners, investors and other stakeholders as providing strong leadership for Valley and to our industry. We believe that our Chairman/CEO together with the Lead Director, the Risk Committee, our Audit Committee (primarily with respect to financial risks) and the full Board of Directors, provide effective oversight of the risk management function.

DIRECTOR INDEPENDENCE

The Board has determined that a majority of the directors and all current members of the Nominating and Corporate Governance, Compensation and Human Resources, and Audit Committees are "independent" for purposes of the independence standards of the NYSE, and that all of the members of the Audit Committee are also "independent" for purposes of Section 10A(m)(3) of Exchange Act. The Board based these determinations primarily on a review of the responses of the directors to questions regarding employment and transaction history, affiliations and family and other relationships and on discussions with the directors. Our independent directors are: Andrew B. Abramson, Peter J. Baum, Pamela R. Bronander, Eric P. Edelstein, Gerald Korde, Michael L. LaRusso, Marc J. Lenner, Barnett Rukin, Suresh L. Sani and Jeffrey S. Wilks.

To assist in making determinations of independence, the Board has concluded that the following relationships are immaterial and that a director whose only relationships with the Company fall within these categories is independent:

- A loan made by the Bank to a director, his or her immediate family or an entity affiliated with a director or his or her immediate family, or a loan personally guaranteed by such persons if such loan (i) complies with federal regulations on insider loans, where applicable; and (ii) is not classified by the Bank's credit risk department or independent loan review department, or by any bank regulatory agency which supervises the Bank;
- A deposit, trust, insurance brokerage, investment advisory, securities brokerage or similar customer relationship between Valley or its subsidiaries and a director, his or her immediate family or an affiliate of his or her immediate family if such relationship is on customary and usual market terms and conditions;
- The employment by Valley or its subsidiaries of any immediate family member of the director if the

family member serves below the level of a senior vice president;

- Annual contributions by Valley or its subsidiaries to any charity or non-profit corporation with which a director is affiliated if the contributions do not exceed an aggregate of $30,000 in any calendar year;

- Purchases of goods or services by Valley or any of its subsidiaries from a business in which a director or his or her spouse or minor children is a partner, shareholder or officer, if the director, his or her spouse and minor children own five percent (5%) or less of the equity interests of that business and do not serve as an executive officer of the business; or

- Purchases of goods or services by Valley, or any of its subsidiaries, from a director or a business in which the director or his or her spouse or minor children is a partner, shareholder or officer if the annual aggregate purchases of goods or services from the director, his or her spouse or minor children or such business in the last calendar year does not exceed the greater of $120,000 or five percent (5%) of the gross revenues of the business.

The Board considered the following categories of items for each director it determined was independent together with the information set forth under "Certain Transactions With Management":

Name	Loans*	Trust Services/ Assets Under Management	Banking Relationship with VNB	Professional Services to Valley
Andrew B. Abramson	Commercial and Residential Mortgages, Personal and Commercial Line of Credit	Trust Services	Checking, Savings, Certificate of Deposit	None
Peter J. Baum	Commercial and Personal Mortgage	None	Checking	None
Pamela R. Bronander	Commercial and Personal Line of Credit, Home Equity	None	Checking, Savings, Certificate of Deposit	None
Eric P. Edelstein	Residential Mortgage	None	Checking	None
Gerald Korde	Commercial, Commercial Mortgage and Personal Line of Credit	None	Checking, Money Market	None
Michael L. LaRusso	Personal Line of Credit	None	Checking, Money Market	None
Marc J. Lenner	Commercial Mortgage, Residential Mortgage, Personal Line of Credit and Home Equity	Trust Services	Checking, Money Market, Certificate of Deposit, IRA	None
Barnett Rukin**	Commercial and Residential Mortgages, Commercial Line of Credit	Assets Under Management	Checking, Safe Deposit Box	None
Suresh L. Sani	Commercial Mortgage	None	Checking, Money Market	None
Jeffrey S. Wilks	Personal Line of Credit	None	Checking	None

* In compliance with Regulation O.

** Mr. Rukin is currently a Valley director who will retire as a director after the upcoming annual meeting.

EXECUTIVE SESSIONS OF NON-MANAGEMENT DIRECTORS

Valley's Corporate Governance Guidelines require the Board to hold separate executive sessions for both independent and non-management directors. At least twice a year, the Board holds an executive session including only independent directors and an executive session including only non-management directors in each instance with the Lead Director as the presiding director for the session.

SHAREHOLDER AND INTERESTED PARTIES COMMUNICATIONS WITH DIRECTORS

The Board of Directors has established the following procedures for shareholder or interested party communications with the Board of Directors or with the Lead Director of the Board:

- Shareholders or interested parties wishing to communicate with the Board of Directors, the non-management or independent directors, or with the Lead Director should send any communication to Valley National Bancorp, c/o Alan D. Eskow,

Corporate Secretary, at 1455 Valley Road, Wayne, NJ 07470. Any such communication should state the number of shares owned by the shareholder.

- The Corporate Secretary will forward such communication to the Board of Directors or, as appropriate, to the particular committee chairman or to the Lead Director, unless the communication is a personal or similar grievance, a shareholder proposal or related communication, an abusive or inappropriate communication, or a communication not related to the duties or responsibilities of the Board of Directors in which case the Corporate Secretary has the authority to determine the appropriate disposition of the communication. All such communications will be kept confidential to the extent possible.

- The Corporate Secretary will maintain a log and copies of all such communications for inspection and review by any Board member or by the Lead Director, and will regularly review all such communications with the Board or the appropriate committee chairman or with the Lead Director at the next meeting.

COMMITTEES OF THE BOARD OF DIRECTORS; BOARD OF DIRECTORS MEETINGS

In 2016, the Board of Directors maintained an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation and Human Resources Committee. Only independent directors serve on these committees. In addition to these committees, the Company and the Bank also maintain a number of committees to oversee other areas of Valley's operations. These include an Executive Committee, Community Reinvestment Act ("CRA") Committee, Investment Committee, Pension/Savings & Investment Trustees Committee, Risk Committee, Strategic Planning Committee and a Trust Committee, all of which have both independent and non-independent directors, as permitted by the SEC and the NYSE.

Each director attended at least 85% or more of the meetings of the Board of Directors and of each committee on which he or she served for the year ended December 31, 2016. Our Board met eight times during 2016 and the Bank's Board met eight times during 2016.

The following table presents 2016 membership information for each of our Audit, Nominating and Corporate Governance, and Compensation and Human Resources Committees.

Name	Audit	Nominating and Corporate Governance	Compensation and Human Resources
Andrew B. Abramson	X	X	X
Peter J. Baum		X	
Pamela R. Bronander			X
Eric P. Edelstein	(Chair)	X	X
Gerald Korde	X	X	(Chair)
Michael L. LaRusso	X		X
Marc J. Lenner		(Chair)	X
Barnett Rukin	X		
Suresh L. Sani	X	X	X
Jeffrey S. Wilks	X	X	
2016 Number of Meetings*	**5**	**4**	**5**

* Includes telephonic meetings.

AUDIT COMMITTEE. The Audit Committee formally met five times during 2016. In addition, the Committee Chairman and Risk Committee Chairman met with the Chief Audit Executive and Chief Risk Officer of Valley monthly for the purpose of communicating closely with those officers and receiving updates on significant developments. The Board of Directors has determined that each member of the Audit Committee is financially literate and that more than one member of the Audit Committee has the accounting or related financial management expertise required by the NYSE. The Board of Directors has also determined that Mr. Edelstein, Mr. LaRusso, Mr. Rukin and Mr. Wilks meet the SEC criteria of an "Audit Committee Financial Expert." The charter for the Audit Committee can be viewed at our website www.valleynationalbank.com/charters. The charter gives the Audit Committee the authority and responsibility for the appointment, retention, compensation and oversight of our independent registered public accounting firm, including pre-approval of all audit and non-audit services to be performed by our independent registered public accounting firm. Each member of the Audit Committee is independent under the NYSE listing rules. Other responsibilities of the Audit Committee pursuant to the charter include:

- Reviewing the scope and results of the audit with Valley's independent registered public accounting firm;

- Reviewing with management and Valley's independent registered public accounting firm Valley's interim and year-end operating results including SEC periodic reports and press releases;

- Considering the appropriateness of the internal accounting and auditing procedures of Valley;

- Considering the independence of Valley's independent registered public accounting firm;
- Overseeing the internal audit function;
- Reviewing the significant findings and recommended action plans prepared by the internal audit function, together with management's response and follow-up; and
- Reporting to the full Board on significant matters coming to the attention of the Audit Committee.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE. The Nominating and Corporate Governance Committee met four times during 2016. This Committee reviews qualifications of and recommends to the Board candidates for election as director of Valley, considers the composition of the Board, and recommends committee assignments. The Nominating and Corporate Governance Committee develops corporate governance guidelines which include:

- Director qualifications and standards;
- Director responsibilities;
- Director orientation and continuing education;
- Limitations on Board members serving on other boards of directors;
- Director access to management and records; and
- Criteria for the annual self-assessment of the Board, and its effectiveness.

The Nominating and Corporate Governance Committee is also charged with overseeing adherence to our corporate governance standards and the Code of Conduct and Ethics. The Nominating and Corporate Governance Committee reviews recommendations from shareholders regarding corporate governance and director candidates. The procedure for submitting recommendations of director candidates is set forth below under the caption "Nomination of Directors." Each member of the Nominating and Corporate Governance Committee is independent under NYSE listing rules. The charter for the Nominating and Corporate Governance Committee can be viewed at our website www.valleynationalbank.com/charters.

COMPENSATION AND HUMAN RESOURCES COMMITTEE. The Compensation and Human Resources Committee formally met five times during 2016. This Committee determines CEO compensation, recommends to the Board compensation levels for directors and sets compensation for named executive officers ("NEOs") and other executive officers. It also administers our Executive Incentive Plan and the 2016 Long-Term Stock Incentive Plan, and makes awards pursuant to those plans. The charter for the Committee can be viewed on our website at www.valleynationalbank.com/charters. Each member of the Compensation and Human Resources Committee is independent under NYSE listing rules.

EXECUTIVE OFFICER COMPENSATION

COMMITTEE PROCESSES AND PROCEDURES

The Board has delegated the responsibility for executive compensation matters to the Compensation and Human Resources Committee. The minutes of the Committee meetings are provided at Board meetings and the chairman of the Committee reports to the Board significant issues dealt with by the Committee.

In undertaking its responsibilities, annually, the Committee receives from the CEO recommendations (except those that relate to his compensation) for salary, non-equity incentive awards, restricted stock and restricted stock unit awards for NEOs and other executive officers. After considering the possible payments and discussing the recommendations with the CEO, the Committee meets in executive session to make the final decisions on these elements of compensation.

Under authority delegated by the Committee, all other employee salaries and non-equity compensation are determined by executive management. For stock awards, based on operational considerations, prior awards and staff numbers, a block of shares is allocated by the Committee. The individual restricted stock and restricted stock unit awards are then allocated by the CEO and his executive staff to these non-executive officers and employees.

Under authority delegated by the Committee, during the year, the CEO is authorized to make stock awards in specific circumstances: special incentive awards for non-officers, retention awards, awards to new employees and grants on completion of advanced degrees.

All awards not specifically approved in advance by the Committee, but awarded under the authority delegated, are reported to the Committee at its next meeting at which time the Committee ratifies the action taken.

COMPENSATION CONSULTANTS

In 2016 the Committee in its sole discretion engaged Fredrick W. Cook & Co. ("FW Cook") as its compensation consultant. FW Cook was engaged to review compensation and performance data of a peer group of comparable financial organizations that had been selected by the Committee upon the recommendation of FW Cook and in relation to this data, provide an overview and comments on Valley's executive compensation. Also, FW Cook was requested to provide information relating to market trends in executive compensation matters. FW Cook has reviewed and provided comments on the compensation disclosures contained in this proxy statement.

COMPENSATION AS IT RELATES TO RISK MANAGEMENT

The Chief Risk Officer evaluated all incentive-based compensation for all employees of the Company and reported to the Compensation and Human Resources Committee that none of our incentive-based awards individually, or taken together, was reasonably likely to have a material adverse effect on Valley. None of the other forms of compensation or incentives for Valley employees were considered as encouraging undue or unwarranted risk. The Compensation and Human Resources Committee accepted the Chief Risk Officer's report.

AVAILABILITY OF COMMITTEE CHARTERS

The Audit Committee, Nominating and Corporate Governance Committee, and Compensation and Human Resources Committee each operate pursuant to a separate written charter adopted by the Board. Each committee reviews its charter at least annually. All of the committee charters can be viewed at our website www.valleynationalbank.com/charters. Each charter is also available in print to any shareholder who requests it. The information contained on the website is not incorporated by reference or otherwise considered a part of this document.

NOMINATION OF DIRECTORS

Nominations of directors for election to the Board may only be made at an annual meeting of shareholders, or at any special meeting of shareholders called for the purpose of electing directors by our Board of Directors, or, as described in more detail below, by any shareholder of the Company who meets the eligibility and notice requirements set forth in our By-laws, as amended in December 2016.

Shareholder Nominations Not for Inclusion in our Proxy Statement. Under our By-laws, to be eligible to submit a director nomination not for inclusion in our proxy materials but instead to be presented directly at the annual meeting, the shareholder must be a shareholder of record on both (i) the date the shareholder submits the notice of the director nomination to the Company and (ii) the record date for the annual meeting. The notice must be in proper written form and be timely received by the Company. To be in proper written form, the notice must meet all of the requirements specified in Article I, Section 3 of our By-laws, including specified information regarding the shareholder making the nomination and the proposed nominee. To be timely for our 2018 annual meeting, the notice must be received by our Secretary at our Wayne, New Jersey office not later than December 28, 2017 nor earlier than November 28, 2017. If the annual meeting is called for a date that is not within 30 days before or after the anniversary date of our 2017 annual meeting date, notice will be timely if it is received by the Secretary no later than the close of business on the 10th day following the date on which public announcement of the annual meeting is first made by the Company.

Shareholder Nominations for Inclusion in our Proxy Statement. Our By-laws provide that if certain requirements are met, an eligible shareholder or group of eligible shareholders may include their director nominees in the Company's annual meeting proxy materials. This is commonly referred to as proxy access.

The proxy access provisions of our By-Laws provide, among other things, that a shareholder or group of up to twenty shareholders seeking to include director nominees in our proxy materials must own 3% or more of our outstanding common stock continuously for at least three years. The number of proxy access nominees appearing in any annual meeting proxy statement cannot exceed the greater of two or 20% of the number of directors then serving on the Board. If 20% is not a whole number, the maximum number of proxy access nominees would be the closest whole number below 20%. A nominee who is included in our proxy materials but withdraws from or becomes ineligible or unavailable for election at the annual meeting, or does not receive at least 25% of the votes cast for his or her election, will not be eligible for nomination by a shareholder for the next two annual meetings. The nominating shareholder or group of shareholders also must deliver the information required by our By-laws, and each nominee must meet the qualifications required by our By-laws.

Requests to include director nominees in our proxy materials for our 2018 annual meeting must be received by our Secretary at our Wayne, New Jersey office no earlier than October 18, 2017 and no later than November 17, 2017. If the annual meeting is called for a date that is not within 30 days before or after the anniversary date of our 2017 annual meeting date, notice will be timely if it is received by the Secretary no later than the close of business on the 10th day following the date on which public announcement of the annual meeting is first made by the Company.

Director Qualifications. The Board of Directors has established criteria for members of the Board. These include:

- The maximum age for an individual to join the Board shall be age 60, except that such limitation is inapplicable to a person who, when elected or appointed, is a member of senior management, or who was serving as a member of the Board of Directors of another company at the time of its acquisition by Valley;
- A director is eligible for reelection if the director has not attained age 76 before the time of the annual meeting of the Company's shareholders. However, the Board in its discretion may extend this age limit for not more than one year at a time for any director,

if the Board determines that the director's service for an additional year will sufficiently benefit the Company;

- Each Board member must demonstrate that he or she is able to contribute effectively regardless of age;
- Each Board member must be a U.S. citizen and comply with all qualifications set forth in 12 USC §72;
- Board members must maintain their principal residences in New Jersey, New York, Florida or 100 miles from the Bank's principal office;
- Board members may not stand for re-election to the Board for more than four terms following the establishment of a principal legal residence outside of New Jersey, New York, Florida or 100 miles from the Bank's principal office;
- Each Board member must own a minimum of 20,000 shares of our common stock of which 5,000 shares must be in his or her own name (or jointly with the director's spouse) and none of these 20,000 shares may be pledged or hypothecated;
- Unless there are mitigating circumstances (such as medical or family emergencies), any Board member who attends less than 85% of the Board and assigned committee meetings for two consecutive years, will not be nominated for re-election;
- Each Board member must prepare for meetings by reading information provided prior to the meeting. Each Board member should participate in meetings, for example, by asking questions and by inquiring about policies, procedures or practices of Valley;
- Each Board member should be available for continuing education opportunities throughout the year;
- Each Board member is expected to be above reproach in their personal and professional lives and their financial dealings with Valley, the Bank and the community;
- If a Board member (a) has his or her integrity challenged by a governmental agency (indictment or conviction), (b) files for personal or business bankruptcy, (c) materially violates Valley's Code of Conduct and Ethics, or (d) has a loan made to or guaranteed by the director classified as doubtful, the Board member shall resign upon the request of the Board. If a loan made to a director or guaranteed by a director is classified as substandard and not repaid within six months, the Board may ask the director to resign;
- No Board member may serve on the board of any other bank or financial institution or on more than two boards of other public companies while a member of Valley's Board without the approval of Valley's Board of Directors;
- Board members should understand basic financial principles and represent a variety of areas of expertise and diversity in personal and professional backgrounds and experiences;
- Each Board member should be an advocate for the Bank within the community; and
- It is expected that the Bank will be utilized by the Board member for his or her personal and business affiliations.

The Nominating and Corporate Governance Committee has adopted a policy regarding director candidates recommended by shareholders. The Nominating and Corporate Governance Committee will consider nominations recommended by shareholders. In order for a shareholder to recommend a nomination, the shareholder must provide the recommendation along with the additional information and supporting materials to our Corporate Secretary no later than 180 days and no earlier than 150 days prior to the anniversary of the date of the preceding year's mailing of the proxy statement for the annual meeting. The shareholder wishing to propose a candidate for consideration by the Nominating and Corporate Governance Committee must own at least 1% of Valley's outstanding common stock. In addition, the Nominating and Corporate Governance Committee has the right to require any additional background or other information from any director candidate or the recommending shareholder as it may deem appropriate. For Valley's annual meeting in 2018, we must receive this notice on or after October 17, 2017, and on or before November 17, 2017.

The following factors, at a minimum, are considered by the Nominating and Corporate Governance Committee as part of its review of all director candidates and in recommending potential director candidates to the Board:

- Appropriate mix of educational background, professional background and business experience to make a significant contribution to the overall composition of the Board;
- If the Nominating and Corporate Governance Committee deems it applicable, whether the candidate would be considered a financial expert or financially literate as described in SEC and NYSE rules;

- If the Nominating and Corporate Governance Committee deems it applicable, whether the candidate would be considered independent under NYSE rules and the Board's additional independence guidelines set forth in the Company's Corporate Governance Guidelines;

- Demonstrated character and reputation, both personal and professional, consistent with that required for a bank director;

- Willingness to apply sound and independent business judgment;

- Ability to work productively with the other members of the Board;

- Availability for the substantial duties and responsibilities of a Valley director; and

- Meets the additional criteria set forth in Valley's Corporate Governance Guidelines.

Diversity is one of the factors that the Nominating and Corporate Governance Committee considers in identifying nominees for a director. In selecting director nominees the Nominating and Corporate Governance Committee considers, among other factors, (1) the competencies and skills that the candidate possesses and the candidate's areas of qualification and expertise that would enhance the composition of the Board, and (2) how the candidate would contribute to the Board's overall balance of expertise, perspectives, backgrounds and experiences in substantive matters pertaining to the Company's business. The Nominating and Corporate Governance Committee has not adopted a formal diversity policy with regard to the selection of director nominees.

CODE OF CONDUCT AND ETHICS AND CORPORATE GOVERNANCE GUIDELINES

We have adopted a Code of Conduct and Ethics which applies to our chief executive officer, principal financial officer, principal accounting officer and to all of our other directors, officers and employees. The Code of Conduct and Ethics is available and can be viewed on our website at www.valleynationalbank.com/charters. The Code of Conduct and Ethics is also available in print to any shareholder who requests it. We will disclose any substantive amendments to or waiver from provisions of the Code of Conduct and Ethics made with respect to the chief executive officer, principal financial officer or principal accounting officer or any other executive officer or a director on that website.

We have also adopted Corporate Governance Guidelines, which are intended to provide guidelines for the governance by the Board and its committees. The Corporate Governance Guidelines are available on our website at www.valleynationalbank.com/charters. The Corporate Governance Guidelines are also available in print to any shareholder who requests them.

DIRECTOR COMPENSATION

COMPENSATION OF DIRECTORS

The total 2016 compensation of our non-employee directors is shown in the following table. Each of these compensation components is described in detail below.

Also described below, the Compensation Committee adopted the following changes to our non-employee director compensation program effective after the annual meeting on April 27, 2017:

- A $25,000 reduction in the annual cash retainer from $50,000 to $25,000;
- Non-employee directors will receive an annual $50,000 restricted stock unit award; and
- Non-employee directors may attend meetings by phone on a paid basis only once per year.

2016 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (3)	Stock Awards (4)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (5)	All Other Compensation (6)	Total
Andrew B. Abramson (1)	$ 187,000	$ 0	$ 15,020	$ 7,003	$ 209,023
Peter J. Baum	130,000	0	1,434	0	131,434
Pamela R. Bronander	135,000	0	14,344	0	149,344
Eric P. Edelstein (1)	154,500	0	7,902	0	162,402
Mary J. Steele Guilfoile	145,000	0	7,401	93,236 (7)	245,637
Graham O. Jones	147,500	0	14,018	0	161,518
Gerald Korde (1)	157,000	0	20,717	0	177,717
Michael L. LaRusso	136,500	0	7,375	3,599	147,474
Marc J. Lenner (1)	140,000	0	3,635	0	143,635
Barnett Rukin (2)	124,000	0	3,388	7,199	134,587
Suresh L. Sani	138,250	0	3,711	0	141,961
Jeffrey S. Wilks	132,000	0	1,362	3,599	136,961

(1) Lead Director or Bancorp Committee Chairman (see Committees of the Board on page 13 in this Proxy Statement).

(2) Mr. Rukin is currently a Valley director who will retire as a director after the upcoming annual meeting.

(3) Includes annual retainer, meeting fees and committee fees and fees for serving as lead director and chairing board committees earned and paid for 2016.

(4) The Board of Directors has terminated the Directors Restricted Stock Plan and any outstanding shares will be distributed when they vest. The aggregate number of restricted shares of common stock outstanding at December 31, 2016, for each of the following participants were: Mr. Abramson 15,783 shares; Mrs. Guilfoile 7,281 shares; Mr. LaRusso 8,111 shares; Mr. Rukin 16,224 shares; and Mr. Wilks 8,111 shares.

(5) Represents the change in the present value of pension benefits year to year under the Directors Retirement Plan for 2016 taking into account the age of each director, a present value factor, an interest discount factor and time remaining until retirement. As disclosed below, the Board of Directors pension plan was frozen for purposes of benefit accrual in 2013. The annual change in the present value of the accumulated benefits was a net increase of $100,307 in total from the present value reported as of December 31, 2015. This increase is attributable to the passage of time and the decrease in the discount rate from 4.325% to 4.110%.

(6) Except as noted in the next footnote for Ms. Guilfoile, this column reflects only the cash dividend and interest on deferred dividends earned on outstanding restricted stock during 2016, under the 2004 Directors Restricted Stock Plan.

(7) This includes $90,000 in consulting fees pursuant to a long-standing investment banking retainer consulting agreement, paid to MG Advisors, Inc. in 2016. Ms. Guilfoile is the Chairperson of MG Advisors. The amount also includes $3,236 in cash dividends and interest on deferred dividends earned on outstanding restricted stock during 2016, under the 2004 Directors Restricted Stock Plan.

ANNUAL BOARD RETAINER

Non-employee directors received an annual retainer of $50,000 per year, paid quarterly. Following our 2017 annual meeting, our non-employee directors will receive an annual retainer of $25,000 per year, paid quarterly, plus an equity award of $50,000 (see below).

This retainer is paid to recognize expected ongoing dialogue of Board members with our executives and employees, for being available to provide their professional expertise as needed, for attending various Bank functions, for undertaking continuing education, and for interfacing with customers as appropriate.

BOARD MEETING FEES

In recognition of the preparation time, travel time, attendance and providing professional expertise at the Board meetings, non-employee directors receive a Board meeting fee of $2,500 for each meeting attended of the Bank and Bancorp combined attended in person, by video conference or conference call. Following our 2017 annual meeting, our non-employee directors will be paid meeting fees for attendance by telephone of in person board and committee meetings for no more than one meeting per year.

BOARD COMMITTEE FEES AND COMMITTEE CHAIRMEN RETAINER

The Chairman of the Audit Committee receives an annual retainer of $15,000. The Chairman of the Compensation and Human Resources Committee receives an annual retainer of $15,000. The Chairman of the Nominating and Corporate Governance Committee receives an annual retainer of $7,500. The Lead Director receives an annual retainer of $30,000. These retainers are to recognize the extensive time that is devoted to serve as Committee Chairman or Lead Director and to attend to committee matters including meetings with management, auditors, attorneys and consultants and preparing committee agendas.

All members of these committees are paid for attending each committee meeting as follows: $2,500 for Audit, $2,500 for Compensation and Human Resources, and $2,500 for Nominating and Corporate Governance.

The Company and the Bank also have a number of committees (in addition to the corporate governance committees listed on page 13). These committees generally deal with oversight of various operating matters. Valley's Risk Committee Chairman receives a $15,000 retainer. All other committee chairmen receive a retainer of $7,500. There is an attendance fee of $2,500 for each committee meeting.

Following our annual meeting, the fees described above will be increased to those set forth below:

Lead Director Annual Retainer	$50,000
Committee Chair Retainers	
Audit Chair	$20,000
Compensation & HR Chair	$20,000
Nominating & Governance Chair	$12,500
Investment Chair	$12,500
Risk Chair	$20,000
Trust Chair	$12,500
CRA Chair	$12,500

DIRECTOR EQUITY AWARDS

Our 2016 Long-Term Stock Incentive Plan (the "2016 Plan") provides for our non-employee directors to be eligible recipients of limited equity awards. The 2016 Plan was approved by our shareholders.

Commencing with our 2017 annual meeting, each non-employee director will receive a $50,000 restricted stock unit award ("RSU") as part of their annual retainer. The RSUs will be granted on the date of the annual shareholders' meeting, with the number of RSUs to be determined using the closing market price on the date prior to grant. The RSUs vest on the earlier of the next annual shareholders' meeting or the first anniversary of the grant date, with acceleration upon a change in control, death or disability, but not resignation from the board.

DIRECTORS RETIREMENT PLAN

We maintain a retirement plan for non-employee directors which was frozen to new participants and for additional benefit accruals in 2013. The plan provides 10 years of annual benefits to participating directors with five or more years of service. The benefits commence after a director has retired from the Board and reached age 65. The annual benefit is equal to the director's years of service, multiplied by 5%, multiplied by the final annual retainer paid to the director at the time of retirement. In the event of the death of the director prior to receipt of all benefits, the payments continue to the director's beneficiary or estate. As a result of amendments to the plan adopted in 2013, participants no longer accrue further benefits.

STOCK OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS. The following table contains information about the beneficial ownership of our common stock at December 31, 2016 by each director and by each of our named executive officers ("NEOs") named in this proxy statement, and by directors and all executive officers as a group.

Name of Beneficial Owner	Number of Shares Beneficially Owned (1)		Percent of Class (2)
Directors and Named Executive Officers:			
Andrew B. Abramson	240,823	(3)	0.09%
Peter J. Baum	40,267	(4)	0.02
Pamela R. Bronander	34,275	(5)	0.01
Peter Crocitto	568,481	(6)	0.21
Eric P. Edelstein	28,388		0.01
Alan D. Eskow	494,228	(7)	0.18
Mary J. Steele Guilfoile	396,237	(8)	0.15
Graham O. Jones	963,667	(9)	0.36
Gerald Korde	2,329,147	(10)	0.87
Michael L. LaRusso	43,585	(11)	0.02
Marc J. Lenner	209,590	(12)	0.08
Gerald H. Lipkin	1,250,338	(13)	0.47
Ira D. Robbins	192,450	(14)	0.07
Barnett Rukin	125,976	(15)	0.05
Suresh L. Sani	58,351	(16)	0.02
Rudy E. Schupp	286,964	(17)	0.11
Jeffrey S. Wilks	420,508	(18)	0.16
Directors and Executive Officers as a group (26 persons)	8,208,047	(19)	3.07

(1) Beneficially owned shares include shares over which the named person exercises either sole or shared voting power or sole or shared investment power. It also includes shares owned (i) by a spouse, minor children or by relatives sharing the same home, (ii) by entities owned or controlled by the named person, and (iii) by the named person if he or she has the right to acquire such shares within 60 days by the exercise of any right or option. Unless otherwise noted, all shares are owned of record and beneficially by the named person. Unvested performance based RSUs do not carry voting rights and are non-transferable.

(2) The number of shares of our common stock used in calculating the percentage of the class owned includes 263,638,830 shares of our common stock outstanding as of December 31, 2016. For purposes of calculating each individual's percentage of the class owned, the number of shares underlying stock options held by that individual are also taken into account to the extent such options were exercisable at December 31, 2016 or became exercisable within 60 days of December 31, 2016.*

(3) This total includes 14,074 shares held by Mr. Abramson's wife, 12,379 shares held by his wife in trust for his children, 9 shares held by a family trust of which Mr. Abramson is a trustee, 40,157 shares held by a family foundation, 10,197 shares held in self-directed IRA, 2,583 shares in a self-directed IRA held by his wife and 15,783 restricted shares pursuant to the director restricted stock plan. Mr. Abramson disclaims beneficial ownership of shares held by his wife and shares held for his children.

(4) This total includes 6,150 shares held by a trust for the benefit of Mr. Baum's children of which Mr. Baum is the trustee.

(5) This total includes 5,992 shares held by Ms. Bronander's children, and of this total, 972 shares are pledged as security by her adult son.

(6) This total includes 39,702 shares held by Mr. Crocitto's wife, 5,042 shares held in Mr. Crocitto's KSOP, 2,913 shares held by Mr. Crocitto as custodian for his child, 83,797 restricted shares, 153,089 performance based restricted stock units (at maximum) and 42,229 shares purchasable pursuant to stock options exercisable within 60 days of December 31, 2016*.

(7) This total includes 51,796 shares held by Mr. Eskow's wife, 5,303 shares held in Mr. Eskow's KSOP, 10,578 shares held in his Roth IRA, 1,471 shares held in his IRA, 6,249 shares held jointly with his wife, 1,435 shares in an IRA held by his wife, 83,797 restricted shares, 153,089 performance based restricted stock units (at maximum) and 42,229 shares purchasable pursuant to stock options exercisable within 60 days of December 31, 2016*.

(8) This total includes 141,606 shares held by Ms. Guilfoile's spouse and 7,281 restricted shares pursuant to the director restricted stock plan.

(9) This total includes 7,124 shares owned by trusts for the benefit of Mr. Jones' children of which his wife is co-trustee.

(10) This total includes 72,133 shares held jointly with Mr. Korde's wife, 342,697 shares held in the name of Mr. Korde's wife, 893,352 shares held by his wife as custodian for his children, 315,378 shares held by a trust of which Mr. Korde is a trustee and 126,438 shares held in Mr. Korde's self-directed IRA.

(11) This total includes 14,506 shares held jointly with Mr. LaRusso's wife and 8,111 restricted shares pursuant to the director restricted stock plan.

(12) This total includes 18,694 shares held in a retirement pension, 567 shares held by Mr. Lenner's wife, 29,092 shares held by his children, 122,150 shares held by a trust of which Mr. Lenner is 50% trustee (Mr. Lenner is an indirect beneficiary of only 25% of the trust and disclaims any pecuniary interest in the ownership of the other portion of the trust), and 18,392 shares held by a charitable foundation.

(13) This total includes 324,760 shares held in the name of Mr. Lipkin's wife, 6,946 shares held in Mr. Lipkin's wife's Roth IRA, 154 shares held jointly with his wife, 68,889 shares held in a Roth IRA, 55 shares held in his KSOP, and 38,519 shares held by a family charitable foundation of which Mr. Lipkin is a co-trustee. This total also includes Mr. Lipkin's 173,642 restricted shares, 325,918 performance based restricted stock units (at maximum) and 135,591 shares purchasable pursuant to stock options exercisable within 60 days of December 31, 2016*.

(14) This total includes 2,000 shares held by Mr. Robbins' wife, 285 shares held in trusts for benefit of Mr. Robbins' children, 46,766 restricted shares, 109,902 performance based restricted stock units (at maximum) and 5,045 shares purchasable pursuant to stock options exercisable within 60 days of December 31, 2016*.

(15) This total includes 6,000 shares held in Mr. Rukin's IRA, 27,683 shares held by Mr. Rukin's wife, as custodian and Mr. Rukin, as trustee, in various accounts for their children, 12,624 shares held by a private foundation of which Mr. Rukin is an officer and 16,224 restricted shares pursuant to the director restricted stock plan. Mr. Rukin disclaims beneficial ownership of the shares held by his wife, shares held by his wife as custodian for their children, and shares held by a private foundation.

(16) This total includes 5,705 shares held in Mr. Sani's Keogh Plan, 5,705 shares held in trusts for benefit of his children, and 44,390 shares held in pension trusts of which Mr. Sani is co-trustee.

(17) This total includes 12,814 shares held in Mr. Schupp's IRA, 1,780 shares held by Mr. Schupp's wife's IRA, 1,048 shares as custodian for his children, 33,174 restricted shares and 109,902 performance based restricted stock units (at maximum).

(18) This total includes 74,026 shares held by Mr. Wilks' wife, 10,058 shares held by his wife in trust for one of their children, 2,747 shares held jointly with his wife for a family foundation, 20,346 shares as trustee for the benefit of their children, 12,187 shares as trustee for the benefit of his wife, 266,804 shares held by the estates of his mother and father-in-law, of which Mr. Wilks' wife is a beneficiary and is one of three executors. This total also includes Mr. Wilks' 8,111 restricted shares pursuant to the director restricted stock plan. Mr. Wilks disclaims beneficial ownership of shares held by his mother and father-in-law's estates.

(19) This total includes 524,772 shares owned by 9 executive officers who are not directors or named executive officers, which total includes 12,692 shares in KSOP and/or IRA, 149 indirect shares, 125,611 restricted shares, 177,092 performance based restricted stock units (at maximum) and 28,100* shares purchasable pursuant to stock options exercisable within 60 days of December 31, 2016. The total does not include shares held by the Bank's trust department in fiduciary capacity for third parties.

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* All exercisable options outstanding have exercise prices that are higher than Valley's market price at December 31, 2016 of $11.64. See the Outstanding Equity Awards table below for each of the NEO's outstanding awards; and as of the record date of February 27, 2017, some exercisable options outstanding have exercise prices that are higher than Valley's market price of $12.46.

PRINCIPAL SHAREHOLDERS. The following table contains information about the beneficial ownership at December 31, 2016 by persons or groups that beneficially own 5% or more of our common stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class[(1)]
BlackRock, Inc.[(2)] 55 East 52nd Street, New York, NY 10022	30,278,754	11.48%
The Vanguard Group[(3)] 100 Vanguard Blvd., Malvern, PA 19355	19,801,278	7.51%

(1) For purposes of calculating these percentages, there were 263,638,830 shares of our common stock outstanding as of December 31, 2016.

(2) Based on a Schedule 13G/A Information Statement filed January 17, 2017 by BlackRock, Inc. The Schedule 13G/A discloses that BlackRock has sole voting power as to 29,778,648 shares, shared voting power as to 0 shares, sole dispositive power as to 30,278,754 shares, and shared dispositive power as to 0 shares.

(3) Based on a Schedule 13G/A Information Statement filed February 10, 2017 by The Vanguard Group. The Schedule 13G/A discloses that The Vanguard Group has sole voting power as to 297,474 shares, shared voting power as to 24,530 shares, sole dispositive power as to 19,491,474 shares, and shared dispositive power as to 309,804 shares.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS ("CD&A")

EXECUTIVE SUMMARY

Say-on-Pay Vote

At the 2016 Annual Meeting of Shareholders, approximately 94% of the votes cast were in favor of the advisory vote to approve executive compensation. This result is an increase from the results of the 2015 Annual Meeting at which 91% of the votes were cast in favor of the advisory vote and a substantial increase from the results of the 2014 Annual Meeting at which 71% of the votes were case in favor of the advisory vote. We believe that the 2015 and 2016 results reflect our commitment to providing our executives with compensation that is in alignment with our shareholders' short and long term interests. The results also reflected favorably on our outreach program over the past several years to certain large institutional shareholders and the significant changes that we made to our compensation program as a result of those conversations. In January 2017, the Compensation and Human Resources Committee (the "Committee") made compensation decisions based on 2016 results with a mind toward the input we received from shareholders over the past three years. In addition, the Committee reviewed the reports of major proxy advisory firms on the say on pay vote and again asked the Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("FW Cook"), to provide an analysis of the executive compensation program.

Key Compensation Decisions and Actions

As discussed below under "Our Company's Performance," we believe that benefits derived from some of the difficult choices our management made in 2015 were realized in 2016 and will continue to improve financial performance in 2017 and beyond. The Company's net income and diluted earnings per share for 2016 increased 63.2% and 50.0%, respectively, over 2015 results, which included a $51.1 million charge related to the extinguishment of high-cost debt.

The following is a brief summary of how we approached our compensation program based on 2016 results and the shareholder feedback listed above:

- The CEO's total direct compensation increased 11.5% over 2015 levels. 40% of such increase was structured to be in the form of long-term performance based equity awards to ensure alignment with our pay for performance philosophy;
- The CEO's cash bonus awarded represented a $150,000 increase from last year in light of Valley's overall financial performance, including the strengthening of our earnings, our strong asset quality performance, and the fact that his base salary did not increase for the sixth straight year;
- The CEO's time based equity compensation increased moderately ($75,000) from last year;
- No increase in the salary of our CEO for the sixth year in a row;
- No increase in the total direct compensation of our COO and CFO in 2016;
- Increased the compensation of Ira D. Robbins and Rudy E. Schupp to reflect their recent promotions;
- Continued to provide the majority of compensation in the form of short and long term incentive compensation, and the majority of long term incentive compensation in the form of performance equity awards;
- Continued to grant performance equity awards that cliff vest at the end of three years based on our growth in tangible book value;
- Continued to limit the maximum payout on the TSR portion of the performance equity awards to target if the relative TSR is negative.

The Company's "TSR" refers to the Company's share price performance (and dividends) ranked relative to the performance of our peer group during the relevant period. In reviewing compensation, the Committee did not take into consideration, and the preceding bullet points exclude the change, in the pension value and "all other compensation" which is included in compensation for each NEO as determined under SEC rules and set forth in the Summary Compensation Table on page 32. To highlight the difference, the Summary Compensation Table shows all our NEOs' total compensation both with and without the change in pension value.

Our Company's Performance

Valley's net income in 2016 was $168.1 million, or $0.63 per diluted common share, compared to 2015 net income of $103.0 million, or $0.42 per diluted common share, which represented an increase of 63.2% and 50.0%, respectively, over 2015 amounts. In 2015, management made the decision to take a $51.1 million pre-tax charge in order to effect the extinguishment of $845 million of high-cost debt. The Committee believes that these charges were in the best interests of the Company and sets up the Company for continued improvement in financial performance for 2017

and beyond. The dramatic increases in earnings and EPS in 2016 reflect that charge in 2015.

Other highlights of 2016 include:

- The commencement of our "LIFT" program which seeks to identify operating expense savings and revenue enhancement opportunities;
- The $110 million common stock offering in December 2016 at a price well in excess of the Company's tangible book value;
- A 12.3% increase in net interest income in 2016 compared to 2015;
- An increase in tangible book value on an as reported basis of 8.21% in 2016 compared to 2015;
- A total shareholder return in 2016 of 23.55% compared to 6.12% in 2015;
- Over $19 million in cost savings derived from the 2015 branch efficiency and cost reduction plan; and
- The $22.0 million gain on the sale of residential mortgage loans in 2016 compared to $4.2 million in 2015.

Key Governance Features

We have implemented the following governance features:

Independent compensation consultant. FW Cook, our compensation consultant, reports directly to the Committee and provides no services to Valley or management.

Risk management. We focus on risk management and design our plans to discourage unnecessary or excessive risk taking.

No hedging or pledging. We do not allow hedging or pledging of Valley securities by executive officers.

Clawback policy. We have a clawback policy that allows for the recovery of unvested cash and equity-based incentive compensation in the event of a material financial restatement or material misconduct by an executive and recovery of both vested and unvested awards in the event of intentional fraud or intentional misconduct by an executive. Our equity awards to executives include other clawback provisions.

Hold-past termination. If an NEO terminates employment for any reason and such termination results in the acceleration of equity awards, 50% of the shares of common stock underlying the equity awards must be held for a period of 18 months following the date of termination.

Stock ownership guidelines. We impose ownership guidelines on our executives.

OUR COMPENSATION PHILOSOPHY

We believe that Valley's executive compensation should be structured so as to balance the expectations of our shareholders, our regulators and our executives. We have adopted a compensation philosophy that seeks to achieve this balance by taking into consideration the following:

Pay-for-Performance: Rewarding qualitative achievements by management which contribute to our operational and strategic performance;

Benchmarking: Making compensation awards after taking into account the executive compensation programs and practices of our peer group; and

Balanced Pay Mix: Providing a mixture of short-term and long-term financial rewards to our executives.

The Committee uses a balanced approach in making compensation-related decisions. The important factors the Committee considered this year include:

- Our year over year increase in earnings per share, after considering core earnings;
- Our growth in tangible book value plus dividends;
- Maintaining Valley's strong commitment to credit quality;
- Development of a long term strategic plan which supports Valley's franchise growth;
- Maintaining Valley's dividend;
- Meeting or exceeding regulatory requirements, including regulatory capital requirements, in all facets of our business; and
- Training and developing staff for succession planning purposes and for maintaining business continuity.

OUR COMPENSATION PROCESS

Our Committee sets the compensation of our CEO and all our NEOs, as well as all executive officers. We met four times during 2016 and early 2017 to discuss NEO compensation for 2016. At almost all meetings the Committee holds in-depth executive sessions at which our independent compensation consultant is present and provides advice.

The Committee has the authority to directly retain the services of independent compensation consultants and other experts to assist in fulfilling its responsibilities. The Committee engaged the services of FW Cook, a national executive compensation consulting firm, to review and provide recommendations concerning all of the components of the Company's executive compensation program. FW Cook

performs services solely on behalf of the Committee and has no relationship with the Company or management except as it may relate to performing such services. FW Cook assists the Committee in defining Valley's peer companies for executive compensation and practices and in benchmarking our executive compensation program against the peer group. The Committee assessed the independence of FW Cook and concluded that no conflict of interest existed that prevented FW Cook from independently representing the Committee.

A representative of FW Cook was present and provided advice at all our meetings, including executive sessions. Pre-meetings were held with the Chairman of the Committee to establish the agenda for each meeting. The compensation consultant attended the pre-meetings.

The CEO and other NEOs attended portions of the meetings. The CEO presented and discussed with the Committee his recommendations for compensation for the NEOs and the executive team without the other NEOs present. The CEO did not make a recommendation to the Committee with regard to his own compensation. The CEO was not present when his compensation was discussed or set by the Committee. The Committee sought input from other directors with experience in executive compensation and from internal and external counsel. The Committee sets executive compensation with only Committee members, consultants and internal and external counsel present.

OUR PEER GROUP

In setting compensation for our executives, we compare total compensation, each compensation element, and Valley's financial performance to a peer group. For purposes of determining 2015 compensation, our peer group consisted of 17 bank holding companies in the NY/NJ/CT metropolitan area plus Florida with assets within a reasonable range above and below Valley's asset size. In 2016, we modified the peer group to remove three bank holding companies that were either acquired or in the process of being acquired by larger institutions. We replaced these companies with four companies which are located in metropolitan locations throughout the country, with sizes and business models similar to Valley. The Committee believes that this new peer group is an appropriate group for comparison with Valley for two primary reasons:

- The companies in the peer group are all located in our market areas or comparable metropolitan locations; and
- The companies in the peer group are, on average, similar in size and complexity to Valley.

Appendix A, on page 52 lists all financial institutions in the peer group. First Niagara Financial Group, Inc. and National Penn Bancshares, Inc. were removed from the peer group due to their acquisitions by, and merger into other institutions during 2016. Astoria Financial was also removed in 2016 prior to the publicly announced termination of the pending merger with, and into New York Community Bancorp, Inc.. PacWest Bancorp, Private Bancorp, Inc., Prosperity Bancshares and Texas Capital Bancshares, Inc. were added. The peer group consists of companies with assets between \$6 billion and \$50 billion and market capitalization between \$800 million and \$8 billion. Valley ranked in the 61st and 33rd percentile in asset size and market capitalization, respectively, against the peer group.

The Committee compares the salaries, equity compensation and non-equity incentive compensation we pay to our NEOs with the same compensation elements paid to executives of the peer group companies available from public data. The Committee refers to this peer group information when setting our CEO compensation and that of our other NEOs and generally targets setting CEO and NEO total compensation at levels that are at the median of our peer group.

ELEMENTS OF PAY

The following table summarizes the key components of our compensation program for our NEOs and the purpose of each component:

Component	Key features	Purpose
Salary	Certain cash payment based on position, responsibilities and experience.	Offers a stable source of income.
EIP Cash Awards	Annual cash awards which are tied to achievement of both company and individual goals.	Intended to motivate and reward executives for achievements of short-term (one year) company and individual goals.
EIP Time Vested Equity Awards	Equity incentives earned based on time.	Intended to create alignment with shareholders and promote retention.
2016 Stock Plan Performance Equity Awards	Equity incentives earned based upon meeting performance targets.	Intended to focus on achievement of company performance objectives, relative TSR and growth in tangible book value (as defined below).

Salary

Salaries are determined by an evaluation of individual NEO responsibilities, compensation history, as well as peer comparison.

Executive Incentive Plan (EIP)

The Executive Incentive Plan ("EIP") provides for awards, payable in cash and time vested restricted stock awards, from a pool equal to 5% of our net income before income taxes. Allocations of the percentages under the EIP among the NEOs from the 5% pool (discussed below) are made by the Committee within the first 90 days of each calendar year with respect to the current year. EIP awards are determined after the year-end financial results are finalized. The Committee awards less than the entire amount of the 5% pool as permitted by the EIP. We intend to maximize our tax deductible awards under the EIP.

EIP Cash Awards

We award the cash bonus under the EIP in January or February and pay the initial 50% portion of cash EIP awards at the time of award. The 50% balance is paid in eight equal quarterly installments, to allow time for possible clawback of cash awards if necessary.

EIP Time Vested Equity Awards

We award time vested restricted stock awards under the EIP in January or February. Awards granted in January 2017 are scheduled to vest pro rata on an annual basis over a three year period.

Performance Based Equity Awards

The Company's 2016 Long-Term Stock Incentive Plan (the "2016 Stock Plan") includes provisions for performance awards.

We awarded performance based restricted stock unit awards under the Company's 2016 Stock Plan. The 2016 Stock Plan provides for certain performance based awards, which allows for these awards to be qualified under Internal Revenue Code Section 162(m) for tax deductibility. Consistent with prior years, the performance based awards granted in 2017 (for 2016 performance) vest based on the Company's adjusted Growth in Tangible Book Value and TSR performance.

OVERALL DESIGN AND MIX OF EQUITY GRANTS

Consistent with 2014 and 2015 awards, the following table summarizes the overall design and mix of our annual long-term equity incentives granted for 2016:

Form of Award	Percentage of Total Target Equity Award Value for Mr. Lipkin	Percentage of Total Target Equity Award Value for Other NEOs	Purpose	Performance Measured	Earned and Vesting Periods
Time Vested Award (time-vested restricted stock)	25.7%	33.3%	Encourages retention. Fosters shareholder mentality among the executive team.	N/A	Vests on the first, second, and third anniversaries of the grant date.
Growth in Tangible Book Value Performance Award (restricted stock units)	55.7%	50%	Encourages retention and ties executive compensation to our operational performance.	Growth in Tangible Book Value (as defined)	Earned and vests after three-year performance period based on Growth in Tangible Book Value.
TSR Performance Award (restricted stock units)	18.6%	16.7%	Encourages retention and ties executive compensation to our long-term market performance.	Relative TSR	Earned and vests after three-year performance period based on TSR.

The percentage mixes described in the chart above are based on the dollar value of the awards granted. The dollar value is translated into number of shares using the closing price the day before the Committee makes the grant.

2016 TIME VESTED AWARDS

For Mr. Lipkin, 25.7% of the aggregate dollar value of his target annual equity awards granted for 2016 was in the form of time-based vesting restricted stock awards. For the other NEOs, 33.3% of the aggregate dollar value of our NEOs' target annual equity awards granted for 2016 was in the form of time-based vesting restricted stock awards. Once granted, the awards vest based solely on continued service with the Company, with one third vesting on each anniversary of the grant date.

2016 GROWTH IN TANGIBLE BOOK VALUE AWARDS

Growth in Tangible Book Value when used in this CD&A means year over year growth in tangible book value, plus dividends on common stock declared during the year, excluding other comprehensive income ("OCI") recorded during the year. The Committee chose Growth in Tangible Book Value over a three year period because it believes that this metric is a good indicator of the performance of a commercial bank. The adjustment for dividends allows the Committee to compare our performance to our peers which pay different amounts of dividends. The exclusion of OCI avoids changes in tangible book value not viewed as related to financial performance. Consistent with the terms of the award agreements for the restricted stock and the 2016 Stock Plan, the Committee adjusted the calculation of the Growth in Tangible Book Value for the Company's acquisitions of 1st United Bancorp and CNL Bancorp in 2014 and 2015, respectively, the prepayment incurred for the prepayment of high cost debt in 2015 and the common stock offering in 2016.

For Mr. Lipkin, 55.7% of the aggregate dollar value of his equity awards granted for 2016 were in the form of performance restricted stock units ("RSUs") to be earned based upon Growth in Tangible Book Value (each, a Growth in Tangible Book Value Performance Award). For the other NEOs, 50.0% of the aggregate dollar value of our NEOs' target equity awards granted for 2016 were in the form of Growth in Tangible Book Value Performance Awards. The Growth in Tangible Book Value Performance Awards are earned based on average annual Growth in Tangible Book Value against target during the years 2017 through 2019. Earned Growth in Tangible Book Value Performance Awards vest at the end of the 3-year performance period and will be settled as soon as administratively feasible thereafter following Committee certification of performance results. The number of shares that can be earned may range from 0% to 150% of the target, depending on performance (with linear interpolation between performance levels) as follows:

Average Annual Growth in Tangible Book Value 2017-2019	Percentage of Target Shares Earned
Below 9.5%	None
9.5% (Threshold)	50%
11% (Target)	100%
12.5% or higher (Maximum)	150%

Growth in Tangible Book Value Performance Awards are settled in the form of common stock with cash for any dividend equivalents accrued during the performance period to the extent earned.

The table below shows the status of the performance based equity awards subject to vesting based on Growth in Tangible Book Value, reflecting the adjustments described above, granted in 2014 (for 2013 performance), in 2015 (for 2014 performance), and in 2016 (for 2015 performance) based on fiscal 2016 financial performance. Please note that the status reported in the below tables for other than 2014 awards is not necessarily indicative of what will ultimately be paid out to our NEOs as these awards are based on cumulative performance results for the respective full three-year performance periods. The 2014 awards vested in January 2017 at above Target performance due to the three year Growth in Tangible Book Value of 11.54%.

Growth in Tangible Book Value

Grant Date	Performance in 2014	Performance in 2015	Performance in 2016	Cumulative Perfor-mance Measured to Date
1/31/2014*	10.82%	11.28%	12.51%	11.54%
1/30/2015	N/A	11.28%	12.51%	11.90%
1/28/2016	N/A	N/A	12.51%	12.51%

(*) The terms of the awards granted in 2014 provided for an annual payout of a certain portion of the award based on achievement of Growth in Tangible Book Value performance goals measured annually. This feature allowing for potential annual payout was eliminated from performance based awards commencing with those granted in 2015.

2016 RELATIVE TSR PERFORMANCE AWARDS

For Mr. Lipkin, 18.6% of the aggregate dollar value of his target annual equity awards granted for 2016 was in the form of RSUs to be earned based on the Company's relative TSR for the 3-year performance period from January 2017 through December 2019 against the KRX (a TSR Performance Award). For the other NEOs, 16.7% of the aggregate dollar value of our NEOs' target annual equity awards granted for 2016 was in the form of a TSR Performance Award. The KRX is used instead of our compensation peer group to provide a broader indication of Valley's relative market performance and because similar size and geography are less relevant criteria for TSR performance comparisons than compensation comparisons. Earned TSR Performance Awards vest at the end of the 3-year performance period and will be settled as soon as administratively feasible thereafter following Committee certification of performance results. The number of shares that may be earned may range from 0% to 150% of the target, depending on performance (with linear interpolation between performance levels) as follows:

TSR	Percentage of Target Shares Earned
Below 25th percentile of peer group	None
25th percentile of peer group (Threshold)	50%
50th percentile of peer group (Target)	100%
75th percentile of peer group (Maximum)	150%

In the event that the Company has a negative TSR on an absolute basis at the end of the three-year performance period, then the maximum number of shares that could be earned, regardless of the Company's TSR relative to its peer group, would be 100% of target. TSR Performance Awards will settle in the form of common stock with cash with any dividend equivalents accrued during the performance period, to the extent earned.

The Company's cumulative TSR was 20.29% for the three year period ended December 31, 2016. The percentile rank against Valley's peer group was 12.2% for that time period. Accordingly, none of the NEOs' 2014 TSR Performance Awards vested in 2017.

PAY DETERMINATIONS

Summary

The Committee increased Mr. Lipkin's total direct compensation (i.e., salary, target equity awards and target EIP cash awards) by $373,500, or approximately 11.5%, from last year. Of the increase in the CEO's total compensation from 2015, $148,500, or 40%, was the result of an increase in his performance based equity awards. More specifically, the Committee made the following compensation determinations with respect to Mr. Lipkin:

- Maintained his salary of $1,123,500 for the sixth consecutive year;
- Increased his total target equity awards to $1,750,000 from $1,526,500 for 2015;
- Increased his target EIP cash award to $750,000 for 2016 from $600,000 for 2015.

The Committee and Mr. Lipkin believe that, as Chairman and CEO, Mr. Lipkin's compensation, more than any other NEO, should reflect the overall performance of the Company rather than individual achievements. The Committee believes that the compensation determination that it made reflects the Company's financial performance. Given the improvement in the Company's earnings and EPS the Committee believed it appropriate to increase Mr. Lipkin's compensation by approximately 11.5%. However, the Committee determined a significant portion of the increase in compensation over 2015 (40%) should be in the form of performance based equity awards.

With respect to our other NEOs, the Committee made the following determinations:

- Maintained the total direct compensation of Messrs. Eskow and Crocitto (including all elements of compensation) consistent with 2015;
- Increased Mr. Eskow's salary in 2017 for the first time in five years to $575,000 from $545,750, a 5.4% increase;
- Maintained Messrs. Eskow and Crocitto at the proportion of target equity awards that are performance based at two-thirds of the total;
- Increased the total direct compensation for Ira Robbins and Rudy Schupp to $1,525,000 from $1,281,250 and increased their base salary in 2017 to $750,000 from $525,000 in 2016;
- Set the EIP cash awards for Messrs. Robbins and Schupp at $250,000 compared to $200,000 in the prior year; and
- Awarded time vested ($250,000) and target performance based ($500,000) equity awards for Messrs. Robbins and Schupp which means that two-thirds of equity awards are performance based.

Discussion

Salaries. For the sixth consecutive year, the Committee determined not to increase the base salary for Mr. Lipkin. Mr. Eskow's salary in 2017 increased for the first time in five years to $575,000 from $545,750, a 5.4% increase. Messrs. Robbins' and Schupp's salaries were increased by 43% to $750,000 in recognition of their promotions in 2017 to President of Valley National Bank and President and Chief Banking Officer of the Company, respectively.

EIP Cash Awards. Under the EIP, Valley may pay incentive compensation to its NEOs in an aggregate amount equal to 5% of its net income before taxes for the calendar year with the exact amounts to be determined by the Committee. In January 2016, the Committee began the process of determining awards under the EIP by: identifying the NEOs as the EIP participants; and allocating a share of the EIP pool to each participant, as shown in the first column of the table "EIP Awards for 2016".

In January 2017, the Committee certified the amount of the 2016 pool as $11,669,000, which was 5% of 2016 net income before taxes. Based on Valley's 2016 financial results and the 2016 goals accomplished by each NEO, the Committee granted cash awards to the NEOs.

The following table shows the EIP cash awards for each NEO and as a percentage of base salary.

EIP Cash Awards

Named Executive Officer	2016 Base Salary	EIP Cash Awards for 2016	EIP Cash Award as % of 2016 Base Salary
Gerald H. Lipkin	$ 1,123,500	$ 750,000	66.8%
Alan D. Eskow	545,750	200,000	36.6
Peter Crocitto	545,750	200,000	36.6
Ira D. Robbins	525,000	250,000	47.6
Rudy E. Schupp	525,000	250,000	47.6

The cash EIP award for Mr. Lipkin was higher than last year's award by $150,000, or 25%. The Committee believes that this award was appropriate given Valley's increased net income and EPS performance, as well as by the maintenance of Valley's strong credit culture and quality, as well as the continued expansion of the franchise into a strong growth area. The cash awards for Messrs. Eskow and Crocitto were consistent with 2015. The cash awards for Messrs. Robbins and Schupp were $50,000, or 25%, higher than last year. The Committee believed that Messrs. Robbins and Schupp were instrumental in increasing Valley's profits and overall financial performance and thus were deserving of a substantially increased EIP cash award.

EIP - Time Vested Equity Awards

In January 2017, the Committee granted equity awards to our NEOs under the EIP. These awards consisted of time-vested shares of restricted stock. The time vested awards are granted under the EIP and the 2016 Stock Plan. The following table shows the time-vested restricted stock issued to our NEOs in 2017 and the grant date fair value of each award.

Named Executive Officer	Time Based Restricted Shares	Value of Shares at Grant Date
Gerald H. Lipkin	39,858	$ 450,000
Alan D. Eskow	19,929	225,000
Peter Crocitto	19,929	225,000
Ira D. Robbins	22,143	250,000
Rudy E. Schupp	22,143	250,000

Total EIP Awards

The table below shows the maximum EIP awards permitted for 2016 as well as the actual cash, time vested equity and total EIP award made to each NEO for 2016 performance.

EIP Awards for 2016

NEO	Allo-cation of EIP Pool	Maximum Permitted Aggregate EIP Award	Cash Award Paid	Time Vested Equity Award Granted	Total Aggre-gate Award Granted
Lipkin	35%	$ 4,084,150	$ 750,000	$ 450,000	$ 1,200,000
Eskow	17.5%	2,042,075	200,000	225,000	425,000
Crocitto	17.5%	2,042,075	200,000	225,000	425,000
Robbins	15%	1,750,350	250,000	250,000	500,000
Schupp	15%	1,750,350	250,000	250,000	500,000
		$11,669,000	$1,650,000	$ 1,400,000	$ 3,050,000

The aggregate total EIP award (both cash and equity) to all NEOs was $3,050,000, or approximately 26.1% of the total maximum amount available for grant under the EIP to the five NEOs. Mr. Lipkin received a total award of $1,200,000, or approximately 29.4% of his maximum award under the EIP.

Performance Based Equity Awards

In January 2017, the Committee granted performance based restricted stock units to our NEOs under our 2016 Stock Plan. Of these performance based units, 75% are subject to vesting based on the attainment of adjusted Growth in Tangible Book Value and the remaining 25% are based on relative total shareholder return, or TSR, as discussed more detail above under “Overall Design and Mix of Equity Grants.” The following table shows the performance based equity awards that were made under the 2016 Stock Plan:

	Performance Based Stock Awards at Target			Performance Based Stock Awards at Maximum		
Named Executive Officer	Based on TSR	Based on Growth in TBV	Total	Based on TSR	Based on Growth in TBV	Total
Gerald H. Lipkin	$ 325,000	$ 975,000	$ 1,300,000	$ 487,500	$ 1,462,500	$ 1,950,000
Alan D. Eskow	112,500	337,500	450,000	168,750	506,250	675,000
Peter Crocitto	112,500	337,500	450,000	168,750	506,250	675,000
Ira D. Robbins	125,000	375,000	500,000	187,500	562,500	750,000
Rudy E. Schupp	125,000	375,000	500,000	187,500	562,500	750,000

Peter Crocitto Retirement

On January 4, 2017, the Company announced the retirement of Peter Crocitto effective as of February 28, 2017. Following his retirement, Mr. Crocitto has agreed to serve as a consultant to the Company for a period of two years pursuant to the terms of a Consulting and Retirement Agreement dated January 4, 2017 (the “Agreement”).

Pursuant to the Agreement, and subject to the limitations set forth therein; (i) as permitted under the terms of the applicable grant agreements, all of Mr. Crocitto's previously unvested time-based awards of restricted stock vested upon retirement and his performance based restricted stock units remain outstanding and vest in accordance with the terms of the awards including performance based vesting conditions; (ii) Mr. Crocitto was provided with, consistent with normal practice, the cash and equity awards described above based on 2016 performance; (iii) the Company will pay Mr. Crocitto $48,000 per month during the period he provides consulting services to the Company; and (iv) the Company will provide other reasonable benefits and reimbursements to Mr. Crocitto. Under the Agreement, Mr. Crocitto agreed to expanded non-competition, non-solicitation, non-disparagement and confidentiality provisions for the period of his two year consulting agreement.

Pension and Other Compensation

Until 2014, our NEOs participated in two pension plans, a tax-qualified plan and a non-tax qualified plan. The latter plan is a supplemental, non-tax qualified pension plan, known as the Benefit Equalization Plan. We provided these benefits in order to make available to the recipients an income stream that will assist in meeting post-retirement expenses. Each of

these plans were frozen as of December 31, 2013 as described in more detail in "2014 Pension Benefits - Pension Plan" and "2014 Pension Benefits - Benefit Equalization Plan".

On January 24, 2017, we entered into an amended and restated severance letter agreement with Gerald H. Lipkin. The amended letter agreement clarifies Mr. Lipkin's pension benefit by conforming the actuarial conversion factor that is used to determine his annuity to the Company's qualified pension plan. The result is an estimated increase in the present value of Mr. Lipkin's pension benefit of $460,662 as of December 31, 2016.

We also provide perquisites to all senior officers. We offer them the use of a company-owned automobile, and in limited instances, use of a driver, primarily for business use. The automobile facilitates NEO travel between our offices, to business meetings with customers and vendors and to investor presentations. NEOs may use the automobile for personal transportation. Personal use of the automobile or driver, if not reimbursed by the NEO, results in taxable income to the NEO, and we include this in the amounts of income we report to the NEO and the Internal Revenue Service. Commencing in 2017, the Committee determined that going forward executives will receive a car stipend, not use of a company owned car.

We also support and encourage our NEOs to hold a membership in a local country club for which we pay admission costs, dues and other business related expenses. We find that the club membership is an effective means of obtaining business as it allows NEOs to interact with present and prospective customers in a relaxed, informal environment. We require that any personal use of the country club facilities for golf or food be paid directly by the NEO. Because the club memberships are used at our expense only for business entertainment, we do not include them as perquisites in our Summary Compensation Table.

We also provide change in control agreements to our NEOs, which provide for "double trigger" cash payments in the event of a change of control of Valley. These severance benefits provide the NEOs with a reasonable range of income protection in the event employment is terminated without cause following a change in control, support our executive retention goals and encourage their independence and objectivity in considering potential change in control transactions. The terms of these agreements are described more fully in this Proxy Statement under "Other Potential Post-Employment Payments."

OTHER PROGRAM FEATURES

Hold Past Termination: If an NEO terminates employment for any reason and such termination results in the acceleration of equity awards, 50% of the shares of common stock underlying those equity awards must be held for a period of 18 months following the date of termination.

Clawback: Under our "clawback" policy, if there is a material restatement of our financial statements, or material misconduct by the executive which harms the Company financially, the Committee may "clawback" unvested equity awards and unpaid cash bonus awards and in the event of intentional fraud or misconduct by the executive previously paid or vested awards, as well as unvested awards may be clawed back. Our equity grants to executive officers include another "clawback" provision that allows recapture of the award for certain reasons within specified time periods.

No Hedging or Pledging: Valley adopted a policy prohibiting executive officers from entering into hedging and pledging transactions involving Valley's common stock. The Board believes that such transactions, which have the effect of mitigating the risks and rewards of ownership, may result in the interests of management and shareholders of Valley being misaligned.

Stock Ownership: To better align the interests of our NEOs with those of our common shareholders, we require each NEO to own a minimum number of shares of our common stock. The table below shows the minimum holdings. Each NEO owns a substantial number of shares in excess of the minimums.

NEO Minimum Stock Ownership Requirements

Title (Name)	Minimum Required Common Stock Ownership*
CEO (Mr. Lipkin)	200,000
Senior EVP (Messrs. Eskow, Crocitto, Robbins and Schupp)	50,000

* Includes all shares each NEO is required under SEC rules to report as beneficially owned.

INCOME TAX CONSIDERATIONS

Our federal income tax deduction for non-performance based compensation paid to certain of our NEOs is limited by Section 162(m) of the Internal Revenue Code (IRC) to $1 million annually. Compensation paid to any of them exceeding $1 million is non-deductible for federal income tax purposes unless paid under a performance based plan pre-approved by our shareholders. At our annual shareholders meeting in 2010, the EIP was adopted, which allows the Committee to grant awards under the EIP which are intended to comply with the restrictions of Section 162(m). In addition, the 2016 Stock Plan allows the Committee to grant awards which are also intended to comply with the restrictions of Section 162(m) and the Committee has granted performance based equity awards under the 2016 Stock Plan.

However, the Compensation Committee retains the authority to authorize payments that may not qualify under Section 162

(m). With the exception of a small portion of Mr. Lipkin's salary, we believe that all compensation granted to our NEOs in 2017 is deductible for federal income tax purposes.

COMPENSATION COMMITTEE REPORT AND CERTIFICATION

The **Compensation and Human Resources Committee** has reviewed and discussed the Compensation Discussion and Analysis with management and, based on that review and those discussions, it has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Gerald Korde, Committee Chairman
Andrew B. Abramson
Pamela R. Bronander
Eric P. Edelstein
Michael L. LaRusso
Marc J. Lenner
Suresh L. Sani

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of shares to be issued upon exercise of outstanding options and rights*	Weighted average exercise price on outstanding options and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in the first column)
Equity compensation plans approved by security holders	1,848,911	$ 14.01	8,334,305
Equity compensation plans not approved by security holders	—	—	—
Total	1,848,911	$ 14.01	8,334,305

* Amount includes 732,489 options outstanding with a weighted average exercise price of $14.01 and 1,116,422 performance-based restricted stock units at maximum at December 31, 2016. Amount does not include 2,090,165 outstanding restricted shares.

SUMMARY COMPENSATION TABLE

The following table summarizes all compensation in 2016, 2015 and 2014 earned by our chief executive officer, chief financial officer and the three most highly paid executive officers (NEOs) for services performed in all capacities for Valley and its subsidiaries.

Name and Principal Position	Year	Salary	Stock Awards [1]	Non-Equity Incentive Plan Compensation [2]	Change in Pension Value and Non-Qualified Deferred Compensation Earnings [3]	All Other Compensation [4]	Total	Total Without Change in Pension Value*
Gerald H. Lipkin	2016	$ 1,123,500	$ 1,750,000	$ 750,000	$ 909,924	$ 188,536	$ 4,721,960	$ 3,812,036
Chairman of the	2015	1,123,500	1,526,500	600,000	513,382	156,389	3,919,771	3,406,389
Board and CEO	2014	1,123,500	1,125,000	550,000	1,159,621	153,129	4,111,250	2,951,629
Alan D. Eskow	2016	545,750	675,000	200,000	0	118,714	1,539,464	1,539,464
Senior EVP, CFO and	2015	545,750	675,000	200,000	45,342	107,034	1,573,126	1,527,784
Corporate Secretary	2014	545,750	675,000	200,000	178,041	94,518	1,693,309	1,515,268
Peter Crocitto	2016	545,750	675,000	200,000	0	108,107	1,528,857	1,528,857
Senior EVP and COO	2015	545,750	675,000	200,000	0	91,891	1,512,641	1,512,641
	2014	545,750	675,000	200,000	445,076	78,494	1,944,320	1,499,244
Ira D. Robbins	2016	525,000	750,000	250,000	45,718	77,757	1,648,475	1,602,757
Senior EVP, Valley and President, Valley National Bank	2015	425,000	656,250	200,000	0	48,295	1,329,545	1,329,545
Rudy E. Schupp	2016	525,000	750,000	250,000	0	69,392	1,594,392	1,594,392
President, Valley and Chief Banking Officer, Valley National Bank	2015	425,000	656,250	200,000	0	37,478	1,318,728	1,318,728

* **The amounts reported in this column differ, in certain cases substantially, from the amounts reported in the "Total" column required under SEC rules and should not be considered a substitute for the "Total" column of the Summary Compensation Table.**

(1) Stock awards reported in 2017 reflect the grant date fair value of the restricted stock and performance based restricted stock unit awards under Accounting Standards Codification Topic No. 718, Compensation-Stock Compensation ("ASC Topic 718") granted by the Compensation Committee based on 2016 results. The grant date fair value of time based restricted stock awards reported in this column for each of our NEOs was as follows: Mr. Lipkin, $450,000; Mr. Eskow, $225,000; Mr. Crocitto, $225,000; Mr. Robbins, $250,000; Mr. Schupp, $250,000. Restrictions on time based restricted stock awards lapse at the rate of 33% per year. Restrictions on performance based awards lapse based on achievement of the performance goals set forth in the performance restricted stock unit award agreement. Any shares earned based on achievement of the specific performance goals vest when the Compensation Committee certifies the payout level as a result of such performance achievement following the three-year performance period. The value on grant date of the performance based restricted stock unit awards based upon performance goal achievement at target and maximum would be as follows:

Name	Target Value at Grant Date	Maximum Value at Grant Date
Gerald H. Lipkin	$ 1,300,000	$ 1,950,000
Alan D. Eskow	450,000	675,000
Peter Crocitto	450,000	675,000
Ira D. Robbins	500,000	750,000
Rudy E. Schupp	500,000	750,000

(2) Non-Equity awards earned for the year ended 2016 were, or will be distributed as follows: 50% of the non-equity award was paid in February 2017 and the remaining balance will be paid in eight equal quarterly installments, beginning April 2017 to January 2019, subject to our clawback policy.

(3) Represents the change in the present value of pension benefits from year to year, taking into account the age of each NEO, a present value factor, and interest discount factor based on their remaining time until retirement. For Mr. Lipkin, the increase in value under the Pension Plan and BEP is attributable to the following sources: 1) actuarial increases received for late retirement past age 70 ½ and 2) a decrease in the discount rate from 4.325% to 4.110%, and 3) changes made pursuant to the pension section of his severance agreement (see "2016 Pension Benefits" below). The annual change in the present value of Messrs. Crocitto and Eskow accumulated benefits as of December 31, 2016 was a net decrease of $12,166 and $31,705 from the present value reported as of December 31, 2015, respectively; therefore, the amount reported for 2016 is zero. This increase is attributable to an update in the mortality table basis and passage of time.

(4) All other compensation includes perquisites and other personal benefits paid in 2016 including automobile and driver (if applicable), accrued dividends on nonvested restricted stock, 401(k) contribution payments by Valley and group term life insurance (see table below).

Name	Auto [(1)]	Accrued Dividends & Interest Earned on Nonvested Stock Awards [(2)]	401(k) [(3)]	GTL [(4)]	Other	Total
Gerald H. Lipkin	$ 15,365	$ 159,921	$ 13,250	$ 0	$ 0	$ 188,536
Alan D. Eskow	14,035	76,977	13,224	14,478	0	118,714
Peter Crocitto	12,978	76,977	13,250	4,902	0	108,107
Ira D. Robbins	11,066	51,245	13,250	1,119	1,077	77,757
Rudy E. Schupp	2,572	46,905	13,250	6,665	0	69,392

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(1) Auto represents the portion of personal use of a company-owned vehicle by the NEO and driving services (if applicable), during 2016.

(2) Accrued dividends and interest on non-vested time and performance based restricted stock awards and performance based restricted stock units until such time as the vesting takes place. Performance based awards and units are accrued at target.

(3) The Company provides up to 100% of the first 4% of pay contributed 50% of the next 2% of pay contributed and one must save at least 6% to get the full match (5%) under the 401(k) Plan to all full time employees in the plan including our NEOs.

(4) GTL or Group Term Life Insurance represents the taxable amount for over $50,000 of life insurance for benefits equal to two times salary. This benefit is provided to all full time employees. Mr. Lipkin has a $50,000 life insurance policy with the Company and is not subject to a taxable amount.

2016 GRANTS OF PLAN-BASED AWARDS

The following table represents the grants of awards to the NEOs in 2017 for 2016 performance under the Executive Incentive Plan and Long-Term Stock Incentive Plan.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[(1)]			Estimated Possible Payouts Under Equity Incentive Plan Awards (#)[(1)]			All Other Stock Awards: Number of Shares of Stock[(1)]	Grant Date Fair Value of Stock Awards[(2)]
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum		
Gerald H. Lipkin	1/24/2017		$ 561,750	$ 1,123,500	57,573	115,146	172,719		$ 1,300,000
	1/24/2017							39,858	450,000
Alan D. Eskow	1/24/2017		191,013	382,025	19,929	39,858	59,787		450,000
	1/24/2017							19,929	225,000
Peter Crocitto	1/24/2017		191,013	382,025	19,929	39,858	59,787		450,000
	1/24/2017							19,929	225,000
Ira D. Robbins	1/24/2017		131,250	262,500	22,144	44,287	66,431		500,000
	1/24/2017							22,143	250,000
Rudy E. Schupp	1/24/2017		131,250	262,500	22,144	44,287	66,431		500,000
	1/24/2017							22,143	250,000

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(1) As discussed in the Compensation Discussion and Analysis, in January 2016, the Compensation Committee assigned a percentage share of the 2016 EIP bonus pool of 5% of our 2016 net income before income taxes to each of our NEOs. The EIP permits the Compensation Committee to determine to pay earned awards, in whole or in part, in the form of cash or equity awards granted under our Long-Term Stock Incentive Plan. For 2016, the Compensation Committee determined that any cash awards that may be earned under the 2016 EIP bonus pool would be limited to a pre-established range set as a percentage of the particular NEO's base salary. Each NEO could earn between 0% to 200% of his target cash award as reported under "Estimated Possible Payouts Under Non-Equity Incentive Plan Awards" above. See table ("EIP Cash Award") in the Compensation Discussion and Analysis for information regarding the salary amount used to determine the range of each NEO's potential cash awards under the 2016 EIP bonus pool. The Compensation Committee awarded each NEO the cash amount reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for 2016. The Compensation Committee also granted each NEO an award of time-based restricted stock out of the 2016 EIP bonus pool (reported above under "All Other Stock Awards: Number of Shares of Stock"). The Compensation Committee also made grants to the NEOs under the 2016 Long-Term Incentive Stock Plan in the form of performance based restricted stock units (reported above under "Estimated Possible Payouts Under Equity Incentive Plan Awards"). The threshold amounts reported above for the performance based restricted stock unit awards represent the number of shares that would be earned based on achievement of threshold amounts under both the growth in tangible book value and relative TSR performance metrics measured over the cumulative three-year performance period. See our Compensation Discussion and Analysis for information regarding these time-based restricted stock and performance based restricted stock unit awards.

(2) See grant date fair value details under footnote (1) of the Summary Compensation Table above.

Restrictions on performance based awards lapse based on achievement of the performance goals set forth in the performance restricted stock unit award agreement. Any shares earned based on achievement of the specific performance goals vest when

the Compensation Committee certifies the payout level as a result of such performance achievement. Restrictions on time based restricted stock awards lapse at the rate of 33% per year.

Dividends are credited on restricted stock and restricted stock units at the same time and in the same amount as dividends paid to all other common shareholders. Credited dividends are accumulated and paid upon vesting, and are subject to the same time based and performance based restrictions as the underlying restricted stock and units. Upon a "change in control," as defined in that plan, all restrictions on shares of time based restricted stock will lapse and restrictions on shares of performance based restricted stock units will lapse at target.

The per share grant date fair values under ASC Topic 718 of each share of time based restricted stock and performance based restricted stock units (with no market condition vesting requirement) was $11.29 per share awarded on January 24, 2017. Performance based restricted stock units with market condition vesting requirements (i.e., TSR) awarded on January 24, 2017 had a $10.34 per share grant date fair value.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table represents stock option, restricted stock and restricted stock unit awards outstanding for each NEO as of December 31, 2016. All awards have been adjusted for stock dividends and stock splits, as applicable.

		Option Awards[1]				Stock Awards[2]			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested(3)	Equity Incentive Plan Awards: Number of Unearned Shares or Units That Have Not Vested	Equity Incentive Plan Awards: Market Value of Unearned Shares or Units That Have Not Vested(3)
Gerald H. Lipkin	1/24/2017					39,858	$ 463,947	172,719	$ 2,010,449
	1/29/2016							202,967	2,362,536
	1/27/2016					44,379	516,572		
	1/30/2015					27,323	318,040	122,951	1,431,150
	1/31/2014					25,202	293,351	76,738	893,230
	11/15/2010	44,015	0	$ 11.91	11/15/2020				
	2/12/2008	44,671	0	14.65	2/12/2018				
	2/13/2007	46,904	0	19.36	2/13/2017				
Total awards (#)		135,590	0			136,762	$ 1,591,910	575,375	$ 6,697,365
Market value of in-the-money options ($) (3)		$ 0	0						
Alan D. Eskow	1/24/2017					19,929	$ 231,974	59,787	$ 695,921
	1/29/2016							79,319	923,273
	1/27/2016					26,627	309,938		
	1/30/2015					16,393	190,815	73,770	858,683
	1/31/2014					10,081	117,343	30,696	357,301
	11/15/2010	21,170	0	$ 11.91	11/15/2020				
	2/12/2008	21,059	0	14.65	2/12/2018				
Total awards (#)		42,229	0			73,030	$ 850,070	243,572	$ 2,835,178
Market value of in-the-money options ($) (3)		0	0						
Peter Crocitto	1/24/2017					19,929	$ 231,974	59,787	$ 695,921
	1/29/2016							79,319	923,273
	1/27/2016					26,627	309,938		
	1/30/2015					16,393	190,815	73,770	858,683
	1/31/2014					10,081	117,343	30,696	357,301
	11/15/2010	21,170	0	$ 11.91	11/15/2020				
	2/12/2008	21,059	0	14.65	2/12/2018				
Total awards (#)		42,229	0			73,030	$ 850,070	243,572	$ 2,835,178
Market value of in-the-money options ($) (3)		0	0						
Ira D. Robbins	1/24/2017					22,143	$ 257,745	66,431	$ 773,257
	1/29/2016							77,115	897,619
	1/27/2016					25,888	301,336		
	1/30/2015					7,286	84,809	32,787	381,641
	1/31/2014					3,360	39,110	10,232	119,100
	11/17/2008	1,216	0	$ 14.24	11/17/2018				
	11/14/2007	3,829	0	14.93	11/14/2017				
Total awards (#)		5,045	0			58,677	$ 683,000	186,565	$ 2,171,617
Market value of in-the-money options ($) (3)		0	0						
Rudy E. Schupp	1/24/2017					22,143	257,745	66,431	$ 773,257
	1/29/2016							77,115	897,619
	1/27/2016					25,888	301,336		
	1/30/2015					7,286	84,809	32,787	381,641
Total awards (#)		0	0			55,317	$ 643,890	176,333	$ 2,052,517

(1) All stock option awards are currently exercisable, however, exercise prices are higher than Valley's market price at December 31, 2016 of $11.64.

(2) Restrictions on time based restricted stock awards (reported above under "Number of Shares or Units of Stock That Have Not Vested") lapse at the rate of 33% per year commencing with the first anniversary of the date of grant. The 2017 awards represent the time-based restricted stock granted out of the 2016 EIP bonus pool.

Restrictions on performance based restricted stock unit awards (reported above under "Equity Incentive Plan Awards: Number of Unearned Shares or Units That Have Not Vested") lapse based on achievement of the performance goals set forth in the award agreement. Dividends are credited on these awards at the same time and in the same amount as dividends paid to all other common shareholders. Credited dividends are accumulated and paid upon vesting, and are subject to the same time based or performance based restrictions as the underlying restricted stock unit.

The award amount in the "Equity Incentive Plan Awards: Number of Unearned Shares or Units That Have Not Vested" column, represents the number of shares that may be earned based on maximum performance achievement over the cumulative three-year performance period with respect to both the growth in tangible book value and total shareholder return performance metrics, for the 1/30/2015 award, 1/29/2016 award and 1/24/2017 award.

(3) At per share closing market price of $11.64 as of December 31, 2016.

2016 STOCK VESTED

The following table shows the restricted stock that vested by NEOs in 2016 and the value realized upon vesting. None of our NEOs exercised any options in 2016.

	Stock Awards	
Name	**Number of Shares Acquired Upon Vesting (#)**	**Value Realized on Vesting ($)(*)**
Gerald H. Lipkin	91,847	$ 808,254
Alan D. Eskow	38,857	341,942
Peter Crocitto	38,857	341,942
Ira D. Robbins	11,825	104,060
Rudy E. Schupp	3,643	32,058

* The value realized on vesting of restricted stock represents the aggregate dollar amount realized upon vesting by multiplying the number of shares of restricted stock that vested by the fair market value of the underlying shares on the vesting date. Included above is the vesting of a portion of the performance-based awards granted on 1/31/2014 for Mr. Lipkin (18,902 shares), Mr. Eskow (7,560 shares), Mr. Crocitto (7,560 shares) and Mr. Robbins (2,520 shares). These shares vested based on achievement of the performance goals set forth in the award agreement based on the applicable growth in tangible book value conditions measured over the three-year performance period ending December 31, 2016. Dividends are credited on these awards at the same time and in the same amount as dividends paid to all other common shareholders. Credited dividends are accumulated and paid upon vesting, and are subject to the same time based or performance based restrictions as the underlying restricted stock. The performance based awards granted on 1/31/2014 subject to vesting based on relative TSR performance lapsed without any vesting.

2016 PENSION BENEFITS

PENSION PLAN

Valley maintains a non-contributory, defined benefit pension plan (the "Pension Plan") for all eligible employees which was frozen effective January 1, 2014. The annual retirement benefit under the Pension Plan was (i) 0.85% of the employee's average final compensation up to the employee's average social security wage base plus (ii) 1.15% of the employee's average final compensation in excess of the employee's average social security wage base, (iii) multiplied by the years of credited service (up to a maximum of 35 years). Employees who were participants in the Pension Plan on December 31, 1988 are entitled to the higher of the foregoing or their accrued benefit as of December 31, 1988 under the terms of the plan then in effect. An employee's "average final compensation" is the employee's highest consecutive five-year average of the employee's annual salary (excluding non-equity compensation, overtime pay and other special pay), i.e., the amount listed as "Salary" in the Summary Compensation Table, subject to each year's annual compensation limit. Employees hired on or after July 1, 2011, including Mr. Schupp, are not eligible to participate in the Pension Plan. As a result of amendments to the Pension Plan adopted in 2013, participants will not accrue further benefits and their pension benefits will be determined based on their compensation and service up to December 31, 2013. Plan benefits will not increase for any pay or service earned after such date.

BENEFIT EQUALIZATION PLAN

Valley maintains a Benefit Equalization Plan ("BEP") which provides retirement benefits in excess of the amounts payable from the Pension Plan for certain highly compensated executive officers. The BEP was first adopted January 1, 1989 and was frozen effective January 1, 2014. Benefits were determined as follows: (i) the benefit calculated under Valley pension plan formula in effect prior to January 1, 1989 and without regard to the limits on recognized compensation and maximum benefits payable from a qualified defined benefit plan, minus (ii) the individual's pension plan benefit. In general, officers of Valley who are participants in the Pension Plan and who received annual compensation in excess of the compensation limits under the qualified plan were eligible to participate in the BEP. Mr. Lipkin, Mr. Crocitto, Mr. Eskow and Mr. Robbins were participants in the BEP. Four other executive officers participated in the BEP. Executives hired on or after July 1, 2011, including Mr. Schupp, are not eligible to participate in the BEP. As a result of amendments to the BEP adopted in 2013, participants will not accrue further benefits and their benefits will be determined based on their compensation for service and years of service up to December 31, 2013. Benefits under the BEP will not increase for any pay or service earned after such date except participants may be granted up to three additional years of service if employment is terminated in the event of a change in control. The following table shows each pension plan that the NEO participates in, the number of years of credited service and the present value of accumulated benefits as of December 31, 2016.

Name	Plan Name	# of Years Credited Service	Present Value of Accumulated Benefits ($)
Gerald H. Lipkin	VNB Pension Plan	35	$ 1,960,529
	VNB BEP	37	7,938,441
Alan D. Eskow	VNB Pension Plan	22	763,939
	VNB BEP	22	1,603,017
Peter Crocitto	VNB Pension Plan	32	1,318,879
	VNB BEP	37	3,578,187
Ira D. Robbins	VNB Pension Plan	16	376,672
	VNB BEP	16	154,637

Present values of the accumulated benefits under the BEP and Pension Plan were determined as of January 1, 2017 based upon the accrued benefits under each plan as of December 31, 2016 and valued in accordance with the following principal actuarial assumptions: (i) post-retirement mortality in accordance with the RP-2014 White Collar Tables, rolled back to 2006, projected generationally with Scale MP-2016, (ii) interest at an annual effective rate of 4.11% compounded annually, (iii) retirement at the earliest age (subject to a minimum age of 55 and a maximum age equal to the greater of 65 and the participant's age on January 1, 2017) at which unreduced benefits would be payable assuming continuation of employment and (iv) for the BEP payment is based on an election by the participant and for the Pension Plan it is assumed that 50% of participants will elect a joint and two-thirds survivor annuity and 50% will elect a straight life annuity (except for Mr. Lipkin whose benefits are assumed to be payable in the form of a joint and two-thirds survivor annuity as described below).

Gerald H. Lipkin. Pursuant to an amended and restated agreement dated January 24, 2017, an annual combined benefit from the Pension Plan, the BEP and, to the extent necessary, from the Company, in the form of a joint and two-thirds survivor annuity (the "Annual Combined Benefit") will be provided to Mr. Lipkin upon his retirement and will continue for as long as Mr. Lipkin survives. The Annual Combined Benefit is estimated to be $801,170 as of December 31, 2016. The agreement provides that, should Mr. Lipkin survive past the tenth anniversary of his retirement (the "Initial Ten Year Period"), and should his spouse survive him, she will be entitled to a survivor benefit of two-thirds of the Annual Combined Benefit per year for the remainder of her life (the "Annual Post 10 Year Spousal Survivor Benefit"), which is estimated to be $534,113 as of December 31, 2016. If Mr. Lipkin dies (i) before commencing receipt

of benefits under the Pension Plan or (ii) before the end of the Initial Ten Year Period, and, in either case, if his spouse survives him, she will be entitled to an annual survivor benefit equal to the Annual Combined Benefit through the end of the Initial Ten Year Period (the "Annual 10 Year Spousal Survivor Benefit") and, thereafter, the Annual Post 10 Year Spousal Survivor Benefit. In the event that both Mr. Lipkin and his spouse die prior to the end of the Initial Ten Year Period, the estate of the last surviving of Mr. Lipkin and his spouse will be entitled to a lump sum payment equal to the Annual Combined Benefit multiplied by the number of years (including fractional years) from the date of decease to the end of the Initial Ten Year Period (the "10 Year Estate Benefit"). The foregoing description assumes that pension benefits under the Pension Plan and the BEP are paid to Mr. Lipkin in the form of a joint and two-thirds survivor annuity with his current wife. The agreement provides that for both the Pension Plan and the BEP the actuarial adjustment from the single life annuity to the joint and two-thirds survivor annuity in the BEP will be made using the actuarial factor defined in the Pension Plan.

The agreement also specifies the manner in which Mr. Lipkin's annuity payments are to be actuarially converted into a lump sum in the event of a change in control. Mr. Lipkin elected to take his BEP benefits as a lump sum in the event of a change in control and is the only participant to have made that election. Under the BEP, the lump sum is to be calculated using the lesser of 6% or the applicable interest rate under the Pension Plan. Under the agreement the actuarial assumptions used to convert the guaranteed annuity benefit specified above are more fully defined and instead of the BEP assumption on interest rates the agreement uses the lesser of 6% or the Pension Benefit Guaranty Corporation immediate interest rate used to determine lump sum payments for the calendar month immediately preceding the month the lump sum payments is made. Assuming the current interest rate environment, the agreement provides for a greater lump sum benefit payable upon a change in control than would otherwise be provided using the BEP formula.

EARLY RETIREMENT BENEFITS

An NEO's accrued benefits under the Pension Plan and BEP are payable at age 65, the individual's normal retirement age. If an executive terminates employment after both attainment of age 55 and completion of 10 years of service, he is eligible for early retirement. Upon early retirement, an executive may elect to receive his accrued benefit unreduced at age 65 or, alternatively, to receive a reduced benefit commencing on the first day of any month following termination of employment and prior to age 65. The amount of reduction is 0.5% for each of the first 60 months and 0.25% for each of the next 60 months that benefits commence prior to the executive's normal retirement date (resulting in a 45% reduction at age 55, the earliest retirement age under the plans). However, there is no reduction for early retirement prior to the normal retirement date if the sum of the executive's age and years of credited service at the benefit commencement date equals or exceeds 80.

Mr. Crocitto was eligible for early retirement with unreduced benefits and retired effective as of February 28, 2017.

LATE RETIREMENT BENEFITS

Effective December 31, 2013, the BEP was amended to specify the manner in which actuarial increases would be applied to benefits for executives postponing retirement beyond April 1st of the year in which the executive reaches age 70 1/2. The only NEO who has currently postponed retirement beyond April 1st of the year in which he reached age 70 1/2 is Mr. Lipkin.

DEFERRED COMPENSATION PLAN

Effective January 1, 2017, Valley established the Valley National Bancorp Deferred Compensation Plan (the "Plan") for the benefit of certain eligible employees. The Plan is intended to constitute a nonqualified, unfunded plan for federal tax purposes and for purposes of Title I of ERISA. The Plan is maintained for the purpose of providing deferred compensation for selected employees participating in the 401 (k) Plan whose contributions are limited as a result of the limitations under section 401(a)(17) of the Code on the amount of compensation which can be taken into account under the 401(k) Plan and who elect to defer a portion of their income pursuant to this Plan. Each of our NEOs participates in the Plan.

Participant Deferral Contributions. Each participant in the Plan is permitted to defer, for that calendar year, up to five percent (5%) of the portion of the participant's salary and cash bonus above the limit in effect for that calendar year under the Company's Section 401(k) Plan. The Compensation Committee has the authority to change the deferral percentage, but any such change only applies to calendar years beginning after such action is taken by the Compensation Committee. No deferrals may be taken until a participant's salary and bonus for such calendar year is in excess of the limit in effect under the Company's 401(k) Plan.

Company Matching Contributions. Each calendar year, the Company will match 100% of a participant'deferral contributions under the Plan or matching contribution will not be made on participant deferrals that exceed five percent (5%) of the participant's salary and bonus unless the Compensation Committee provides otherwise.

Earnings on Deferrals. Participants' deferral contributions and company matching contributions will be adjusted at the end of each calendar year by an amount equal to one-month LIBOR average for the applicable calendar year plus 200 basis points, multiplied by the balance in the participant's notional account at the end of the calendar year. The

Compensation Committee may adjust the earnings rate prospectively.

Amount, Form and Time of Payment. The amount payable to the participant will equal the amount credited to the participant's account as of his or her separation from service with Valley, net all applicable employment and income tax withholdings. The benefit will be paid to the participant in a single lump sum within thirty days following the earlier of the participant's separation from service with Valley or the date on which a change in control occurs, and will represent a complete discharge of any obligation under the Plan.

401(k) PLAN

Under the 401(k) plan, Valley matches the first four percent (4%) of salary contributed by an employee each pay period, and 50% of the next 2% of salary contributed, for a maximum matching contribution of five percent (5%), with an annual limit of $13,250 in 2016.

OTHER POTENTIAL POST-EMPLOYMENT PAYMENTS

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

Valley and the Bank are parties to severance and change in control arrangements with Messrs. Lipkin, Eskow, Robbins and Schupp. Valley and the Bank were previously parties to severance and change in control arrangements with Mr. Crocitto; however, in connection with his retirement in February 2017, Valley and the Bank entered into a Consulting and Retirement Agreement with Mr. Crocitto which provides for payments and benefits in connection with his departure from the Company. The following discussion describes the agreements currently in place with each of our named executive officers.

SEVERANCE AGREEMENT PROVISIONS

In the event of termination of employment without cause, the severance agreements with Mr. Lipkin and Mr. Eskow provide for a lump sum payment equal to twelve months of base salary as in effect on the date of termination, plus a fraction of the NEO's most recent annual cash bonus, which is equal to (a) the number of months which have elapsed in the current calendar year divided by (b) 12. Mr. Robbins' severance agreement, entered into in September 2016, provides for, in the event of termination of employment without cause, a lump sum payment equal to twenty four months of base salary as in effect on the date of termination, plus the sum of one times his most recent annual cash bonus and a fraction of his most recent annual cash bonus calculated in the same manner referenced above. No severance payment is made under the severance agreements if the NEO receives severance under a change in control agreement (described below).

For the purpose of the severance agreements, "cause" means willful and continued failure to perform employment duties after written notice specifying the failure, willful misconduct causing material injury to us that continues after written notice specifying the misconduct, or a criminal conviction (other than a traffic violation), drug abuse or, after a written warning, alcohol abuse or excessive absence for reasons other than illness, except in the case of Mr. Lipkin, whose severance agreement defines "cause" as gross misconduct in connection with our business or otherwise.

Under the severance agreements with Messrs. Lipkin, Eskow and Robbins, we provide the NEOs with a lump sum cash payment in place of medical benefits. The payment is 125% of total monthly premium payments under COBRA reduced by the amount of the employee contribution normally made for the health-related benefits the NEO was receiving at termination of employment, multiplied by 36. COBRA provides temporary continuation of health coverage at group rates after termination of employment. Under the severance agreements with these NEOs, we also provide a lump sum life insurance benefit equal to 125% of our share of the premium for three years of coverage, based on the coverage and rates in effect on the date of termination.

Under these agreements, each NEO is required to keep confidential all confidential information that he obtained in the course of his employment with us and is also restricted from competing with us in certain states during the term of his employment with us and for a period after termination of his employment.

In connection with the acquisition of 1st United Bank, where Mr. Schupp served as CEO, Valley entered into an employment agreement with Mr. Schupp for him to serve as the President of the Florida Division of the Bank. The agreement has a three year term, expiring on November 1, 2017. The agreement, as amended, provides for a minimum base salary, subject to increase from time to time in the discretion of the Compensation Committee. Under the agreement if Mr. Schupp is terminated without cause or terminates his employment for good reason, he will continue to receive his base salary for the greater of 12 months or the end of the employment term. Under the agreement, Mr. Schupp is required to keep confidential all confidential information that he obtained in the course of his employment with us and is restricted from competing with us in certain states during the term of his employment with us and for three years after termination of his employment.

CONSULTING AND RETIREMENT AGREEMENT

Mr. Crocitto retired from Valley, effective as of February 28, 2017, but continues to serve as a consultant to Valley for a

two year term pursuant to a Consulting and Retirement Agreement.

Pursuant to the Agreement, and subject to the limitations set forth therein: (i) as permitted under the terms of the applicable grant agreements, all of Mr. Crocitto's previously unvested time-based awards of restricted stock vested upon his retirement and his performance based restricted stock units remain outstanding and will vest in accordance with the terms of the awards including performance based vesting criteria; (ii) Mr. Crocitto was provided with, consistent with normal practice, the cash and equity awards described above based on 2016 performance; (iii) the Company will pay Mr. Crocitto $48,000 per month during the period he provides consulting services to the Company; and (iv) the Company will provide other reasonable benefits and reimbursements to Mr. Crocitto.

Under the Agreement, Mr. Crocitto agreed to expanded non-competition, non-solicitation, non-disparagement and confidentiality provisions for the period of his two year consulting agreement. Mr. Crocitto was a party to severance and change in control agreements with generally the same terms as are described above for Mr. Eskow. These agreements terminated upon the effective date of Mr. Crocitto's retirement at the end of February. The material benefits and reimbursements included in Mr. Crocitto's retirement Agreement included 3 years of additional service under the BEP upon a CIC during the consulting term; reimbursement of COBRA premium payments reduced by the applicable employee contribution rate for 18 months following retirement, and thereafter up to $25,000 annually for reimbursement of health insurance premiums for himself, his wife and dependents, until the earlier Mr. Crocitto's eligibility for Medicare or obtaining other health insurance; life insurance retirement benefits under Valley's group life plan as he was entitled to under the plan; and payment of annual charges for 2017 club membership.

Upon his retirement, Mr. Crocitto returned his Company owned car. To facilitate required automobile travel for his consulting service, in lieu of travel expenses, he was given a $1,200 car allowance for the term of the consulting agreement.

CHANGE IN CONTROL ("CIC") AGREEMENT PROVISIONS

Each of our current NEOs is a party to a CIC Agreement. If a NEO is terminated without cause or resigns for good reason following a CIC during the contract period (which is defined as the period beginning on the day prior to the CIC and ending on the earlier of (i) the third anniversary of the CIC or (ii) the NEO's death), the NEO would receive three times the highest annual salary and non-equity incentive received in the three years prior to the CIC, except for Mr. Schupp who would receive three times annual base salary plus a pro rated bonus for the year of termination. The NEOs would also receive payments for medical and life insurance identical to the benefits described above under "Severance Agreement Provisions." Certain of the CIC Agreements also provide for a lump sum cash payment upon termination due to death or disability during the contract period equal to, for Mr. Eskow, the highest annual salary paid to him during any calendar year in the three years preceding the CIC, and for Messrs. Lipkin and Robbins, one-twelfth of this amount.

Payments under the CIC Agreements are triggered by the specified termination events following a "change in control." The events defined in the agreements as changes of control are:

- Outsider stock accumulation. We learn, or one of our subsidiaries learns, that a person or business entity has acquired 25% or more of Valley's common stock, and that person or entity is neither our "affiliate" (meaning someone who is controlled by, or under common control with, Valley) nor one of our employee benefit plans;
- Outsider tender/exchange offer. The first purchase of our common stock is made under a tender offer or exchange offer by a person or entity that is neither our "affiliate" nor one of our employee benefit plans;
- Outsider subsidiary stock accumulation. The sale of our common stock to a person or entity that is neither our "affiliate" nor one of our employee benefit plans that results in the person or entity owning more than 50% of the Bank's common stock;
- Business combination transaction. We complete a merger or consolidation with another company, or we become another company's subsidiary (meaning that the other company owns at least 50% of our common stock), unless, after the happening of either event, 60% or more of the directors of the merged company, or of our new parent company, are people who were serving as our directors on the day before the first public announcement about the event;
- Asset sale. We sell or otherwise dispose of all or substantially all of our assets or the Bank's assets;
- Dissolution/Liquidation. We adopt a plan of dissolution or liquidation; and
- Board turnover. We experience a substantial and rapid turnover in the membership of our Board of Directors. This means changes in board membership occurring within any period of two consecutive years that result in 40% or more of our board members not being "continuing directors." A "continuing director" is a board member who was serving as a director at the beginning of the two-

year period, or one who was nominated or elected by the vote of at least 2/3 of the "continuing directors" who were serving at the time of his/her nomination or election.

"Cause" for termination of an NEO's employment under the CIC Agreements means his willful and continued failure to perform employment duties, willful misconduct in office causing material injury to the company, a criminal conviction, drug or alcohol abuse or excessive absence. "Good reason" for a NEO's voluntary termination of employment under the CIC Agreements means any of the following actions by us or our successor:

- We change the NEO's employment duties to include duties not in keeping with his position within Valley or the Bank prior to the change in control;
- We demote the NEO or reduce his authority;
- We reduce the NEO's annual base compensation;
- We terminate the NEO's participation in any non-equity incentive plan in which the NEO participated before the change in control, or we terminate any employee benefit plan in which the NEO participated before the change in control without providing another plan that confers benefits similar to the terminated plan;
- We relocate the NEO to a new employment location that is outside of New Jersey or more than 25 miles away from his former location;
- We fail to get the person or entity who took control of Valley to assume our obligations under the NEO's CIC Agreement; and
- We terminate the NEO's employment before the end of the contract period, without complying with all the provisions in the NEO's CIC Agreement.

PARACHUTE PAYMENT REIMBURSEMENT

Mr. Lipkin and Mr. Eskow are entitled to receive a tax "gross-up" payment in the event that payments to such executive following a change in control of Valley exceed the limit provided under Section 280G of the Internal Revenue Code. Since the execution of the change in control agreements of these NEOs, Valley adopted a policy prohibiting tax "gross-up" payments. The tax "gross-up" payment provisions for these NEOs were in effect prior to adoption of such policy and thus remain in effect. Mr. Robbins and Mr. Schupp are not entitled to receive tax gross-up payments under their agreements. Mr. Robbins has a net best provision in his change in control agreement whereby he would be entitled to the greater after-tax benefit of either (i) his full change in control payment and benefits less any 280G excise tax, the payment of which would be Mr. Robbins' responsibility, or (ii) his change in control payment and benefits cut back to the amount that would not result in 280G excise tax. Mr. Schupp has a cut back provision bringing his total 280G parachute payment to the Section 280G limit.

PENSION PLAN PAYMENTS

The present value of the benefits to be paid to each NEO who is a participant in our pension plans following termination of employment over his estimated lifetime is set forth in the table below. Each such NEO receives three years additional service under the BEP upon termination without cause or resignation for good reason occurring during their contract period. Present values of the BEP and Pension Plan were determined as of January 1, 2017 based on RP-2014 White Collar Tables projected generationally with Scale MP-2015, and interest at an annual effective rate of 4.11% compounded annually for the pension plan and the BEP.

EQUITY AWARD ACCELERATION

In the event of a change in control or termination of employment as a result of death, all restrictions on an NEO's equity awards will immediately lapse (for performance based restricted stock units, all restrictions will lapse with respect to the target amount of shares). In the case of retirement, all restrictions will lapse on outstanding time based restricted stock awards, and performance based restricted stock unit awards will remain outstanding and vest in accordance with the original vesting schedule based on actual performance. For awards made under the 2016 and 2009 LTSIP, a minimum of 50% of any accelerated equity award must be retained by the NEO for a period of 18 months or in some cases 24 months. Upon termination of employment for any other reason (other than termination due to disability which may be treated differently), NEOs will forfeit all shares whose restrictions have not lapsed.

SEVERANCE BENEFITS TABLE

The table set forth below illustrates the severance amounts and benefits that would be paid to each of the current NEOs, if he had terminated employment with the Bank on December 31, 2016, the last business day of the most recently completed fiscal year, under each of the following retirement or termination circumstances: (i) death; (ii) retirement or resignation; (iii) dismissal without cause; and (iv) dismissal without cause or resignation for good reason following a change in control of Valley on December 31, 2016. Upon dismissal for cause, the NEOs would receive only their salary through the date of termination and their vested BEP and pension benefits. These payments are considered estimates as of specific dates as they contain some assumptions regarding stock price, life expectancy, salary and non-incentive compensation amounts and income tax rates and laws. Mr. Crocitto retired effective February 28, 2017, and the benefits he received are specified on pages 39-40 (Consulting and Retirement Agreement).

Executive Benefits and Payments Upon Termination	Death	Retirement or Resignation	Dismissal Without Cause (3)	Dismissal without Cause or Resignation for Good Reason (Following a Change in Control) (5)
Mr. Lipkin				
Amounts payable in full on indicated date of termination:				
Severance – Salary component (1)	$ 1,123,500	$ 0	$ 1,123,500	$ 3,370,500
Severance – Non-equity incentive (1)	0	0	0	2,250,000
Restricted stock awards	1,127,963	1,127,963	0	1,127,963
Performance Restricted stock/unit awards (2)	2,529,116	2,529,116	0	2,529,116
Welfare benefits continuation	48,971	48,971	48,971	46,385
"Parachute Penalty" Tax gross-up	N/A	N/A	N/A	4,513,869
Sub Total	4,829,550	3,706,050	1,172,471	13,837,833
Present value of annuities commencing on indicated date of termination:				
Benefit equalization plan (3)	8,890,978	8,890,978	8,890,978	9,493,431
Pension plan (3)	2,197,918	2,197,918	2,197,918	2,197,918
Total	$ 15,918,446	$ 14,794,946	$ 12,261,367	$ 25,529,182
Mr. Eskow				
Amounts payable in full on indicated date of termination:				
Severance – Salary component	$ 0	$ 0	$ 545,740	$ 1,637,250
Severance – Non-equity incentive	0	0	0	600,000
Restricted stock awards	618,096	618,096	0	618,096
Performance Restricted stock/unit awards (2)	1,187,967	1,187,967	0	1,187,967
Welfare benefits continuation	11,250	0	11,250	11,250
"Parachute Penalty" Tax gross-up	N/A	N/A	N/A	1,955,719
Sub Total	1,817,313	1,806,063	556,990	6,010,282
Present value of annuities commencing on indicated date of termination:				
Benefit equalization plan (3)	1,852,978	1,852,978	1,852,978	2,226,397
Pension plan (3)	876,420	876,420	876,420	876,420
Total	$ 4,546,711	$ 4,535,461	$ 3,286,388	$ 9,113,099
Mr. Robbins				
Amounts payable in full on indicated date of termination:				
Severance – Salary component	$ 0	$ 0	$ 1,050,000	$ 1,575,000
Severance – Non-equity incentive	0	0	250,000	750,000
Restricted stock awards	425,260	0	0	425,260
Performance Restricted stock/unit awards (2)	852,840	0	0	852,840
Welfare benefits continuation	75,493	0	75,493	77,403
"Parachute Penalty" Tax gross-up	N/A	N/A	N/A	N/A
Sub Total	1,353,593	0	1,375,493	3,680,503
Present value of annuities commencing on indicated date of termination:				
Benefit equalization plan (3)	0	0	0	240,016
Pension plan (3)	332,315	332,315	332,315	332,315
Total	$ 1,685,908	$ 332,315	$ 1,707,808	$ 4,252,834

Executive Benefits and Payments Upon Termination	Death	Retirement or Resignation	Dismissal Without Cause (3)	Dismissal without Cause or Resignation for Good Reason (Following a Change in Control) (5)
Mr. Schupp				
Amounts payable in full on indicated date of termination:				
Severance – Salary component	$ 0	$ 0	$ 525,000	$ 1,575,000
Severance – Non-equity incentive	0	0	0	250,000
Restricted stock awards	386,145	0	0	386,145
Performance Restricted stock/unit awards (2)	852,840	0	0	852,840
Welfare benefits continuation (4)	336,962	336,962	336,962	336,962
"Parachute Penalty" Tax gross-up	N/A	N/A	N/A	N/A
Sub Total	1,575,947	336,962	861,962	3,400,947
Present value of annuities commencing on indicated date of termination:				
Benefit equalization plan	N/A	N/A	N/A	N/A
Pension plan	N/A	N/A	N/A	N/A
Total	$ 1,575,947	$ 336,962	$ 861,962	$ 3,400,947

N/A – Not applicable (a parachute penalty tax gross up is payable only upon a CIC).

(1) Upon death, 12 months salary, offset by qualified and non-qualified retirement benefits payable in 12 months following death.

(2) Upon death, dismissal without cause upon a change in control or resignation for good reason upon a change in control, unearned performance restrict stock awards immediately vest at the target amount. Upon retirement, performance restricted stock awards continue to vest according to the schedules set forth in their respective award agreements, therefore the same amounts is shown in all columns assuming the target amount is earned.

(3) Upon dismissal for cause, Messrs. Lipkin, Eskow and Crocitto would receive BEP benefits.

(4) Mr. Schupp's welfare benefits continuation is equal to fifteen years of medical and dental coverage assuming cost remains at rates as of 12/31/2016 plus a lump sum payment of $23,277 in lieu of life insurance.

(5) Neither Mr. Schupp or Mr. Robbins have tax gross-up provision.

ITEM 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), Valley's shareholders are entitled to vote at the Annual Meeting to approve the compensation of our named executive officers, as disclosed in this proxy statement, commonly referred to as a "say-on-pay vote." Pursuant to the Dodd-Frank Act, the shareholder vote on executive compensation is an advisory vote only and is not binding on Valley or the Board of Directors. We currently hold an annual say-on-pay vote. At this year's annual meeting, we will hold a "say-on-frequency" vote to determine our shareholders' preference for the frequency of future say-on-pay votes. See Item 4 below.

The Company's goal for its executive compensation program is to reward executives who provide leadership for and contribute to our financial success. The Company seeks to accomplish this goal in a way that is aligned with the long-term interests of the Company's shareholders. The Company believes that its executive compensation program satisfies this goal.

The Compensation Discussion and Analysis beginning on page 22 of this Proxy Statement, describes the Company's executive compensation program and the decisions made by the Compensation and Human Resources Committee in 2016 and early 2017.

The Company requests shareholder approval of the compensation of the Company's named executive officers as disclosed pursuant to the SEC's compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and related narrative discussion).

As an advisory vote, this proposal is not binding upon the Board of Directors or the Company. However, the Compensation and Human Resources Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions expressed by shareholders in their vote on this proposal, and will consider the outcome of the vote when making future compensation decisions for named executive officers. In 2016, approximately 94% of the shares voted on the proposal voted in favor of the Company's executive compensation program.

RECOMMENDATION ON ITEM 3

THE VALLEY BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NON-BINDING APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS DETERMINED BY THE COMPENSATION AND HUMAN RESOURCES COMMITTEE AS DISCLOSED PURSUANT TO THE SEC'S COMPENSATION DISCLOSURE RULES (INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND RELATED NARRATIVE DISCUSSION).

ITEM 4

ADVISORY VOTE ON THE FREQUENCY OF ADVISORY VOTES ON EXECUTIVE COMPENSATION

We are providing shareholders with the opportunity to cast an advisory vote regarding the frequency of future advisory votes on executive compensation, commonly known as a "say-on-frequency" vote. Shareholders may vote on whether the advisory say-on-pay vote should occur every year, every two years or every three years.

We are required to hold an advisory say-on-frequency vote every six years. The Company's shareholders were last provided with the opportunity to vote on the frequency of "say-on-pay" vote in 2011. At that time, our shareholders voted in favor of holding say-on-pay votes annually and the Board of Directors adopted this standard.

Although we recognize the potential benefits of having less frequent advisory votes on executive compensation (including allowing the Company additional time to conduct a more detailed review of its pay practices in response to the outcome of shareholder advisory votes), we recognize that the widely adopted standard, both among Valley's peer companies as well as outside our industry, is to hold say-on-pay votes annually. We also acknowledge current shareholder expectations regarding having the opportunity to express their views on the Company's compensation of its executive officers on an annual basis. In light of investor expectations and prevailing market practice, the Board of Directors recommends that the advisory say-on-pay vote occur every year.

The proxy card provides for four choices and shareholders are entitled to vote on whether the advisory vote on executive compensation should be held every year, every two years or every three years, or to abstain from voting.

The result of this advisory say-on-pay vote is not binding on the Company, or the Board of Directors, and will not be construed as overruling a decision by, or creating or implying any additional fiduciary duty for, the Company, the Board of Directors or the Compensation Committee. However, the Board of Directors values the opinions that shareholders express in their votes and will consider the outcome of the vote and shareholder feedback when deciding how frequently to conduct the advisory say-on-pay vote. Notwithstanding the Board's recommendation and the outcome of the shareholder vote, the Board may in the future decide to conduct say-on-pay votes on a more or less frequent basis and may vary its practice based on factors such as discussions with shareholders and the adoption of material changes to its executive compensation programs.

RECOMMENDATION ON ITEM 4

THE VALLEY BOARD UNANIMOUSLY RECOMMENDS YOU VOTE TO HOLD THE ADVISORY VOTE ON EXECUTIVE COMPENSATION *EVERY YEAR*.

ITEM 5

AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF VALLEY NATIONAL BANCORP TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON AND PREFERRED STOCK

We are asking our shareholders to approve an amendment to our certificate of incorporation to increase our authorized capital stock to 500,000,000 shares and thereby increase the number of authorized shares of our common and preferred stock. Our Restated Certificate of Incorporation currently authorizes the issuance of 362,023,233 shares of capital stock, consisting of 332,023,233 shares of common stock, no par value, and 30,000,000 shares of preferred stock, no par value. On January 24, 2017, our Board of Directors approved a proposal to amend our Restated Certificate of Incorporation to increase the number of shares of capital stock that we are authorized to issue from 362,023,233 shares to 500,000,000 shares, consisting of 450,000,000 shares of common stock and 50,000,000 shares of preferred stock, which is subject to shareholder approval to become effective. Shareholder approval of the proposed amendment will result in an increase of 117,976,767 shares of common stock and an increase of 20,000,000 shares of preferred stock.

Our Board believes the proposed amendment to be advisable and in the best interests of the Company and our shareholders and is accordingly submitting the proposed amendment to be voted on by the shareholders. The amendment gives the Company more flexibility in mergers and acquisitions, capital raising transactions, grants under equity compensation plans, and other general corporate transactions. If the authorization of an increase in the available capital stock is not approved, there may be delay and expense related to the need to obtain future approval of shareholders for more authorized shares and this delay could impair our ability to address our corporate needs.

We have no present plans to issue any capital stock in a mergers or acquisitions, capital raising transactions, or other corporate transactions, other than to directors, officers and employees under our equity compensation plans in the ordinary course of business.

As of January 31, 2017, of the 332,023,233 currently authorized shares of common stock, 263,642,819 are issued and outstanding and 5,669,247 are reserved for issuance under our long term equity incentive plans and outstanding warrants. Shares reserved for issuance include 715,830 shares to be issued upon the exercise of outstanding stock options, 3,280,974 shares to be issued upon the exercise of outstanding warrants, and up to 1,672,443 to be issued upon vesting of restricted stock units. Based on these issued and reserved shares of common stock, we currently have approximately 62,711,167 shares of common stock remaining available for issuance in the future. Based on these issued and reserved shares of common stock, shareholder approval of the proposed amendment will result in 180,687,934 shares of common stock remaining available for issuance in the future.

As of January 31, 2017, of the 30,000,000 currently authorized shares of preferred stock, 4,600,000 are issued and outstanding. All of the unissued preferred stock is "blank check" preferred stock under the provisions of our Restated Certificate of Incorporation which provisions were previously approved by our shareholders. Our Board has the authority to set all of the terms and conditions of the preferred stock prior to issuance. The additional authorized preferred stock would also be "blank check" preferred stock. We currently have approximately 25,400,000 shares of preferred stock remaining available for issuance in the future. Shareholder approval of the proposed amendment would result in 45,400,000 shares of preferred stock remaining available for issuance.

Text of the Amendment

Our Board proposes to amend Article V(A) of our Restated Certificate of Amendment to that it would read in its entirety as follows (with the changes underlined):

"The total authorized capital stock of the Corporation shall be 500,000,000 shares, consisting of 450,000,000 shares of common stock and 50,000,000 shares of preferred stock which may be issued in one or more classes or series. The shares of common stock shall constitute a single class and shall be without nominal or par value. The shares of preferred stock of each class or series shall be without nominal or par value, except that the amendment authorizing the initial issuance of any class or series, adopted by the Board of Directors as provided herein, may provide that shares of any class or series shall have a specified par value per share, in which event all of the shares of such class or series shall have the par value per share so specified."

Purpose of the Amendment

Our Board is recommending this increase in the number of authorized shares of capital stock primarily to have additional shares available for use as our Board deems appropriate or necessary. As such, the primary purpose of the proposed amendment is to provide us with greater flexibility with respect to issuing common or preferred stock in connection with such corporate purposes as may, from time to time, be considered advisable by our Board.

As stated previously, the newly authorized shares of capital stock would be issuable for any proper corporate purpose including, but not limited to, mergers and acquisitions, capital raising transactions, or grants under equity compensation plans. We have no immediate plans to issue any common or preferred stock other than issuing common stock to officers,

directors, and employees under our equity compensation plans, which were previously approved by our shareholders and are limited in terms of the number of shares that may be issued.

Our Board has determined that having an increased number of authorized but unissued shares of capital stock would allow us to take prompt action with respect to corporate opportunities that develop, without the delay and expense of convening a special meeting of shareholders for the purpose of approving an increase in our capitalization.

Rights of Additional Authorized Shares

Any authorized shares of common stock, if and when issued, would be part of the Company's existing class of common stock, and would have the same rights and privileges as the shares of common stock currently outstanding. Current shareholders do not have preemptive rights with respect to common stock, nor do they have cumulative voting rights. Should the Board issue additional shares of common stock, existing shareholders would not have any preferential rights to purchase any of such shares, and their percentage ownership of the Company's then outstanding common stock would be reduced.

Any preferred stock issued in the future will have the rights and preferences designated by our Board which may have rights and preferences with respect to dividends and other matters which are greater than the rights of our holders of common stock.

Potential Adverse Effects

Future issuances of either common stock or preferred stock could have a dilutive effect on the Company's earnings per share, book value per share and the voting power and interest of current shareholders. In addition, the availability of additional shares of common stock and preferred stock for issuance could, under certain circumstances, discourage or make more difficult any efforts to obtain control of the Company. The Board is not aware of any attempt, or contemplated attempt, to acquire control of the Company, nor is this proposal being presented with the intent that it be used to prevent or discourage any acquisition attempt. However, nothing would prevent the Board from taking any such actions that it deems to be consistent with its fiduciary duties.

Effectiveness of Amendment

If the proposed amendment is adopted, it will become effective upon the filing of a certificate of amendment to our Restated Certificate of Incorporation with the New Jersey Department of Treasury, which the Company expects to file promptly after the Annual Meeting. If the proposed amendment is not approved by the Company's shareholders, the number of authorized shares of capital stock will remain unchanged.

Vote required

The affirmative vote of a majority of the votes cast by the holders of shares of the Company's common stock at the meeting is required for the approval of the proposed amendment to our Restated Certificate of Incorporation.

RECOMMENDATION ON ITEM 5

THE VALLEY BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE PROPOSED AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK AND PREFERRED STOCK.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation and Human Resources Committee are Gerald Korde, Andrew B. Abramson, Pamela Bronander, Eric P. Edelstein, Michael L. LaRusso, Marc J. Lenner, and Suresh L. Sani. All of the members of the Compensation and Human Resources Committee, or their affiliates, have engaged in loan transactions with the Bank, as discussed below, in "Certain Transactions with Management". No other relationships required to be reported under the compensation committee interlock rules promulgated by the Securities and Exchange Commission exist with respect to members of our Compensation and Human Resources Committee.

CERTAIN TRANSACTIONS WITH MANAGEMENT

POLICY AND PROCEDURES FOR REVIEW, APPROVAL OR RATIFICATION OF RELATED PARTY TRANSACTIONS. Our related party transactions between Valley or any of its subsidiaries and an executive officer, director or an immediate family member and the companies such persons may own or control or have a substantial ownership interest in (collectively "insiders") are governed by our written related party transaction policy. Insiders may use Valley's services or may provide services to Valley. We require our directors and executive officers to complete a questionnaire, annually, to provide information specific to related party transactions. We expect our directors and officers to use the services of Valley National Bank.

With respect to the use of the Bank's services by insiders, most loans to insiders by the Bank are governed by Regulation O. Regulation O requires that such loans (i) be made on the same or substantially similar terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable loans to third parties, and (ii) not involve more than the normal risk of collectability. Regulation O also requires that such loans be approved by a majority of the directors with the director who is the borrower, or related to the borrower, not present or voting.

With respect to other bank services provided to insiders, those services are provided on the same terms and conditions as provided to third parties, with no Board approval required.

With respect to insiders providing services, Valley engages in such transactions with insiders only when the Board through a committee believes the benefit to Valley outweighs the detriment of a conflict of interest transaction and the transaction is believed to be in the best interests of Valley.

Under the related party transactions Policy, applicable transactions are referred for review and approval to the Nominating and Corporate Governance Committee at least annually. If the transaction presents a continuing relationship the activity is reviewed and, if appropriate, approved by the Committee. If the transaction is new, the Committee is charged with reviewing it and approving it if it is believed to be in the best interests of Valley. If a transaction is not approved, the services offered will not be used. If an ongoing transaction fails to be ratified it will, if possible, be cancelled in accordance with any contractual rights. The Audit Committee oversees compliance with the related party transaction policy.

TRANSACTIONS. The Bank has made loans to its directors and executive officers and their associates and, assuming continued compliance with generally applicable credit standards, it expects to continue to make such loans. All of these loans (i) were made in the ordinary course of business, (ii) were made on the same terms, including interest rates and collateral, as those available to other persons not related to Valley, and (iii) did not involve more than the normal risk of collectability or present other unfavorable features.

During 2016, Valley made payments for services to insider entities with which at least one director is affiliated; except as indicated, the payments were less than 5% of the entity's gross revenue. Each of the following payments were approved, under our related party transaction policy.

- During 2016, Valley and its borrowers made payments totaling approximately $402,000 (more than 5% of the entity's gross revenue) for legal services to a law firm in which director Graham O. Jones is the sole equity partner. The fees represented 33% of the firm's gross revenues.

  Of the fees paid by Valley and its borrowers to Jones & Jones, $276,400 were for loan review services and approximately $74,650 thousand were for collection proceedings.

  With respect to loan closings, Valley sets the fees to be paid by a borrower when Jones & Jones acts as its review counsel in commercial real estate loan transactions which fees are subject to the acceptance by the borrower. In collection actions, the fee must be reasonable. Valley currently utilizes 145 legal firms for loan closings and collection efforts. Jones and Jones' fees are comparable.

- During 2016, Valley made payments totaling $90,000 (more than 5% of the entity's gross revenue) for fees pursuant to a long-standing consulting agreement with MG Advisors, Inc. MG Advisors is 100% owned by Michael Guilfoile, the spouse of Mary Guilfoile.

  The fees paid by Valley represented approximately 13% of MG Advisors, Inc.'s gross revenues. The income from MG Advisors is not material to the overall financial position of Mr. Guilfoile or Ms. Guilfoile.

Valley pays MG Advisors a monthly retainer under an agreement first entered into in 1993. The monthly fees paid are considered comparable to other professional fees which are available to Valley. Mr. Guilfoile's 39 years of consulting and investment banking experience in the financial services sector and his knowledge of Valley through his over 30 year association with the Company is the basis for the belief that the agreement is in the best interest of the Company. The retainer agreement also provides for additional mutually agreed upon fees to MG Advisors if a transaction Mr. Guilfoile works on is consummated. No such fees were paid in 2016.

Under the monthly retainer Mr. Guilfoile, is available to all senior management and the board of directors for strategic advisory matters, merger and acquisition transaction, and other financial transactions related to the Company's activities. Ms. Guilfoile, does not provide any advice to Valley through MG Advisors. Ms. Guilfoile joined the Valley Board in 2003 after serving in various full time positions in the financial services industry, most recently as Treasurer of JP Morgan Chase.

- In 2001, Valley National Bank purchased $150 million of bank-owned life insurance ("BOLI") from a nationally known life insurance company after a lengthy competitive selection process and substantial negotiations over policy costs and terms. The amount of the premiums and the terms of the policies are substantially the same as those prevailing for comparable policies with other insurance companies and brokers. During 2007, the Bank purchased $75 million of additional BOLI from the same life insurance company. This purchase was also completed after a competitive selection process with other vendors. The son-in-law of Mr. Lipkin is a licensed insurance broker who introduced Valley to the program offered by this nationally recognized life insurance company. Mr. Lipkin's son-in-law was introduced to an insurance broker for the life insurance company sometime in 2000 or 2001 by a mutual friend. The son-in-law introduced the broker to Valley National Bank and provided assistance during the BOLI proposal and selection process. As is customary among brokers who introduce a client to another broker, Mr. Lipkin's son-in-law receives commissions (with a percentage dollar amount and time period for payment which are each typical for such referral services) for the life of the policy.

  In 2016, Mr. Lipkin's son-in-law received $35,547 in insurance commissions relating to the Bank's BOLI purchases, pursuant to the arrangement he entered into with the insurance broker associated with the insurance company. The aggregate amount of commissions paid to date (from 2001 to 2016) to the son-in-law totaled approximately $795,303 and the anticipated aggregate amount of commissions he will receive over the next 15 years is approximately $300,000 (the compensation was structured as a declining revenue stream; for example, he would earn approximately $11,000 in year 2031).

- In 2011 Valley acquired State Bancorp, Inc. At the time of acquisition, State Bancorp leased a branch located in Westbury, New York. In connection with the acquisition of State Bancorp, the Boards of State Bancorp and Valley agreed that Mr. Wilks was to be elected to the Board of Valley National Bancorp. In connection with the merger of State Bancorp into Valley, effective January 1, 2012, Valley assumed the lease for the Westbury, New York branch. The lease provides for fixed rental payments of approximately $190,000 per year with no additional rent, such as real estate taxes, insurance and parking lot maintenance. The lease may be terminated at any time by the landlord upon not less than 130 days written notice. The landlord, Westbury Plaza Associates, L.P., is a limited partnership which is controlled by the Estate of Mr. Wilks' father-in-law and beneficially owned by both the Estate and a trust for the benefit of Mr. Wilks' spouse. Westbury Plaza Associates is a limited partnership which is part of a larger organization. Valley's rental payment in 2016 represented approximately 0.42% of the annual gross revenue of the larger organization.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and any beneficial owners of more than 10% of our common stock to file reports relating to their ownership and changes in ownership of our common stock with the SEC and NYSE by certain deadlines. Based on information provided by our directors and executive officers, Thomas A. Iadanza failed to timely file a Form 4 (to report shares withheld for taxes) due to administrative error; Gerald Lipkin, Alan Eskow, Ira Robbins, Rudy Schupp, Thomas Iadanza, Dianne Grenz, Melissa Scofield, Peter Crocitto, Andrea Onorato, Bernadette Mueller and Albert Engel each filed a Form 4 (to report a grant of shares) one day late due to administrative error and Kevin Chittenden filed a Form 4 (to report a grant of shares) three days late due to administrative error.

We believe all our other directors and executive officers complied with their Section 16(a) reporting requirements in 2016.

SHAREHOLDER PROPOSALS

New Jersey corporate law requires that the notice of shareholders' meeting (for either a regular or special meeting) specify the purpose or purposes of the meeting. Thus any substantive proposal, including shareholder proposals, must be referred to in our Notice of Annual Meeting of Shareholders in order for the proposal to be considered at a meeting of Valley's shareholders.

An SEC rule requires certain shareholder proposals be included in the notice of meeting. Proposals of shareholders which are eligible under the SEC rule to be included in our year 2018 proxy material must be received by the Corporate Secretary of Valley National Bancorp no later than November 17, 2017. If we change our 2018 annual meeting date to a date more than 30 days from the anniversary of our 2017 annual meeting, then the deadline will be changed to a reasonable time before we begin to print and mail our proxy materials. If we change the date of our 2018 annual meeting by more than 30 days from the anniversary of this annual meeting, we will so state in first quarterly report on Form 10-Q we file with the SEC after the date change, or will notify our shareholders by another reasonable method.

OTHER MATTERS

The Board of Directors is not aware of any other matters that may come before the annual meeting. However, in the event such other matters come before the meeting, it is the intention of the persons named in the proxy to vote on any such matters in accordance with the recommendation of the Board of Directors.

Shareholders are urged to vote by Internet or telephone or sign the enclosed proxy and return it in the enclosed envelope or vote by telephone or Internet. The proxy is solicited on behalf of the Board of Directors.

By Order of the Board of Directors,

Alan D. Eskow
Corporate Secretary

Wayne, New Jersey
March 17, 2017

A copy of our Annual Report on Form 10-K (without exhibits) for the year ended December 31, 2016 filed with the Securities and Exchange Commission will be furnished to any shareholder upon written request addressed to Tina Zarkadas, Assistant Vice President, Shareholder Relations Specialist, Valley National Bancorp, 1455 Valley Road, Wayne, New Jersey 07470. Our Annual Report on Form 10-K (without exhibits) is also available on our website at the following link: http://www.valleynationalbank.com/filings.html

APPENDIX A

VALLEY NATIONAL BANCORP
Valley Peer 18
2016 Size Comparisons

Company	Ticker	Net Income (in thous.)	Total Revenue (in thous.)	Total Assets (in thous.)	Market Capitalization (in mil.)
BankUnited, Inc.	BKU	$ 225,741	$ 973,802	$ 27,880,151	$ 3,926.1
Community Bank System, Inc.	CBU	103,812	429,847	8,667,564	2,745.8
Dime Community Bancshares, Inc.	DCOM	72,514	219,380	6,005,430	752.9
EverBank Financial Corp.	EVER	144,931	897,415	27,838,086	2,470.9
Flushing Financial Corporation	FFIC	64,916	224,622	6,058,487	841.5
Fulton Financial Corporation	FULT	161,625	710,950	18,944,247	3,272.0
Investors Bancorp, Inc.	ISBC	192,125	677,290	23,174,675	4,316.8
NBT Bancorp Inc.	NBTB	78,409	380,154	8,867,268	1,811.9
New York Community Bancorp, Inc.	NYCB	495,401	1,432,954	48,926,555	7,749.1
PacWest Bancorp	PACW	352,166	1,073,766	21,869,767	6,602.7
People's United Financial, Inc.	PBCT	281,000	1,314,900	40,609,800	6,116.6
PrivateBancorp, Inc.	PVTB	208,357	730,184	20,053,773	4,327.0
Prosperity Bancshares	PB	274,466	751,045	22,331,072	4,988.1
Provident Financial Services, Inc.	PFS	87,802	313,960	9,500,465	1,870.1
Signature Bank	SBNY	396,324	1,189,992	39,047,611	8,202.5
Sterling Bancorp	STL	139,972	475,256	14,178,447	3,165.0
Texas Capital Bancshares, Inc.	TCBI	155,119	700,594	21,697,134	3,881.1
Webster Financial Corporation	WBS	207,127	982,991	26,064,664	4,986.6
Valley National Bancorp	**VLY**	**$ 168,146**	**$ 721,374**	**$ 22,864,439**	**$ 3,068.8**

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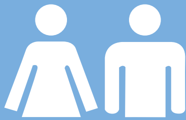
HELPING PEOPLE AND BUSINESSES

To Our Customers

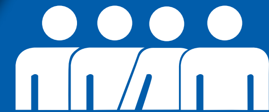
A customer experience based on convenient, courteous service with prompt, excellent and accurate execution.



To Our Employees

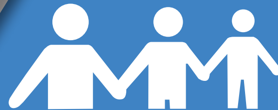
A respectful and engaging workplace that encourages opportunity, development and ownership by rewarding ambition, creativity, sound judgement and superior service.

Our Promise



To Our Shareholders

A consistent and superior return on investment based on sound judgement and long-term profitability.



To Our Communities

A responsible corporate citizen which makes a concerted effort to assist its communities through financial and employee involvement in social, charitable, religious and service organizations.

1455 Valley Road
Wayne, NJ 07470
973-305-3380
valleynationalbank.com

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