Valley National Bancorp

PROXY STATEMENT

2021

> “During the first two rounds of the PPP Program, we funded more than $2.3 billion in PPP loans to approximately 13,000 small businesses, helping our clients and others retain jobs.”

A LETTER TO OUR SHAREHOLDERS

Typically, my letter to you would highlight Valley’s accomplishments, our vision forward and our progress in making Valley a progressive, efficient and innovative organization. Although we made tremendous strides toward achieving these strategic goals, 2020 wasn’t a normal year. Our operating environment, culture and even the world we live in looks drastically different than it did one year ago. So, this year I want to highlight how Valley lived up to its **purpose** as a regional bank and provided the critical support our customers, associates, investors and communities needed during an unprecedented crisis.

THE PANDEMIC

The year 2020 will be remembered as the year of the COVID-19 pandemic. When the global pandemic was declared, we were able to respond to the subsequent financial crisis in a meaningful way, demonstrating the unique value we bring to our customers. In the midst of a global health crisis, we were able to pivot quickly to put protocols in place that sought to ensure the safety of our customers and our more than 3,100 Valley associates. In just a few short weeks, we mobilized more than 90 percent of our non-branch staff to work remotely while continuing to serve our customers without significant disruption from the very start of the crisis.

As families in our local communities started to feel the financial crunch as a result of lockdowns, Valley delivered. To support our customers in need, we deferred almost $450 million in mortgage loans for over 1,100 customers and over $100 million in auto loans for more than 5,000 customers.

When the U.S. Small Business Administration’s Paycheck Protection Program (PPP) became available, our associates rolled up their sleeves and worked relentlessly to help businessowners acquire the funding they needed to survive this crisis. We dedicated a team of over 500 associates to implement an innovative online application portal and drive the success of this program. We also provided direct one on one support to each applicant to assist them in gaining access to funds that would help lessen the impact of the economic hardships they faced.

During the first two funding rounds of the PPP program, we originated more than $2.3 billion in PPP loans to approximately 13,000 small businesses, helping our clients and others retain jobs. Over 30 percent of these loans were made to female and minority-owned businesses. The median size of these loans was approximately $42,000, demonstrating our commitment to local small businesses throughout our footprint and elsewhere.

RECORD FINANCIAL PERFORMANCE

Despite a challenging economic backdrop resulting from previously unforeseen external factors, Valley generated strong 2020 financial results. Several years of transformative change gave us the ability to adapt to changing market conditions, capitalize on our strategic initiatives and achieve financial success. We achieved significant growth in diluted earnings per share and drove our annual efficiency ratio to the lowest level in our history. Total revenue of $1.3 billion and net income of $391 million represent new records for Valley. Book value per common share and tangible book value per common share increased by approximately 5 percent and 8 percent to $10.85 and $7.25, respectively, in 2020 as compared to 2019.

Deposit growth and the transformation of our funding base was a key highlight in 2020. Total deposits increased over 9 percent to $31.9 billion during the year. This growth was driven by non-interest bearing and low-cost transaction accounts which now comprise

"Total revenue of $1.3 billion and net income of $391 million represent new records for Valley."

29 percent and 50 percent of our deposit base, respectively, up from 23 percent and 44 percent a year ago. Strong growth in these core accounts was partially offset by a 31 percent reduction in CD balances. This transition contributed to our net interest margin stability during the year and fueled our strong results.

Total loans increased over 8 percent in 2020, with balances standing at $32.2 billion at year end. The majority of our growth came from PPP originations. Credit quality has always been a hallmark of our institution. Despite a difficult operating environment, Valley's credit performance continued to reflect its conservative underwriting standards in 2020. Non-accrual loans as a percentage of total loans were 0.58 percent at December 31, 2020. To help our customers navigate the COVID-19 pandemic, we granted deferrals on nearly $4 billion of loans, including $550 million to retail customers. As of December 31, 2020, our loans in active deferral had declined to just $361 million, representing 1.1 percent of total loans. As the economy deteriorated, we built our allowance for credit losses to 1.09 percent of total loans from 0.55 percent in 2019. Moving forward in 2021, we feel confident that our balance sheet is positioned to navigate the uncertain environment that we continue to face.

In 2020, we produced strong revenue growth in both net interest income and our non-interest focus areas. Net interest margin increased to 3.03 percent in 2020 as compared to 2.95 percent in 2019. This reflected a meaningful improvement in our funding costs resulting from the deposit transformation mentioned above. While total non-interest income declined due to a non-core $79 million real estate gain in 2019, our loan related gains and fees grew at a solid pace in 2020.

We continued to drive our efficiency ratio lower in 2020 as we generated revenue growth well in excess of operating expense growth. For the year ended December 31, 2020 our efficiency ratio of 49.6 percent was an improvement of 7.2 percent from the 56.8 percent reported in 2019. We remain focused on generating positive operating leverage with a relatively stable expense base supporting meaningful balance sheet and revenue growth.

The various financial components described above added up to a very successful year for Valley. Our 2020 earnings per diluted common share of $0.93 were up 7 percent from 2019. This impressive performance was achieved despite a $102 million increase to our provision on a year-over-year basis. Our return on average assets also improved to 0.96 percent from 0.93 percent, representing the highest level since 2007.

Our enhanced earnings power has contributed to strong growth in our capital ratios. At December 31, 2020 our total risk-based capital ratio was 12.64 percent up from 11.72 percent a year ago. We continue to be well-capitalized and positioned to execute on our strategic and growth initiatives going forward.

OUR COMMITMENT TO THE COMMUNITY REMAINS STRONG

COVID-19 had an incredible impact on the health and vitality of our community partners. That's why Valley pledged over $2 million to nonprofit organizations impacted by COVID-19, specifically to organizations that focused on food insecurity, health, housing and small business. By working alongside our partners, the local business community and organizations dedicated to supporting our local neighborhoods, we're confident we can emerge from this crisis stronger than ever. We've also developed a new Community Lending Group that will primarily serve women and minority-owned businesses across our footprint. Our highly successful *Women in Business Program* continues to grow exponentially, providing an opportunity for women at every phase of their career to network, inspire each other, share their stories and celebrate their successes.

During 2020 we formed an ESG Council and in the year ahead we will reaffirm our role as a responsible corporate citizen by seeking to incorporate Environmental, Social and Governance (ESG) considerations in many aspects of our business. We expect these ESG factors will support our long-term strategy, strengthen our risk management framework and add sustainable value to our organization.

EMBRACING A DIVERSE, INCLUSIVE AND EQUITABLE CULTURE

We recognize that the diversity of our associates brings a wealth of new ideas and different perspectives to our organization. By embracing a culture of diversity, equity and inclusion, we enhance our ability to bring new ideas to the table, raise new questions, innovate our practices and products, and gain new insights about the world around us. In 2019, Valley accelerated its journey to clarify its commitment to diversity, equity and inclusion (DEI), to build upon its organic DEI internal and external initiatives and to lay a foundation upon which we can leverage our diverse and inclusive workplace as a strategic advantage in the marketplace and in service to our community. In 2020, we appointed a Chief Diversity and Inclusion Officer, established Valley's Associate Resource Group Program, and I signed on to the CEO ACTION for Diversity and Inclusion Program.

Most importantly, we are designing our DEI Governance Model and Framework to support Valley's programs, processes, systems and culture, giving our associates opportunities to grow to their full capacity and potential. We recognize this

work will take time and a sustained commitment to moving forward. We also know that our focus on diversity, equity and inclusion will provide us with insights that will help us strengthen our connections with our communities and, ultimately, our ability to serve as a better partner.

A BRIGHTER FUTURE AWAITS US ALL

I began this letter by discussing the impact of this pandemic and the challenges it presents to our associates, customers and the communities we serve. Let me close with a more optimistic and hopeful note.

In 2020, we faced a myriad of challenges, including a global pandemic, social unrest, economic recession and unprecedented political turmoil. But we have not been sitting idle, waiting for life to return to normal. Rather, we met these challenges head on, stayed true to who we are as an organization, and accelerated plans that we believe will help us remain a premiere financial institution long into the future.

While these crises have their own unique challenges, I can assure you that we will do everything we can to serve our customers and support our communities in these difficult times and in the much better days that lie ahead—just as we've done for more than 93 years.

I want to express my sincere gratitude to our associates, customers and shareholders for your continued trust and confidence in us.

OUR BUSINESS STRATEGY

OUR CORE STRATEGIES

COVID-19 has had a far-reaching impact on all our lives, and our bank was not immune to the effects of this global health crisis. Despite these disruptions, Valley's mission—to give people and businesses the power to succeed—remains unwavering. If anything, this pandemic has forced us to consider new ways to accelerate our internal and external strategies and support all our stakeholders who have been impacted in varying degrees:

- For our associates, the intersection of both work and home environments has led to a reassessment of their professional and personal priorities.
- For our customers, the required use of alternative delivery channels has accelerated an industry trend while simultaneously reinforcing the value of the human element of banking.
- For our communities, programs such as PPP demonstrate the value banks play in supporting critical foundational community needs.
- For our shareholders, 2020 has been a reminder of the unpredictability of the banking industry. The year was characterized by volatility in the equity markets, and particularly in the markets for bank equities. By the end of 2020 most bank stock values had returned to close to pre-pandemic levels.

As a result, our strategic priorities for the coming year, while similar to our prior initiatives, reflect a greater sense of urgency and acceleration in order for Valley to provide financial relevance to our customers that is unmatched by our peers.

OUR CORE STRATEGIES

Maintain agility to create positive operating leverage while delivering an industry-leading efficiency ratio
We're taking a balanced approach to improving efficiency and leveraging technology to glean data driven insights, build a scalable infrastructure, improve processes, remove redundancies and create a better customer experience. This strategy is helping us build a nimble and agile organization that continues to deliver optimized services through a variety of channels that meet our customers' needs.

Drive fee diversification and revenue growth by being a trusted partner and offering a broad array of financial services
Diversifying revenue streams and capturing a greater share of our customers' wallets are top priorities in 2021. We're focusing on developing and delivering a diverse suite of financial products to our customers which will enable us to cross-sell beyond traditional banking services. We're finding new ways to build stronger relationships by increasing customer touchpoints and leveraging innovative sales management tools. Successful execution of these strategies will enable Valley to deliver additional revenue streams and strengthen existing business.

Deliver consistent loan and deposit growth by leveraging our strong market position
Against the backdrop of a global health pandemic, a near-zero interest rate environment and general economic uncertainty, we delivered extraordinary results through a disciplined focus on responsible and sustainable growth in 2020. As we move forward, sustainable growth will require a relentless focus on improving the customer experience, leveraging Valley's brand strength and a commitment to share our success with the communities we serve.

Build an enduring culture by enabling inclusion, empowerment, collaboration and innovation
Our success depends on the skills, experience and diversity of the talent we hire. Attracting, developing, and retaining the most qualified people is crucial to our long-term strategy. We are investing in our associates and fostering a more inclusive and diverse corporate culture that empowers associates and encourages collaboration and innovative thinking.

WE BELIEVE IN OUR STRATEGIES

As we move forward into 2021, we are building on the trust that our customers have placed in us and executing on our strategies and vision for long-term success. Despite the uncertainty of the COVID-19 pandemic and the headwinds of a volatile economic environment, we believe that we are well-positioned to deliver for all our stakeholders again in 2021.

1455 Valley Road
Wayne, New Jersey 07470

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD, MONDAY, APRIL 19, 2021

TO OUR SHAREHOLDERS:

We invite you to the Annual Meeting of Shareholders of Valley National Bancorp ("Valley") on Monday, April 19, 2021 at 3:00 p.m., Eastern Time to vote on the following matters:

1. Election of 11 directors;
2. An advisory vote on our named executive officer compensation;
3. Ratification of the appointment of KPMG LLP as Valley's independent registered public accounting firm for the fiscal year ending December 31, 2021;
4. Approval of the Valley National Bancorp 2021 Incentive Compensation Plan; and
5. A shareholder proposal if properly presented at the Annual Meeting.

This year's Annual Meeting will be held in a virtual format through a live audio webcast. You will not be able to attend the Annual Meeting physically. We will provide the live webcast of the Annual Meeting at www.virtualshareholdermeeting.com/VLY2021. After the meeting you will be able to access a recording of the Annual Meeting on the same website. For further information on how to participate in the meeting, please see Information About the Annual Meeting on page 67 in this Proxy Statement.

You will be permitted to submit live questions at the Annual Meeting just as if you were attending a physical meeting. Questions may be submitted beginning thirty minutes before the start of the Annual Meeting through www.virtualshareholdermeeting.com/VLY2021.

You will need the 16-digit control number printed on your notice, proxy card or voting instruction form in order to attend, vote and ask questions during the meeting.

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 8, 2021. 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 22, 2021 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, you may execute and return the enclosed proxy card in the envelope provided or submit your proxy by telephone or the Internet. The prompt return of your proxy will save Valley the expense of further requests for proxies.

Your vote is important. You may vote your shares in advance of the meeting via the Internet, by telephone or by mail, or by attending and voting online at the 2021 Annual Shareholder Meeting. Please refer to the section "Information About the Annual Meeting" on page 67 for detailed voting instructions. If you vote via the Internet, by telephone or plan to vote virtually at the 2021 Annual Shareholder Meeting, you do not need to mail in a proxy card.

We appreciate your participation and interest in Valley.

Sincerely,

Ira Robbins
Chairman, President and Chief Executive Officer

Wayne, New Jersey

March 8, 2021

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.

Important notice regarding the availability of proxy materials for the 2021 Annual Meeting of Shareholders: This Proxy Statement for the 2021 Annual Meeting of Shareholders, our 2020 Annual Report to Shareholders and the proxy card or voting instruction form are available on our website at: http:www.valley.com/filings.html.

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Valley

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GENERAL INFORMATION

MEETING INFORMATION

DATE AND TIME:
Monday, April 19, 2021
3:00 p.m. Eastern Time

LOCATION:
Virtual Meeting:
This year's meeting is a virtual shareholders meeting at www.virtualshareholdermeeting.com/VLY2021

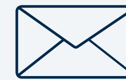
RECORD DATE:
February 22, 2021

HOW TO VOTE

Your vote is important. You may vote your shares in advance of the meeting via the Internet, by telephone or by mail, or by attending and voting online at the 2021 Annual Meeting of Shareholders. Please refer to the section "How to Vote" on page 68 for detailed voting instructions. If you vote via the Internet, by telephone or plan to vote virtually at the 2021 Annual Shareholder Meeting, you do not need to mail in a proxy card.

To vote before the meeting, visit **www.proxyvote.com**. To vote at the meeting, visit www.virtualshareholdermeeting.com/VLY2021 You will need the control number printed on your notice, proxy card or voting instruction form.

If you received a paper copy of the proxy materials, dial toll-free (1-800-690-6903) or the telephone number on your voting instruction form. You will need the control number printed on your proxy card or voting instruction form.



If you received a paper copy of the proxy materials, send your completed and signed proxy card or voting instruction form using the enclosed postage- paid envelope.

On March 8, 2021, we began sending our shareholders a Notice Regarding the Internet Availability of Proxy Materials.

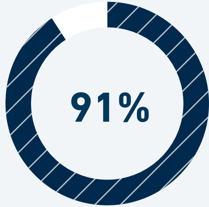
ITEM 1: ELECTION OF DIRECTORS

You are being asked to elect the following 11 candidates for director: Ira Robbins, Andrew B. Abramson, Peter J. Baum, Eric P. Edelstein, Marc J. Lenner, Peter V. Maio, Suresh L. Sani, Lisa J. Schultz, Jennifer W. Steans, Jeffrey S. Wilks and Dr. Sidney S. Williams, Jr. Each director nominee is standing for election to hold office until our next annual shareholder meeting and thereafter until his or her successor is duly elected and qualified. For additional information regarding our director nominees, see "Director Information" beginning on page 7 of this proxy statement. For a description of our corporate governance practices, see "Corporate Governance" beginning on page 18 of this proxy statement.

Our Board of Directors ("Board") unanimously recommends that you vote "FOR" each of these director nominees.

CORPORATE GOVERNANCE HIGHLIGHTS

BOARD MEMBERS AND LEADERSHIP



10 OF OUR 11 DIRECTOR NOMINEES are independent; the Chief Executive Officer ("CEO") is the only member of management who is nominated for election

30% of our board is comprised of directors who are female / self-identify as ethnically diverse, reflecting our commitment to diversity and inclusion

RECENT EMPHASIS ON DIRECTOR REFRESHMENT HAS RESULTED IN:

5 YEARS OR LESS

5 OF 11 director nominees having a tenure of 5 years or less

10 YEARS OR LESS

7 OF 11 director nominees having a tenure of 10 years or less

- Active and empowered Independent Lead Director
- Annual Board self-assessments conducted by the Chair of our Nominating and Corporate Governance Committee and our Independent Lead Director, involving both anonymous questionnaires and one on one meetings with directors
- Active and empowered committee chairs, all of whom are independent
- Executive sessions of non-management directors at each regular Board meeting and executive sessions of independent directors periodically

BOARD GOVERNANCE BEST PRACTICES

- We appoint an Independent Lead Director if the role of the Chairman is combined with that of the CEO
- The Board reviews its leadership structure annually as part of its self-assessment process
- The Nominating Committee annually discusses the performance and position of the Independent Lead Director and makes recommendations to the independent directors who annually elect the Independent Lead Director. This year the Committee recommended that Andrew Abramson serve another year and that Eric Edelstein succeed him in that position in 2022
- Responsibilities of the Independent Lead Director, who is appointed annually by our independent directors, include:
  - The responsibility to identify issues for Board consideration and assist in forming a consensus among directors;
  - The authority to call meetings of independent directors and non- management directors (including meetings not in connection with regular board meetings) and preside at all executive sessions of independent and non-management directors;
  - Establishing the agenda for all meetings and executive sessions of the independent directors and non-management directors, with input from other directors;
  - The authority to retain outside advisors who report directly to the Board, with the prior approval of the Board;
  - Serving as a liaison between the CEO and the independent and non-management directors and assisting the CEO and/or chairperson with establishing meeting agendas, meeting schedules and assuring sufficient time for discussion of agenda items; and
  - Leading the independent director assessment of the CEO.

SHAREHOLDER ENGAGEMENT AND SHAREHOLDER ROLE IN GOVERNANCE

- Regular outreach and engagement throughout the year by the Chair of our Nominating Committee, the Chair of our Compensation and Human Resources Committee, our CFO and General Counsel with shareholders regarding Company strategy, performance and corporate governance
- Majority voting for directors with resignation policy in uncontested elections
- Shareholders holding at least 25% of outstanding common stock may request a special meeting
- Proxy access for shareholders holding 3% of outstanding common stock for three years
- No supermajority vote provisions for amendments to Bylaws and Certificate of Incorporation or removing a director from office
- No shareholder rights plan (commonly referred to as a "poison pill")
- Stock ownership requirements for directors
- 100% independence on major committees
- Policies to prohibit hedging and pledging of Valley stock by directors and officers

ITEM 2: ADVISORY VOTE ON OUR NAMED EXECUTIVE OFFICER COMPENSATION ("SAY ON PAY")

You are being asked to approve on an advisory basis the compensation of our named executive officers ("NEOs"). For additional information regarding our executive compensation program and our NEO compensation, see "Compensation Discussion and Analysis" beginning on page 34 of this proxy statement.

Our Board unanimously recommends that you vote "FOR" the advisory approval of the compensation of our Named Executive Officers disclosed in this proxy statement.

2020 FINANCIAL HIGHLIGHTS

Net Income
$391
MILLION

Loans Increased
$32.2
BILLION

Net Interest Income (FTE)
$1.1
BILLION

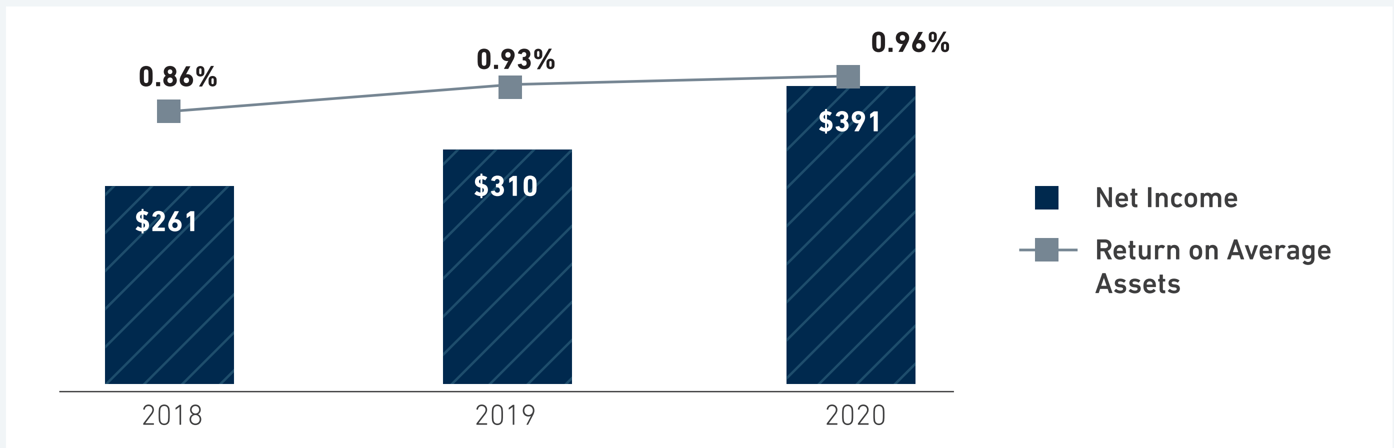
Net Interest Margin
3.03%
IN 2020

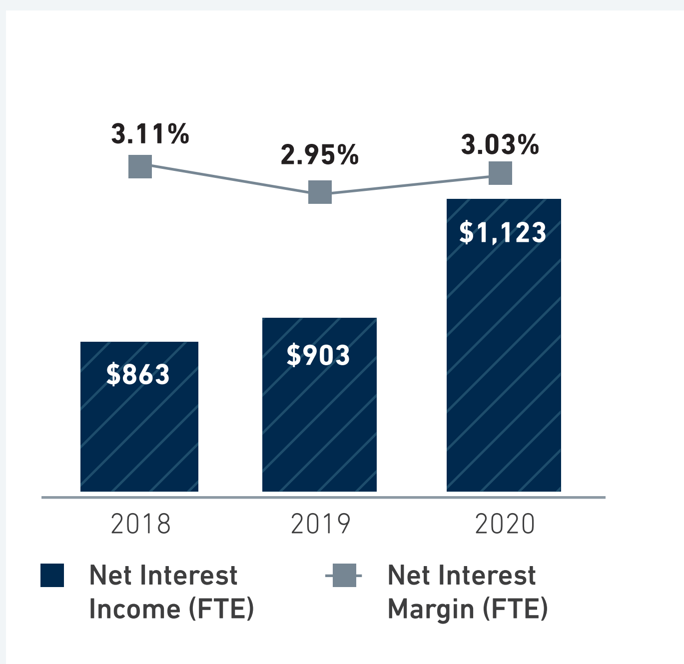
2020 FINANCIAL PERFORMANCE

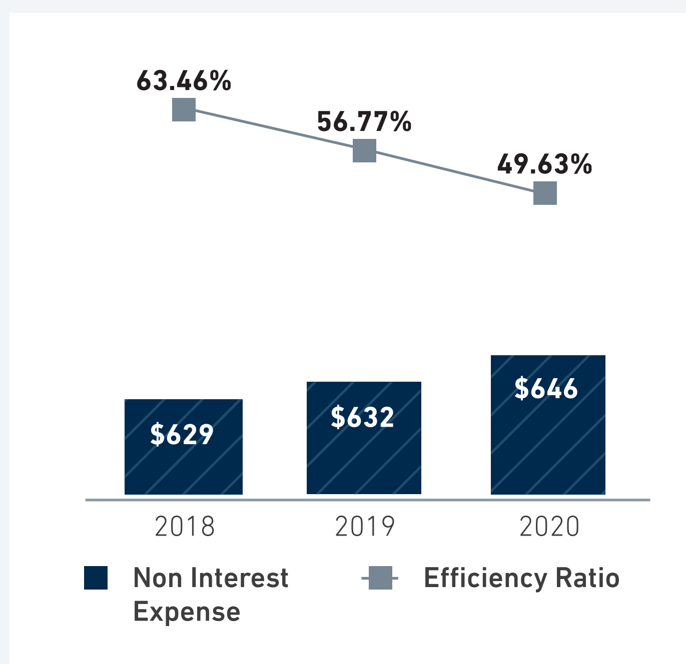
- Net income was $391 million, or $0.93 per diluted common share, compared to 2019 earnings of $310 million, or $0.87 per diluted common share;
- Loans (inclusive of loans originated under the PPP Program) increased $2.5 billion, or 8.5 percent, to approximately $32.2 billion at December 31, 2020 from December 31, 2019;
- Net interest income on a tax equivalent basis of $1.1 billion for 2020 increased $221 million as compared to 2019;
- Our net interest margin on a tax equivalent basis increased 8 basis points to 3.03 percent for 2020 as compared to 2.95 percent for 2019;
- Our total shareholder return was in the 54th percentile, of the banks within the KBW Index in 2020, and in the 73rd percentile for the three years ended December 31, 2020; and
- Net loan charge-offs totaled $38.0 million for 2020, as compared to $15.9 million for 2019. Non-accrual loans represented 0.58 percent of total loans at December 31, 2020, compared to 0.31 percent of total loans at December 31, 2019.

THE COMPANY'S 2020 FINANCIAL PERFORMANCE IS SUMMARIZED BELOW:

$ are in millions







OUR 2020 COMPENSATION DETERMINATIONS

We believe that Valley's executive compensation should be structured to balance the expectations of our shareholders, our other stakeholders and our executives. We have adopted a compensation philosophy that seeks to achieve this balance by taking into consideration the following factors:

- *Pay is substantially aligned with performance*: We assess our performance and strive to hold our NEOs, and, in particular, our CEO, Ira Robbins, accountable.
- *We benchmark our compensation package against our peer group*: We inform our compensation decisions by measuring our practices against bank holding companies that are similar in size and complexity to Valley.
- *Balanced compensation structure*: We employ a mixture of short-term and long-term financial rewards to our executives.

In February 2020 the Compensation Committee set the framework for our incentive compensation to be 50% based upon Company financial goals and 25% to be based upon the accomplishment of other Company strategic goals (the other 25% to be based on key individual performance goals) and did not adjust these goals after the pandemic erupted. Based on the achievement of these goals, the Compensation Committee:

- Increased Mr. Robbins' total direct compensation by $800,000 ($4,350,000 in 2020 vs. $3,550,000 in 2019), or approximately 22.5%, from last year and approximately 11% over his 2020 target compensation; and
- Increased our other NEOs' compensation by an average of approximately 9% from 2019 levels and approximately 6% over 2020 target compensation.

SAY ON PAY

The Compensation Committee and the Board value the input of our shareholders on our NEO compensation. At our 2020 Annual Shareholder Meeting, more than 97% of our shareholders supported our NEO compensation.

In response to feedback received from our shareholders, the Committee has made modest changes to our executive compensation program, while continuing what we believe are best practices in our industry. In order to further align our pay with the Company's performance, we set the framework for our non-equity compensation for 2020 to be 50% based upon Company financial goals and 25% to be based upon the accomplishment of other Company strategic goals with the other 25% to be based on key individual performance goals.

ITEM 3: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

You are being asked to ratify the Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for 2021. For additional information regarding the Audit Committee's appointment of and the fees paid to KPMG LLP, see "Report of the Audit Committee" on page 57 and "Ratification of the Appointment of Independent Registered Public Accounting Firm "beginning on page 56 of this proxy statement.

Our Board unanimously recommends that you vote "FOR" the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2021.

ITEM 4: APPROVAL OF THE VALLEY NATIONAL BANCORP 2021 INCENTIVE COMPENSATION PLAN

You are being asked to approve a management proposal to adopt a new incentive plan to award equity and cash to our executive officers, employees and directors. By approving the plan, you would also approve a limit on director compensation of $500,000. For additional information regarding the proposal, see "Item 4: Approval of 2021 Incentive Compensation Plan" beginning on page 58 of this proxy statement.

Our Board unanimously recommends that you vote "FOR" the proposal as disclosed in this proxy statement.

We are submitting to our shareholders for approval the Valley National Bancorp 2021 Incentive Compensation Plan. The Plan will supersede the Valley National Bancorp 2016 Long-Term Stock Incentive Plan. We believe that the adoption of the Plan is necessary in order to allow us to continue to use equity awards, including performance awards. We believe that granting equity-based compensation to eligible officers, employees and non-employee directors is an effective means to promote the future growth and development of the Company. Equity awards, among other things, further align the interests of award recipients with Company shareholders and enable the Company to attract and retain qualified personnel.

The Plan provides for the issuance of up to 9 million shares of our common stock which we expect, based on our current "burn rate," will be sufficient to grant equity awards for the next five years. In 2020 grants under the 2016 plan were made to 421 employees which was an increase from 305 employees awarded grants in 2019. Our Compensation Committee will administer the Plan and determine which employees will receive equity awards. The Committee may grant stock options, stock appreciation rights, restricted stock, restricted stock units and performance awards, as well as cash-based incentive awards, under the Plan. In addition, by submitting the Plan to a vote, we are also asking you to approve an overall annual limit of $500,000 on cash and equity compensation paid to our non-employee directors.

ITEM 5: SHAREHOLDER PROPOSAL

You are being asked to vote on a shareholder proposal regarding an independent Chairman of the Board. For additional information regarding the proposal, see "Item 5: Shareholder Proposal" beginning on page 65 of this proxy statement.

Our Board unanimously recommends that you vote "AGAINST" the shareholder proposal as disclosed in this proxy statement.

ITEM 1: ELECTION OF DIRECTORS

DIRECTOR INFORMATION

Our Board is recommending 11 nominees for election as directors at our 2021 Annual Meeting of Shareholders. All nominees currently serve as directors on our Board. All nominees were elected by you at our 2020 Annual Meeting except Dr. Williams who joined the Board in October 2020. Dr. Williams was suggested as a nominee by our CEO. If any nominee is unable to stand for election for any reason, the shares represented at our annual meeting may be voted for another candidate proposed by our Board, or our Board may choose to reduce its size. The Board has no reason to believe any nominee is not available or will not serve if elected.

Each director is nominated to serve until our 2022 Annual Meeting and thereafter until a successor is duly elected and qualified.

Graham O. Jones, who has served on the Board since 1997, is not standing for re-election at the Annual Meeting. We thank Mr. Jones for his service and the important expertise he shared with the Board.

Kevin J. Lynch is also not standing for re-election at the Annual Meeting. Mr. Lynch joined the board in 2019 and we thank him for his assistance with the integration of Oritani Financial Corp. into the Company.

Board Selection

Our Nominating and Corporate Governance Committee (Nominating Committee) reviews and selects candidates for nomination to our Board in accordance with its charter.

The Nominating Committee reviews the Board's composition at least annually to determine whether directors' backgrounds and experiences align with our long-term corporate strategy and shareholder values. The Nominating Committee also takes into consideration the results of the Board's self-evaluation, an annual process by which directors assess the performance and needs of both the Board and its committees. Based on its review, the Nominating Committee helps to identify and vet nominees who would make valuable contributions to the Board. The Nominating Committee seeks to identify diverse candidates possessing the desired qualities, skills and background. The Nominating Committee recommends candidates to the Board, which approves nominees to be voted upon by our shareholders.

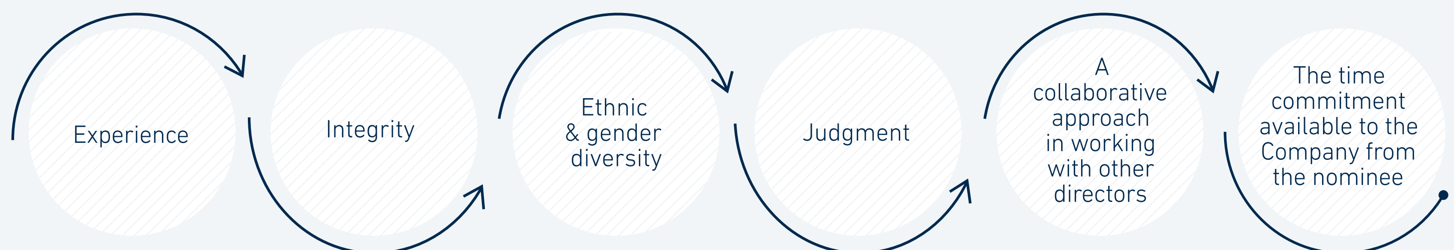
In the last several years, the Nominating Committee has paid particular attention to board refreshment. The Nominating Committee believes that its recent actions demonstrate a continuing commitment to independence and oversight. Since 2016:

The Board has elected a new President and CEO who is in his forties

Six directors (out of 13 directors in 2016) have left the Board, with two more leaving at the 2021 Annual Meeting

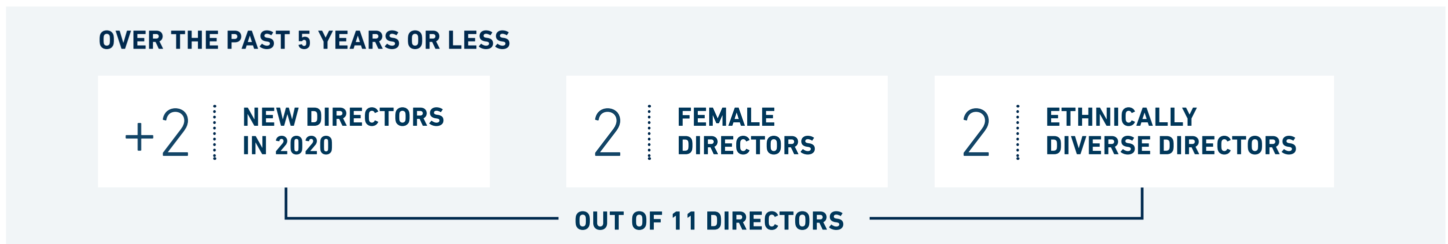
Six new directors were added to the Board, including one identifying as African American, one with a technology and information security background, and two women

The Nominating Committee focuses on the following key factors when recommending candidates:



Our Corporate Governance Guidelines specify that a director is eligible for re-election if the director has not attained age 76 before the date of the annual meeting.

While the Nominating Committee does not have a specific diversity policy and does not focus on one of the above factors more than others, the Nominating Committee is committed to enhancing the diversity of our Board. The Nominating Committee believes that a balance of director diversity and tenure is a strategic asset to our investors. The range of our directors' tenure encompasses directors who have historic institutional knowledge of the Company and the competitive environment, complemented by newer directors with varied backgrounds and skills. This robustness of our refreshment strategy combines experience and continuity with new perspectives. It is of critical importance to the Company that the Nominating Committee recruit directors who help achieve the goal of a well-rounded, diverse Board that functions respectfully as a unit.



The Nominating Committee considered a skills matrix that represents certain of the skills that the Committee identified as particularly valuable to the effective oversight of the Company and execution of its business. The following matrix shows those skills and the number of nominees having each skill, highlighting the diversity of skills on the Board. The matrix also shows the gender of each nominee as well as whether the nominee is ethnically diverse.

NOMINEES	TENURE	DIVERSITY	GENDER F/M	AUDIT	INNOVATION, TECHNOLOGY & CYBER	COMMERCIAL BORROWER / MARKET KNOWLEDGE	RISK	CORE INDUSTRY	SENIOR EXECUTIVE	ENVIRONMENTAL / SOCIAL
IRA ROBBINS, AGE: 46 President & Chief Executive Officer of Valley National Bancorp and Valley National Bank, Chairman of the Board	3 YRS		M	●			●	●	●	
ANDREW B. ABRAMSON, AGE: 67 President and Chief Executive Officer, Value Companies, Inc. (a real estate development and property management firm)	26 YRS		M			●	●		●	●
PETER J. BAUM, AGE: 65 CFO and COO of Essex Manufacturing, Inc. (manufacturer, importer and distributor of consumer products)	9 YRS		M			●	●		●	
ERIC P. EDELSTEIN, AGE: 71 Consultant	17 YRS		M	●			●		●	
MARC J. LENNER, AGE: 55 Chief Executive Officer and Chief Financial Officer, Lester M. Entin Associates (a real estate development and management company)	13 YRS		M	●		●	●		●	●
PETER V. MAIO, AGE: 59 Consultant	1 YR		M		●		●	●	●	●
SURESH L. SANI, AGE: 56 President, First Pioneer Properties, Inc. (a commercial real estate management company)	13 YRS	●	M			●	●		●	
LISA J. SCHULTZ, AGE: 59 Retired co-head of Capital Markets at Keefe, Bruyette & Woods (a financial services oriented investment bank)	2 YRS		F	●				●	●	
JENNIFER W. STEANS, AGE: 57 President and CEO, Financial Investments Corporation, (a private asset management firm)	3 YRS		F	●		●	●	●	●	●
JEFFERY S. WILKS, AGE: 61 President and Chief Executive Officer of Spiegel Associates (a real estate ownership and development company)	8 YRS		M			●	●	●	●	
DR. SIDNEY S. WILLIAMS JR., AGE: 52 Lead Pastor at Bethel Church; President and CEO of Crossing Capital Group	1 YR	●	M	●				●		●

AUDIT | INNOVATION, TECHNOLOGY & CYBER | COMMERCIAL BORROWER / MARKET KNOWLEDGE | RISK | CORE INDUSTRY | SENIOR EXECUTIVE | ENVIRONMENTAL / SOCIAL

Director Biographies

The biography of each nominee is set out below and contains information regarding the nominee's tenure as a director, his or her age, business experience, for at least the last five years, other public company directorships held during the last five years, and the experiences, qualifications, attributes or skills that caused the Nominating Committee and the Board to determine that the person should be nominated to serve as a director.

IRA ROBBINS, AGE: 46

President & Chief Executive Officer of Valley National Bancorp and Valley National Bank, Chairman of the Board

Mr. Robbins is President and CEO of Valley and approaches his role from a unique perspective. He joined Valley in 1996 as part of the Bank's Management Associate Program and has grown along with the company. From college student to thought leader, his twenty-plus year career at Valley has seen him through several key positions where his invaluable contributions have helped shape Valley's growth and success. As CEO, Mr. Robbins has led Valley into the future while keeping true to the company's roots as a local bank. In an ever-evolving digital and mobile world, he and the rest of Valley's leadership team strive to create a stronger, faster, more efficient and more responsive organization.

His vision for success is building a purpose-driven organization which includes embracing innovation, being customer-centric, promoting social responsibility, and empowering Valley's associates. Mr. Robbins earned his Bachelor of Science degree in Finance and Economics from Susquehanna University, his MBA in Finance from Pace University, and is a graduate of the Stonier Graduate School of Banking. He is a Certified Public Accountant in New Jersey and a member of both the New Jersey Society of Certified Public Accountants and the American Institute of Public Accountants.

He serves on the board of the Jewish Vocational Service of MetroWest NJ (JVS) and is on the Morris Habitat for Humanity Leadership Council. Mr. Robbins takes great pride in community outreach and is an active supporter of several philanthropic organizations in his community as well.

ANDREW B. ABRAMSON, AGE: 67

President and Chief Executive Officer, Value Companies, Inc. (a real estate development and property management firm)

Mr. Abramson is a licensed real estate broker in the States of New Jersey and New York and is a licensed building contractor in the State of Florida. He is the co-founder and treasurer of the Cure Breast Cancer Foundation, Inc., a 501c(3) not-for-profit charity that supports innovation and groundbreaking breast cancer research. Mr. Abramson graduated from Cornell University with a Bachelor's Degree, and a Master's Degree, both in Civil Engineering. With 40 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, AGE: 65

Chief Financial Officer and Chief Operating Officer, Essex Manufacturing, Inc. (manufacturer, importer and distributor of consumer products)

Mr. Baum joined Essex Manufacturing, Inc. in 1978 as an Asian sourcing manager. Essex Manufacturing, Inc. has been in business over 70 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. He brings over 45 years of business experience, including as a business owner for 25 years, as well as financial experience and expertise to Valley's Board of Directors. Mr. Baum appears on CNBC (US & Asia) providing commentary on Asia developments.

ERIC P. EDELSTEIN, AGE: 71

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. With 32 years of experience as a practicing CPA and as a management consultant, Mr. Edelstein is a former Director of Aeroflex, Incorporated and Computer Horizon Corp. He is also a 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). He 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. Mr. Edelstein received his Bachelor's Degree in Business Administration and his Master's Degree in Professional Accounting from Rutgers University.

MARC J. LENNER,
AGE: 55

Chief Executive Officer and Chief Financial Officer, Lester M. Entin Associates (a real estate development and management company)

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 his financial and professional background, he provides management, finance and real estate experience to Valley's Board of Directors.

PETER V. MAIO,
AGE: 59

Consultant

Mr. Maio is a former Chief Information Officer at Ally Bank with responsibility for Customer Information, Analytics and Corporate Technology. Prior to joining Ally, he held various technology leadership positions at large financial services companies including CIT, Charles Schwab, and Fidelity Investments. Mr. Maio served on the Board of Advisors of the North Carolina Technology Association from 2015 to 2018. Mr. Maio holds a Bachelor of Science Degree in Economics from The Wharton School at the University of Pennsylvania and a Masters of Business Administration in Information Systems and International Business from the Stern School of Business at New York University. Most recently, Mr. Maio earned the Computer Emergency Response Team Certificate in Cybersecurity Oversight from the CERT Division of Software Engineering Institute at Carnegie Mellon University. With more than 35 years of technology experience in financial services firms, he brings to Valley's Board of Directors in-depth experience in formulating and executing information technology strategy as well as experience of technology solution delivery driven from business-based vision.

SURESH L. SANI, AGE: 56

President, First Pioneer Properties, Inc. (a commercial real estate management company)

Mr. Sani is a former Real Estate 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 30 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. Mr. Sani brings a legal background, small business network management and real estate expertise to Valley's Board of Directors.

LISA J. SCHULTZ, AGE: 59

Retired co-head of Capital Markets at Keefe, Bruyette & Woods (a financial services oriented investment bank)

Ms. Schultz retired as co-head of Capital Markets at Keefe, Bruyette & Woods, a Stifel Company, as of year-end 2018. She joined KBW as part of the merger between Stifel Financial and Keefe, Bruyette. Ms. Schultz joined Stifel as part of the merger between Stifel and Ryan, Beck & Co., where she was the Director of Equity and Fixed Income Capital Markets. During her tenure, she had primary responsibility for raising billions of dollars of capital for US depository institutions. She started her career at Drexel Burnham Lambert. Ms. Schultz received her Bachelor's Degree from Simmons College in 1983. With Ms. Schultz's experience, she brings expertise in strategic positioning, investor perspective, capital alternatives and the financial services markets to Valley's Board of Directors.

JENNIFER W. STEANS, AGE: 57

President and CEO, Financial Investments Corporation, ("FIC"), a private asset management firm

Ms. Steans is the President and CEO of the private asset management firm, Financial Investments Corporation ("FIC"), where she oversees private equity investments and the Steans Family Office operations. She was the former Chairman of USAmeriBancorp, Inc., until acquired by Valley in 2018. Her business affiliations are substantial, also serving as a Director of Vital Care Industries and on the Advisory Board for 5th Century Partners, Prairie Capital and Siena Capital Partners, and is on the Executive Committee of The Commercial Club of Chicago. Prior to joining Valley's Board of Directors, Ms. Steans served as a Director of MB Financial (MBFI), a publicly traded regional bank holding company located in Chicago. She also served as a Director of Cole Taylor Bank and Taylor Capital before being acquired by MBFI. Ms. Steans is active in the nonprofit community, serving on several boards, including the Kellogg Advisory Board, RUSH University Medical Center, the Life Trustee of Ravinia and Treasurer of Navy Pier. She is also involved in many community organizations and ventures in the Greater Chicago Area. Ms. Steans brings a strong financial background, knowledge about banking strategy and a diverse background to Valley's Board of Directors. She received a bachelor's degree from Davidson College and her MBA from the Kellogg School of Management at Northwestern University. In 2013, she was named as one of American Banker's 25 Most Powerful Women in Finance.

JEFFREY S. WILKS, AGE: 61

President and Chief Executive Officer of Spiegel Associates (a real estate ownership and development company)

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, he 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. He serves on the board of directors of the New Cassell Business Association, is a member of the board of the Museum at Eldridge Street, is a member of the Board of City Parks Foundation and is a member of the board of directors of The Association for A Better Long Island. Mr. Wilks served as Director of the Banking and Finance Committee of the UJA—Federation of New York from 1991 to 2001. He earned his BSBA in Accounting and Finance from Boston University and brings experience in banking, finance, and investments to Valley's Board of Directors.

DR. SIDNEY S. WILLIAMS, JR., AGE: 52

Lead Pastor at Bethel Church; President and CEO of Crossing Capital Group

Rev. Dr. Sidney S. Williams, Jr. has more than 30+ years of experience in corporate and community development, which enables him to contribute a diverse set of experiences and expertise to Valley's Board of Directors. While working for first-tier investment banks, he participated in over $10 billion in public equity and debt offerings, acquisitions, mergers, joint ventures and intellectual property licensing. He earned his undergraduate degree from Howard University and his graduate degrees from the Wharton Business School, Wesley Theological Seminary and Payne Theological Seminary.

Dr. Williams is currently the lead pastor at Bethel Church, in Morristown, NJ, a historic African Methodist Episcopal Church. He is also the founder, President and CEO of Crossing Capital Group, Inc., a company which provides churches, seminaries, colleges and for profit social enterprises with help in organizational development, strategic planning and financial management.

The Valley Board unanimously recommends a vote "FOR" the nominated slate of directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MATTERS

We are cognizant of our role and impact on society as a responsible corporate citizen. That's why we are working to integrate Environmental, Social and Governance (ESG) considerations in our business. We seek to align ESG factors with our risk management framework as we believe they add sustainable value to our organization. The Bank's vision is to integrate sustainable practices throughout the Bank.

Our focus is on empowering our communities, providing the tools, support and resources necessary to achieve their goals. For us, being a local bank is about more than just expanding business opportunities. It's about embracing our role as a leader for our communities' success. For over 90 years, we've been committed to creating better banking opportunities for our customers and making positive contributions in our communities.

We have continued to work towards the four key pillars that guide our collaboration and investments in improving the social, economic and environmental conditions in the communities we serve as outlined below:

- Promoting affordable homes
- Inspiring innovation and entrepreneurship
- Stimulating economic and community development
- Encouraging all our associates to commit to local, impactful volunteerism

We believe that innovation and entrepreneurship contribute to thriving communities, especially when the businesses represent the people within those communities. In 2020, we celebrated diversity and inclusion in business as we completed another year of our partnership with the Minority Business Accelerator (MBA). This program is designed to assist Black and Hispanic business owners prepare for growth by helping them develop strategic, results-driven solutions, specific to their unique business needs. Additionally, we deepened our support of female leaders in our communities. As a partner of the Female Founders in FinTech, we support initiatives that give female founders of innovative technology startups access to capital, mentorship and partnership opportunities. Valley's own Women in Business program serves to educate, connect and empower professional women, from entrepreneurs to executives, expanded throughout our entire footprint. In 2020, we held our inaugural Women in Business networking events in both New York and New Jersey.

Environmental Social Governance (ESG) Council

Building upon our Corporate Social Responsibility foundation, we established an Environmental, Social and Governance (ESG) Council in 2020 with respect to ESG issues. The Council will help guide us to consider how environmental, social and sustainability issues impact Valley's ability to achieve its long-term strategy while being socially responsible. The Council will determine the scope of Valley's engagement for ESG and assist in establishing appropriate objectives and implement actions to achieve those objectives. Also, we have hired a workplace and sustainability strategy manager who is a significant participant in the Council.

There is no single framework for measuring ESG metrics. While acknowledging the competing standards with different focuses Valley is focused on the commercial bank standards from the Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures. These standards provide a focus on sustainability.

We believe good corporate governance practices that foster diversity and inclusion, environmental stewardship, innovation and social and economic equity will promote sustainability for our stakeholders today and in the future.

ESG Oversight Responsibility

In early 2021, the Board received a report on ESG matters from our ESG Council after which they approved a charter change delegating ongoing oversight for our ESG program and strategy to the Nominating Committee. The Compensation Committee and the Risk Committee will be involved in issues that naturally fall within their areas of responsibility while the overall oversight of strategy will lie with the Nominating Committee.

Our COVID-19 Response

The health and safety of our associates, customers and community is extremely important to us. We instituted special personal and workplace hygiene measures to keep our associates and customers safe, executed CDC guidelines in our branches and provided appropriate personal protective equipment for associates and customers. We took measures to protect our associates and their families from the threat posed by the COVID-19 virus by implementing work from home and alternative work arrangements and supporting our associates financially. These measures included:

- Implementing a business continuity plan, daily pandemic planning team meetings, and regular company-wide town hall meetings;
- Associates were mandated to work at home if possible; at the height of the pandemic, 93% of non-branch employees were working remotely;
- Initial closure of 85 branches (or 36% percent of our total branches) although all branches offered drive-up service or lobby service by appointment; all branches are now open subject to COVID-19 protocols
- Payment of $2.2 million in bonuses to our hourly ($1,000 each) and part-time ($500 each) associates in the summer of 2020 followed by a $250 bonus in late fall 2020;
- Payment of 100% of COVID-19 related medical costs of testing and treatment of covered employees and their families;
- 80 hours of additional paid time off offered to our associates for quarantine and sick time plus an additional 24 hours for childcare arrangements;
- Assessing building density and providing reconfiguration of common spaces and work areas prior to associates entering our worksites;
- Creating physical barriers, social distancing protocols, an inventory of protective gear, and sanitation protocols in line with CDC recommendations; and
- Utilizing our Safe Workplace Application which allows Valley to provide contact tracing for all reported exposures and illnesses and give quarantine instruction and guidance when appropriate.

We worked hard for the businesses in the communities we serve that were hit hard by the pandemic. When the SBA's Paycheck Protection Program (PPP) began, our associates rolled up their sleeves and worked day and night helping to get PPP loans funded for businesses and non-profits. In total we funded more than $2.3 billion in PPP loans to more than 13,000 small businesses, many to women and minority-owned businesses. We extended the application process for women and minority-owned businesses to ensure they had access to capital as well as the opportunity for direct communication with commercial lenders to walk them through the loan application process. We also worked with our clients on payment deferral solutions for their loans where appropriate, increased daily debit card limits and waived overdraft fees and CD withdrawal penalties.

We protected our local communities by:

- Implementing a community recovery CD program under which we donated $5 of every $1,000 deposited to our local communities impacted by COVID-19;
- Targeting up to $2.5 million to provide funding to those nonprofits severely impacted by COVID-19. Our areas of focus were food insecurity, health, housing and small business, while continuing to support strategic community partners throughout our footprint;
- Committing $2 million to the New Jersey Community Capital's Garden State Relief Fund, further supporting lending to small business and non-profits which have been negatively impacted by COVID-19; and
- Donating $575,000 to 14 food banks and pantries across our footprint to those in need.

Human Capital Management

We have been continuing to cultivate an inclusive and diverse corporate culture where empowered associates, collaboration and innovation thrive. Through our advances in technology; enhanced communication as well as developing and infusing key talent throughout the business, an engaged and positive culture that meets the needs of our employees and customers is emerging.

Within both our Talent Acquisition and Talent Development teams, our goal of attracting, developing, and retaining the most qualified people is crucial to all aspects of Valley's activities and long-term success and is central to our long-term strategy.

- Through our talent acquisition strategy, we continue to actively engage our senior business leaders in prioritizing their critical roles in coordination with their strategic talent initiatives;
- Our annual talent review and succession planning process has created a broader understanding of our key talent and we are taking meaningful steps to provide development and experiences that test our high potential talent;
- Our commitment to three flagship leadership development programs held in 2020 has provided guidance for our participating associates. These programs provided a solid foundation for introducing key leadership concepts—enabling many of our top performers to excel and expand their capabilities;
- Our new manager development program has been rolled out to increase the capability and effectiveness of our leaders;
- Through our recognition program efforts, our talent management team continues to monitor and proactively facilitate continued support of our leaders and colleagues on key service milestones to engage and show our appreciation for our associates;
- We are committed to provide our associates the tools and ongoing professional development to attain their career goals through access to a wide range of courses and workshops that are current and relevant to the banking industry, their jobs, and careers; and
- We have invested in the Valley Learning Management System which enables us to deliver content across our multi- state geography.

For the second consecutive year, Valley was recognized in Training Magazine's 2021 Training Top 100, a worldwide ranking of organizations that excel at training and human capital development. Retaining key talent at Valley, keeping our employees engaged and outlining a career path for them plays an integral part in the success of our organization.

We also recognize that building an inclusive and high-performance culture requires an engaged workforce, where employees are motivated. We communicate with our employees in a number of ways, and we seek their input on a variety of subjects through our annual employee survey. In 2020, we received an 84% response rate with 75% of our employees stating that they would recommend Valley as a place to work. As we develop our human capital programs, our scores from our associates continue to improve across a variety of categories.

Diversity, Equity and Inclusion

We believe our associates are our greatest assets. We strive to foster a strong and inclusive culture that is committed to providing the quality service to our customers, the communities in which we operate and each other. We encourage all of our associates to expand their points of view, to be open-minded and to seek to understand our individual differences. Valley embraces and values the unique perspective each employee brings to the workplace. A diverse workforce enables us to create an inclusive environment from which collaboration, innovation and teamwork can tangibly influence business results.

In 2020, we hired a Chief Diversity and Inclusion Officer who oversees our continuing efforts to build a diverse and vibrant workforce. Additionally, we launched the Valley associate resource group program with our first three associate resource groups

for our black, latinx, and female associates, respectively. Our CEO also signed the CEO Action for Diversity and Inclusion this year and pledged to take the following actions:

- Making our workplace a trusting place to have complex, and sometimes difficult, conversations about diversity and inclusion;
- Implementing and expanding unconscious bias education;
- Sharing best—and unsuccessful—practices; and
- Creating and sharing strategic inclusion and diversity plans with our board of directors.

Finally, Valley is proud to be ranked in the SSGA Gender Diversity Index. The companies in the Index are ranked within each sector by three gender diversity ratios. The SSGA Gender Diversity Index is designed to measure the performance of U.S. large capitalization companies that are gender diverse, which are defined as companies that exhibit gender diversity in their senior leadership positions. The Index seeks to provide exposure to US companies that demonstrate greater gender diversity within senior leadership than other firms in their sector.

Our Environmental Impact

Valley seeks ways to reduce the negative impacts on the environment. One of the ways Valley accomplishes this is to invest in sustainable designs in its retail branch locations. Sustainable design seeks to reduce negative impacts on the environment, as well as the health and comfort of building occupants, thereby improving building performance. The basic objectives of sustainability are to reduce consumption of non-renewable resources, minimize waste, and create healthy, productive environments.

We recently transformed and remodeled 12 retail branch locations which included sustainable elements. Each one of these branches has new furniture that contains recycled content, low-emitting materials and the ability to be recycled. Existing branch light fixtures were replaced with new energy-efficient LED light fixtures to conserve energy, lessen maintenance and to lower electrical costs. Worn out branch flooring was replaced with new carpet that contains pre and post-consumer recycled content. In addition, packing and shipping from various manufacturers was looked at from the vantage point of sustainability. Valley's Design and Construction team is integrating more sustainable products in their standard buildouts and projects. Over the past two years, 185 signs across our footprint were upgraded to energy-efficient LED lighting. Full interior and exterior lighting conversions were also completed at our four corporate buildings in Wayne, NJ. In 2019, new environmental standards for carpentry and lighting design were implemented at 27 locations, covering a total of 14% of our four-state portfolio.

We strive to make loans to companies and customers that are making a positive contribution toward protecting our environment. Some recent examples of these loans include:

- $4.5 million for hybrid or electric cars
- $19.1 million to recyclers
- $11.5 million to solar companies

Lastly, in 2020 we conducted a climate stress test including the effect on Valley of a category five hurricane impacting on our Florida market.

Community Reinvestment Act

We are proud that Valley received an Outstanding Community Reinvestment Act rating from the Office of the Comptroller of the Currency (OCC) in late 2019 for the years 2015 through 2018.

The Community Reinvestment Act requires banks to meet the credit needs of low- and moderate-income communities in which it operates. The rating is based upon an assessment of three categories: lending, investment, and services. Included in the assessment are bank practices such as mortgage lending, small business lending, community development lending, investments and services to communities, along with employee community involvement.

Valley established Regional Community Advisory Committees and our CEO and senior management received advice from advisory board members in each region and from community partners. Encouraged by our Board, senior management shaped a culture that embraces social responsibility.

CSR Report

Valley is committed to being transparent about reporting on our sustainability efforts. One way we do this is by publishing an annual Corporate Responsibility Report. The 2019 report is available on our website at valley.com/why-valley/our-community commitment.

CORPORATE GOVERNANCE

We are committed to enhancing our corporate governance practices, which we believe help us sustain our success and build long-term value for our shareholders. Our Board of Directors oversees Valley's strategic direction and the performance of our business and management. Our governance structure enables independent, experienced and accomplished directors to provide advice, insight, guidance and oversight to advance the interests of the company and our stakeholders. We have committed to strong governance standards and to transparent financial reporting and effective internal controls. Periodically, these governance practices are reviewed by senior management, legal counsel and the Board.

Engagement

Our Board believes engagement with stakeholders helps us realize our goals.

Management and directors proactively engage with our shareholders throughout the year in a variety of forums. Our interactions cover a broad range of governance and business topics, including strategy and execution, board refreshment, compensation practices, risk oversight, sustainability and culture/human capital. The exchanges we and our Board have had with shareholders provide us with a valuable understanding of our shareholders' perspectives and meaningful opportunities to share views with them. A brief description of our shareholder engagement efforts are outlined below.

WHO WE ENGAGE:

- Institutional shareholders
- Retail shareholders

HOW WE COMMUNICATE:

- Annual Report
- Proxy Statement
- SEC Filings
- Press Releases
- Firm Website
- Annual Corporate Social Responsibility Report

HOW WE ENGAGE:

- Quarterly earning calls
- Investor conferences
- Annual Shareholder Meeting
- Shareholder Outreach Program

2020 ENGAGEMENTS:

- Senior Management
  - Hosted over 100 investor interactions, including 23 calls, small dinners or merger related calls
  - Presented at 5 investor conferences
  - Our CEO presented at Valley's 2020 annual meeting and is expected to do so again at this year's annual meeting

INSTITUTIONAL SHAREHOLDER OUTREACH BY DIRECTORS:

- Hosted discussions with large Institutional shareholders
- Extended invitations to institutional shareholders holding in the aggregate more than 20% or more of our shares to engage and responded to shareholder requests for engagement who were not extended an invitation
- Our chairs of the Nominating and Corporate Governance Committee and Compensation and Human Resources Committee participated in these calls
- Discussion Topics included:
  - Corporate Governance
  - Board Independence
  - Shareholder rights
  - ESG issues

On sustainability matters, we welcome the views of an even broader range of stakeholders who serve as critical partners in identifying our key sustainability areas of impact. We regularly engage with these stakeholders to assure that we understand their vantage points and concerns. This diverse engagement is designed to ensure that we are prioritizing issues that are important to both our stakeholders and our long-term business success. For example, through Valley's Regional Community Advisory Committees, our CEO and senior executives engage with national consumer policy groups to discuss issues related to Valley's products, policies, customer-facing practices, communications and public policy issues. We also engage with organizations on environmental and social issues and provide philanthropic support to a broad range of nonprofit organizations that work on issues that are important to Valley. Management shares insights and feedback from these relationships and engagements with the Board.

Our Board and senior management are committed to maintaining a strong corporate culture that instills and enhances a sense of purpose, participation and personal accountability on the part of all of Valley's employees. Senior management, including our CEO, holds virtual "town halls" with our employees on a regular basis.

Our Board and senior leaders commit significant time meeting with our regulators. Frequent interaction helps us learn firsthand from regulators about matters of importance to them and their expectations of us. It also gives the Board and management a forum for keeping our regulators well-informed about Valley's performance and business practices.

Shareholder Rights

The Valley's Certificate of Incorporation and By-laws provide shareholders with important rights, including:

- Majority voting for directors with resignation policy in uncontested elections
- Shareholders holding at least 25% of outstanding common stock may call a special meeting
- Proxy access for shareholders holding 3% of outstanding common stock for three years
- No supermajority vote provisions for amendments to Bylaws and Certificate of Incorporation or removing a director from office
- No shareholder rights plan (commonly referred to as a "poison pill")

Code of Conduct

Employees are trained annually on our Code of Conduct and Ethics and are required to speak up about misconduct and report suspected or known violations of the Code, or any law or regulation applicable to Valley's business. We also provide procedures regarding the review and treatment of employee-initiated complaints, including the proper escalation of suspected or known violations of the Code, other Valley policy or the law. The Code prohibits retaliation against anyone who in good faith raises an issue or concern.

Employees can report any known or suspected violations of the Code in person or via the Ethics Hotline. The Hotline is anonymous and is maintained by an outside service provider.

Suspected violations of the Code, other Valley policy or the law are investigated by Valley and may result in an employee being cleared of the suspected violation or in an escalating range of actions, including termination of employment, depending upon the facts and circumstances. The Ethics Officer reports quarterly to the Audit Committee on ethics complaints from all sources.

Supplier Code of Conduct

Suppliers are expected to have high standards of business conduct, integrity, and adherence to the law. The Third Party Code of Conduct and Ethics applies to our suppliers, vendors, consultants, contractors, and other third parties working on behalf of Valley. The Code of Conduct communicates our expectations on a range of issues, including our suppliers' responsibility to comply with laws and regulations and Valley's obligations to its customers. The Code of Conduct is available under the Investor Relations section of our website at valley.com/why-vnb/company-information.

Board Leadership Structure and the Board's Role in Risk Oversight

Independent Oversight Structure. Our Board believes that an independent oversight function is a foundation of corporate governance. Since 2014 we have utilized an Independent Lead Director to assure that the Board had independent leadership. We realize that some companies utilize an independent chairperson and others an Independent Lead Director or Presiding Director. We also believe the structure of independent leadership should be examined regularly. During 2020, our Board utilized an Independent Lead Director.

Risk Oversight. Our Board is currently comprised of 13 directors, of whom 11 are independent under NASDAQ guidelines. The Board has three standing independent committees with separate chairpersons—an Audit Committee, a Nominating and Corporate Governance Committee (Nominating Committee), and a Compensation and Human Resources Committee (Compensation Committee). We also have a Risk Committee with a separate independent chairman, 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 factors from our executive management, other Company officers and the chairman of the Risk Committee.

Lead Director. The Board created the position of Independent Lead Director in 2014 and each year has appointed Mr. Abramson as its Independent Lead Director. In accordance with our Corporate Governance Guidelines, our independent directors elect the Independent Lead Director annually and the Independent Lead Director is selected from among our independent directors on an annual basis. The position is filled unless the Chairman is an independent director (presently not the case). Our non-management directors meet in executive session after every regular Board meeting and our independent directors meet in executive session periodically. These meetings are chaired by Mr. Abramson in his role as Lead Director. As provided in the Corporate Governance Guidelines, the Independent Lead Director, among other things:

- Has the responsibility to identify issues for Board consideration and assist in forming a consensus among directors;
- Has the authority to call meetings of independent directors and non-management directors (including meetings not in connection with regular board meetings) and preside at all executive sessions of independent and non- management directors;
- Establishes the agenda for all meetings and executive sessions of the independent directors and non-management directors, with input from other directors;
- Has the authority to retain outside advisors who report directly to the Board, with the prior approval of the Board;
- Serves as a liaison between the CEO and the independent and non-management directors and assists the CEO and/ or chairperson with establishing meeting agendas, meeting schedules and assuring sufficient time for discussion of agenda items;
- Leads the independent director assessment of the CEO; and
- Is appointed annually by the independent directors.

The Nominating Committee engaged in a robust discussion in 2021 about Committee Chairs and the position of Independent Lead Director. Based upon this discussion, the Nominating Committee recommended to the independent directors that Mr. Abramson continue as Independent Lead Director until the 2022 Annual Meeting but that Eric Edelstein become Independent Lead Director thereafter.

Chairman/CEO Decision for 2021. For 2021, the Board determined to continue to combine the Chairman and CEO positions. Considering the performance of Mr. Robbins since he was appointed CEO, the Board believed that electing him as Chairman was appropriate. As explained previously the Board believes that independent Board leadership is provided by the Independent Lead Director in light of the position's authority, responsibilities, and duties.

Annual Meeting Attendance. It is our policy that all directors attend the annual meeting absent a compelling reason, such as family or medical emergencies. In 2020, all directors attended our annual meeting.

Our Hedging Policy

We adopted a policy that prohibits hedging of Valley equity securities for directors, executives and officers with the title of First Senior Vice President and above. While there is no prohibition against employees who do not hold the title of First Senior Vice President or above hedging equity securities, these employees are prohibited from trading Valley securities while in possession of material non-public information. The anti-hedging policies are set forth in full below.

Short Sales. Directors and officers at the level of First Senior Vice President and above may not engage in short sales of the Company's securities (sales of securities that are not then owned), including a "sale against the box" (a sale with delayed delivery).

Publicly Traded Options. Directors and officers at the level of First Senior Vice President and above may not engage in transactions in publicly traded options in the Company's securities, such as puts, calls and other derivative securities, on an exchange or in any other organized market. Directors and officers at the level of First Senior Vice President and above also may not engage in such transactions privately.

Hedging Transactions. Directors and officers at the level of First Senior Vice President and above are prohibited from entering into hedging transactions or similar arrangements involving Company securities, such as equity swaps, collars, exchange funds and forward sale contracts. These hedging transactions allow an owner of securities to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock.

Our Pledging Policy

Directors and executive officers are prohibited from purchasing Company securities on margin, borrowing against Company securities held in a margin account, or pledging Company securities as collateral for a loan. If executive officers have Company stock pledged when they join the Company or become executive officers, they are required to report this to the Company's Chief Financial Officer and are required to unwind the pledging as promptly as possible but in any event within three years. If directors

have Company stock pledged when they join the board, the director is required to report this to the Company's Chief Financial Officer and should unwind the pledging as promptly as possible but in any event within three years. The Nominating Committee upon request may exempt some or all of the pledged shares from this requirement in its discretion if the shares were pledged before the director and executive officer held that position. The prohibition on pledging securities applies to directors, executive officers, their spouses, children who share such person's home and trusts if the director or executive officer is the trustee and sole beneficiary.

In January 2020, at the request of Ms. Steans, the Nominating Committee allowed her to continue pledging the shares she owned which were pledged at the time she became a director. The Committee considered the fact that she and her husband owned shares which were pledged while she was the Chair of USAmeriBancorp, Inc. which merged with Valley in 2018. Pursuant to the terms of the merger, shares were converted to Valley shares. When Ms. Steans became a director of our Company she owned 20,000 shares in her own name which were not and currently are not pledged. Shares Ms. Steans or her husband acquire after she became a director of Valley may not be pledged.

Joseph Chillura, who was the President and CEO of USAmeriBancorp, Inc., became an executive officer of Valley in 2020 and the Nominating Committee allowed him to continue to pledge the shares he owned at the time he became an executive officer. Shares Mr. Chillura or his wife acquire after he became an executive officer may not be pledged.

Except for Ms. Steans and Mr. Chillura, no executive officers or directors have any shares covered by the Policy pledged.

Political Contribution Policy

Valley, like all national banks, is prohibited by law from making contributions to candidates in federal, state and local elections. We apply the policy to our holding company and our subsidiaries. Valley does not contribute corporate funds to independent expenditure committees.

Valley belongs to national trade associations, state banking associations and local chambers of commerce that represent the interests of both the financial services industry and the broader business community. These organizations work to represent the industry and advocate on major public policy issues of importance to Valley and the communities we serve.

Private Aircraft Travel Policy

In 2020 the Board adopted a Private Aircraft Travel Policy to govern and provide for the use of private aircraft by Valley's President and CEO, CFO and Chief Banking Officer during the COVID-19 public health emergency. The Board determined that private travel is necessary from a health perspective during the ongoing COVID-19 public health emergency. This policy will be in place during the COVID-19 public health emergency and for a period of 90 days following a declaration that the public health emergency is over by the President of the United States and by the Governors of the four states in which Valley operates. The Board will consider extending the business use of private aircraft after the COVID-19 public health emergency is over.

Under the terms of this policy, those specified Valley officers may utilize the private jet arrangement for individual business travel. Other executives may travel with the them under appropriate health conditions subject to approval by the CEO. The CEO may request that other senior executives be added as authorized users under this policy. Consideration will be given to succession planning when determining which authorized users are approved to travel together on the same private plane.

Only business travel for our executives is authorized under the policy. On occasion, our executive officers, while traveling for business, may be accompanied by family members or executives traveling from second home or vacations. For each such incidental traveler Valley requires the executive to pay an amount equal to the cost of one way first class commercial airfare to the destination, but no less than $750, plus any incremental cost incurred by Valley.

Prior to the implementation of this Policy, executive officers of Valley utilized both commercial and private aircraft travel between its New Jersey headquarters and its locations in Florida and Alabama. Private aircraft travel was used only where commercial aircraft travel was not efficient or convenient due to the infrequency of commercial flights or timing limitations.

Director Independence

The Board has determined that 11 of our current directors and all current members of the Nominating, Compensation, and Audit Committees are "independent" for purposes of the independence standards of NASDAQ, and that all of the members of the Audit Committee are also "independent" for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "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 currently are: Andrew B. Abramson, Peter J. Baum, Eric P. Edelstein, Marc J. Lenner, Kevin J. Lynch, Peter V. Maio, Suresh L. Sani, Lisa Schultz, Jennifer W. Steans, Jeffrey S. Wilks and Dr. Sidney S. Williams, Jr.

With respect to Mr. Wilks, in determining that he was independent, the Board recognized that his spouse benefits from leasing a branch to the Bank. As set forth in the section "Certain Transactions with Management", the annual lease payments are made to a limited partnership from which Mr. Wilks' spouse benefits. The limited partnership is part of a much larger entity from which Mr. Wilks' spouse also benefits. The lease payments are less than 1/2 of 1% of the annual gross revenue of the larger organization. The annual lease payments are $190,000 a year, with no additional payments due from the Bank for real estate taxes, insurance or parking lot maintenance. This payment has remained fixed since Valley acquired the branch in a merger in 2011 and no annual increases are built in. Based upon these factors, the Nominating Committee and the Board reached the judgment this year and in the past that because the lease transaction was de minimis to Mr. Wilks, Mr. Wilks was "independent". The Board has engaged with a number of institutional shareholders and while these shareholders viewed the interest as de minimis, we were advised that even such a de minimis interest was not advisable for a member of the Audit Committee and as a result Mr. Wilks does not serve on the Audit Committee.

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 falls 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, 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 for which a director or his or her spouse serves on the board if the contributions do not exceed the greater of (i) $60,000 or (ii) 5% of the charity's annual revenues in the 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 $200,000 or five percent (5%) of the gross revenues of the business.

- The Board considered the following categories together with contributions to charitable organizations on which the director or his spouse served as a director and the information set forth under "Certain Transactions with Management," for each director it determined was independent:

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	None	Checking, Savings, Certificate of Deposit	None
Peter J. Baum	Commercial Mortgage	None	Checking	None
Eric P. Edelstein	Residential Mortgage	None	Checking	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
Kevin J. Lynch	None	None	Checking, Money Market	None
Peter V. Maio	None	None	Checking, Certificate of Deposit, Money Market	None
Suresh L. Sani	Commercial Mortgage	None	Checking, Money Market	None
Lisa J. Schultz	None	None	Checking, Money Market	None
Jennifer W. Steans	None	None	Certificate of Deposit, Money Market	None
Jeffrey S. Wilks	Commercial Mortgage, Personal Line of Credit	None	Checking	None
Dr. Sidney S. Williams, Jr.**	None	None	Checking	None

* In compliance with Regulation O.

** The Board also considered charitable contributions to entities the director is affiliated with.

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. The Board holds an executive session at least once a year with only independent directors and holds an executive session with non-management directors after almost all Board meetings and also holds separate meetings periodically during the year. In each instance the Independent Lead Director is 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 Independent 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 Independent Lead Director should send any communication to Valley National Bancorp, 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 Independent 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.

Committees of the Board of Directors; Board of Directors Meetings

In 2020, the Board of Directors maintained an Audit Committee, a Nominating Committee, and a Compensation Committee. Only independent directors serve on these committees. In addition to these committees, the Company and the Bank also maintain several committees to oversee areas of Valley's operations. These include a Risk Committee, an Investment Committee, a Trust Committee and an Operating Committee.

Each director attended at least 92% of the meetings of the Board of Directors and of each committee on which he or she served for the year ended December 31, 2020. Our Board met 10 times during 2020.

The following table presents 2020 membership information for each of our Audit, Nominating, Compensation and Risk Committees and the number of meetings held by each committee during 2020.

Name	Audit	Nominating and Corporate Governance	Compensation and Human Resources	Risk
Andrew B. Abramson		X	X	(Chair)
Peter J. Baum	X	X		
Eric P. Edelstein	(Chair)		X	X
Graham O. Jones				X
Marc J. Lenner		(Chair)	X	
Kevin J. Lynch				X
Peter V. Maio	X			X
Suresh L. Sani		X	(Chair)	
Lisa J. Schultz	X	X		X
Jennifer W. Steans	X		X	
Jeffrey S. Wilks		X		
2020 Number of Meetings*	5	5	6	6

* Includes telephonic meetings.

Audit Committee

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 NASDAQ. The Board of Directors has also determined that Mr. Edelstein, Ms. Schultz and Ms. Steans meet the SEC criteria of an "Audit Committee Financial Expert." The Committee 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. 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 Committee reviews the qualifications of and recommends to the Board candidates for election as directors of Valley, considers the composition of the Board, and recommends committee assignments. The Nominating Committee also reviews and as appropriate approves all related party transactions in accordance with our Related Party Transaction Policy. The Nominating Committee is responsible for approving and recommending to the Board our 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;
- Criteria for the annual self-assessment of the Board, and its effectiveness; and
- Responsibilities of the Independent Lead Director.

The Nominating Committee reviews recommendations from shareholders regarding corporate governance and director candidates and also oversees our ESG Council and ESG programs.

Compensation and Human Resources Committee

The Compensation 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 the 2016 Long-Term Stock Incentive Plan and makes awards pursuant to that plan.

In January 2021, in undertaking its responsibilities, the Compensation Committee received from the CEO recommendations (except those that relate to his compensation) for salary, cash bonus, and equity awards for NEOs and other executive officers. After considering the possible payments and discussing the recommendations with the CEO, reviewing data provided by its compensation consultant, in February 2021, the Compensation Committee approved the compensation of executive officers, other than the CEO. The Compensation Committee met in executive session with its compensation consultant and legal advisors without the CEO to decide on all elements of the CEO's compensation, including salary, cash bonus and equity awards.

For stock awards to employees other than executives, a block of shares is allocated by the Compensation Committee. The individual awards are then allocated by the CEO and his executive staff to these non-executive officers and employees. Under authority delegated by the Compensation Committee, during the year, our CEO is authorized, within certain numerical limits, to make stock awards in specific circumstances including the following: special incentive awards for non-officers, retention awards, awards to new employees and grants on completion of advanced degrees.

Stock awards not specifically approved in advance by the Compensation Committee, but awarded under the authority delegated, are reported to the Compensation Committee at its next meeting at which time the Compensation Committee ratifies the action taken.

Risk Committee

The Risk Committee is responsible for:

- Assisting our Board with oversight of the Company's enterprise-wide risk management framework, including policies and practices established by management to identify, assess, measure and manage key risks facing the Company across all of the Company's eight risk categories: strategic, compliance, operational, reputation, legal, credit, market, and liquidity risk;
- Discussing with management the enterprise's risk appetite and tolerance, and at least annually recommend to the full Board the statement of risk appetite and tolerance to be communicated throughout the Company;
- Reviewing and approving annually the credit review plans and policies, and any significant changes to such plans, as appropriate;
- Reviewing and recommending to the Board the Company's liquidity risk tolerance at least annually, taking into account the Company's capital structure, risk profile, complexity, activities and size. Senior management reports to the Risk Committee regarding the Company's liquidity risk profile and liquidity risk tolerance at least quarterly; and
- Overseeing the Company's cybersecurity risk profile, top cybersecurity risks, enterprise cybersecurity program, customer privacy and key enterprise cybersecurity initiatives.

The Risk Committee includes Peter V. Maio, who has significant information security expertise. The Risk Committee oversees the assessment of cybersecurity risks associated with our vendors and our own system, including conducting phishing training exercises.

Compensation Consultants

In 2020, the Committee engaged Fredric 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 as well as director 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 and Risk Management

The Chief Risk Officer evaluated all incentive-based compensation for employees of the Company and reported to the Compensation 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 compensation or incentives for Valley employees were considered as encouraging undue or unwarranted risk. The Compensation Committee accepted the Chief Risk Officer's report.

Committee Charters

The Audit Committee, Nominating Committee and Compensation 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.valley.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 may 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 a shareholder of the Company who meets the eligibility and notice requirements set forth in our By-laws.

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 2022 annual meeting, the notice must be received by our Corporate Secretary at our Wayne, New Jersey office no later than December 20, 2021 nor earlier than November 20, 2021. If the 2022 annual meeting is called for a date that is not within 30 days before or after the anniversary date of our 2021 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 2022 annual meeting must be received by our Corporate Secretary at our Wayne, New Jersey office no earlier than October 9, 2021 and no later than November 8, 2021. If the 2022 annual meeting is called for a date that is not within 30 days before or after the anniversary date of our 2021 annual meeting date, notice will be timely if it is received by the Corporate 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 is age 65, 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;
- A majority of the Board members must maintain their principal residences in the states in which the Bank has branch offices or within 100 miles from the Bank's principal office;
- Except with the approval of the Nominating Committee for good cause shown, 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 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
- To the extent it is convenient, it is expected that the Bank will be utilized by the Board member for his or her personal and business affiliations.

Shareholder Recommendations for Director Candidates. The Nominating Committee has adopted a policy regarding director candidates recommended by shareholders. The Nominating 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 earlier than 180 days and no later 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 Committee must own at least 1% of Valley's outstanding common stock. In addition, the Nominating 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 2022, we must receive this notice on or after September 9, 2021 and on or before October 9, 2021.

The following factors, are considered by the Nominating Committee 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;
- Whether the candidate would be considered a financial expert or financially literate as described in SEC and NASDAQ rules;
- Whether the candidate would be considered independent under NASDAQ rules;
- 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.

As discussed above under "Item 1—Election of Directors—Director Information—Board Selection" diversity is one of the factors that the Nominating Committee considers in identifying nominees for director. The Nominating 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.valley.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.valley.com/charters.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Andrew B. Abramson, Eric P. Edelstein, Marc J. Lenner, Suresh L. Sani and Jennifer W. Steans. None of the members of the Compensation Committee, or their affiliates have engaged in transactions or relationships required to be reported under the compensation committee interlock rules promulgated by the Securities and Exchange Commission.

Certain Transactions with Management

Our related party transactions in which Valley or any of its subsidiaries is a participant and in which an executive officer, director or an immediate family member or 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. We require our directors and executive officers to complete a questionnaire, annually, to provide information specific to related party transactions. Insiders may use Valley's services or may provide services to Valley, as 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, 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 products or services, these transactions are subject to the related party transaction policy. Under the related party transaction policy, transactions are referred for review and approval to the Nominating Committee. 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.

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 2020, 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 2020, Valley and its borrowers made payments totaling approximately $187,146 for legal services to a law firm in which director Graham O. Jones is the sole equity partner. The fees represented 18% of the firm's gross revenues.

  Of the fees paid by Valley and its borrowers to Jones & Jones, $160,220 were for loan review services and approximately $26,926 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 over 100 law firms for loan closings and collection efforts. Jones & Jones' fees are comparable.

- 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 lease payments are made to a limited partnership from which Mr. Wilks' spouse benefits. The limited partnership is part of a much larger entity from which Mr. Wilks' wife also benefits. Valley's lease payments in 2019 represented less than 1/2 of 1% of the annual gross revenue of the larger organization.

- Valley has always welcomed as new employees qualified relatives of our current employees. Currently, a number of our employees have relatives who also work for Valley. Valley employs the brother of Joseph Chillura, an executive officer of Valley, who in 2020 earned a salary of $250,000 plus a discretionary bonus.

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 by certain deadlines. During 2020, Joseph Chillura filed a late Form 4 due to administrative error.

We believe all our other directors and executive officers complied with their Section 16(a) reporting requirements in 2020.

Compensation of Directors

The total 2020 compensation of our non-employee directors is shown in the following table. Each of these compensation components is described in detail below.

Name	Fees Earned or Paid in Cash	Stock Awards[2]	Change in Pension Value and Non-Qualified Deferred Compensation Earnings[3]	All Other Compensation[4]	Total
Andrew B. Abramson[1]	$173,500	$60,000	$35,035	$2,368	$270,903
Peter J. Baum	109,250	60,000	3,785	2,368	175,403
Eric P. Edelstein[1]	123,500	60,000	14,998	2,368	200,886
Graham O. Jones	96,750	60,000	10,426	2,368	169,544
Marc J. Lenner[1]	111,500	60,000	12,751	2,368	186,619
Kevin J. Lynch	91,500	60,000	—	2,368	153,868
Peter V. Maio	90,000	60,000	—	2,368	152,368
Suresh L. Sani[1]	115,500	60,000	12,667	2,368	190,535
Lisa J. Schultz	102,750	60,000	—	2,368	165,118
Jennifer W. Steans	104,375	60,000	—	2,368	166,743
Jeffrey S. Wilks	108,500	60,000	3,998	2,368	174,866
Dr. Sidney S. Williams, Jr.[5]	19,500	0		0	19,500

(1) Independent Lead Director or Committee Chairman (see Committees of the Board of Directors; Board of Directors Meetings on page 23 in this Proxy Statement).

(2) Each non-employee director received a $60,000 restricted stock unit award ("RSUs") as part of their annual retainer, granted on the date of the annual shareholders' meeting. The number of RSUs was determined using the closing market price on the date prior to grant and 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.

(3) Represents the change in the present value of pension benefits for 2020 under the Directors Retirement Plan considering 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 retirement plan was frozen for purposes of benefit accrual in 2013. The increase in the present value of the accumulated benefits as of December 31, 2020 is attributable to the decrease in the discount rate from 3.30% to 2.52%.

(4) This column reflects the deferred cash dividends earned in 2020 on the restricted stock that is part of the director's annual retainer, granted on the date of the annual shareholders' meeting.

(5) Dr. Williams joined the Board in October 2020.

Annual Board Retainer

Non-employee directors received an annual cash retainer of $50,000 per year, paid quarterly, plus an equity award of $60,000.

Board Meeting Fees

Non-employee directors also receive a Board meeting fee of $2,000 for each meeting of the Bank and Bancorp combined attended in person, by video conference or conference call. This year the Board also had two strategic planning meetings, each of which stretched over two days for which each director received $1,500 in total.

Board Committee Fees and Committee Chair Retainer

Each of the Chairs of the Audit Committee, Compensation Committee and Risk Committee receives an annual retainer of $20,000. The Chair of the Nominating Committee receives an annual retainer of $12,500. Due to its increasing workload, including the new ESG oversight, the Board voted in January 2021 to increase the retainer for the Nominating Committee Chair to $20,000, as is paid to other Committee Chairs, starting after the 2021 Annual Meeting. The Independent Lead Director receives an annual retainer of $50,000. These retainers are to recognize the extensive time that is devoted to serve as Committee Chair or Independent Lead Director and to attend to committee matters, including meetings with management, auditors, attorneys and consultants and preparing committee agendas.

All non-management directors are paid $1,500 for attending each meeting of the Audit Committee, Compensation Committee, Nominating Committee and Risk Committee.

The Company and the Bank also have a number of committees in addition to Audit, Compensation, Nominating and Risk. These additional committees generally deal with oversight of various operating matters. These committee chairs receive a retainer of $12,500. There is an attendance fee of $1,500 for each committee meeting.

Director Equity Awards

Our 2016 Long-Term Stock Incentive Plan (the "2016 Plan") provides for our non-employee directors to be eligible recipients of equity awards limited to not more than $300,000 annually per director. The 2016 Plan was approved by our shareholders. In January 2021, the Board approved the 2021 Incentive Compensation Plan (the "2021 Plan") which will replace the 2016 Plan, subject to shareholder approval. The 2021 Plan will be voted on by our shareholders at this Annual Meeting. The 2021 Plan contains an annual overall limit of $500,000 on the total value of equity awards plus annual cash fees paid to our non-employee directors.

After our 2020 Annual Meeting, each non-management director received a $60,000 RSU award as part of their annual retainer. The RSUs were granted on the date of the Annual Meeting, with the number of RSUs determined using the closing market price on the date prior to grant. The RSUs vest on the earlier of the next annual meeting or the first anniversary of the grant date, with acceleration upon a change in control, death or disability, retirement (age 65 with 5 years of service) 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 through December 31, 2013, multiplied by 5%, multiplied by the final annual retainer paid to directors as of December 31, 2013 ($40,000). 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 and directors first elected after 2013 do not participate.

STOCK OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

Directors and Executive Officers

The following table contains information about the beneficial ownership of our common stock at February 1, 2021 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. The information is obtained partly from each director and by each NEO and partly from Valley.

Name of Beneficial Owner	Number of Shares Beneficially Owned[1]	Percent of Class[2]
Directors and Named Executive Officers:		
Andrew B. Abramson	279,210[3]	0.07%
Robert J. Bardusch	41,914	0.01
Peter J. Baum	58,530[4]	0.01
Eric P. Edelstein	73,218	0.02
Michael D. Hagedorn	6,974	—
Thomas A. Iadanza	136,666	0.03
Ronald H. Janis	76,776[5]	0.02
Graham O. Jones	796,522[6]	0.20
Marc J. Lenner	246,968[7]	0.06
Kevin J. Lynch	1,084,544[8]	0.27
Peter V. Maio	20,000[9]	—
Ira Robbins	219,969[10]	0.05
Suresh L. Sani	73,181[11]	0.02
Lisa J. Schultz	27,775	0.01
Jennifer W. Steans	4,405,739[12]	1.09
Jeffrey S. Wilks	435,338[13]	0.11
Dr. Sidney S. Williams, Jr.	135	—
Directors and Executive Officers as a group (22 persons)	8,825,806[14]	2.18

(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. The total includes unvested restricted stock but not unvested restricted stock units.

(2) For purposes of calculating these percentages, there were 404,632,724 shares of our common stock outstanding as of February 1, 2021. 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 within 60 days.

(3) This total includes 16,742 shares held by Mr. Abramson's wife, 14,001 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, 10,401 shares held in a self-directed IRA, and 2,636 shares in a self-directed IRA held by his wife. 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 17,205 shares held by Mr. Janis' wife.

(6) This total includes 7,124 shares owned by trusts for the benefit of Mr. Jones' children of which his wife is co-trustee.

(7) This total includes 24,547 shares held in a retirement pension, 675 shares held by Mr. Lenner's wife, 34,596 shares held by his children, 122,150 shares held by a trust of which Mr. Lenner is 50% co-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 24,522 shares held by a charitable foundation.

(8) This total includes 67,218 shares held jointly with Mr. Lynch's wife and 1,017,326* shares purchasable pursuant to stock options exercisable within 60 days.

(9) Mr. Maio purchased 20,000 shares shortly after his election to the Board on January 28, 2020.

(10) This total includes 2,000 shares held by Mr. Robbins' wife and 343 shares held in trusts for the benefit of Mr. Robbins' nieces.

(11) This total includes 5,705 shares held in Mr. Sani's Keogh Plan, 5,705 shares held in trusts for the benefit of his children, 44,390 shares held in pension trusts of which Mr. Sani is co-trustee.

(12) This total includes 729,700 shares held by Ms. Steans' spouse, 211,468 shares held by her spouse in a trust, 868,890 shares held in a family trust of which Ms. Steans is a trustee, 1,176,374 shares held by a partnership of which Ms. Steans is one of three partners and 55,000 shares held in her IRA. Ms. Steans has 85,742 shares in her own name. The remaining 4,319,997 shares are pledged as security for loans.

(13) 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 in estate created trusts for which Mr. Wilks and his wife are trustees and under which Mr. Wilks' wife is a beneficiary. Mr. Wilks disclaims beneficial ownership of shares held by the estate created trusts.

(14) This total includes 842,347 shares owned by 5 executive officers who are not directors or named executive officers. The total does not include shares held by the Bank's trust department in fiduciary capacity for third parties.

Principal Shareholders

The following table contains information about the beneficial ownership at December 31, 2020 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 10055	52,166,868	12.9%
The Vanguard Group[3] 100 Vanguard Blvd., Malvern, PA 19355	36,978,631	9.1%
Dimensional Fund Advisors LP[4] Building One 6300 Bee Cave Road Austin, Texas, 78746	23,118,768	5.7%

(1) For purposes of calculating these percentages, there were 404,632,724 shares of our common stock outstanding as of February 1, 2021.

(2) Based on a Schedule 13G/A Information Statement filed January 26, 2021 by BlackRock, Inc. The Schedule 13G/A discloses that BlackRock has sole voting power as to 51,505,663 shares and sole dispositive power as to 52,166,868 shares, and shared voting power and shared dispositive power as to 0 shares.

(3) Based on a Schedule 13G/A Information Statement filed February 10, 2021 by The Vanguard Group. The Schedule 13G/A discloses that The Vanguard Group has sole voting power as to 0 shares, shared voting power as to 391,053 shares, sole dispositive power as to 36,240,176 shares, and shared dispositive power as to 738,455 shares.

(4) Based on a Schedule 13G Information Statement filed February 16, 2021 by Dimensional Fund Advisors LP. The Schedule 13G discloses that Dimensional Fund Advisors LP has sole voting power as to 22,636,960 shares, sole dispositive power as to 23,118,768 shares and shared voting and shared dispositive powers as to 0 shares.

ITEM 2: ADVISORY VOTE ON OUR NAMED EXECUTIVE OFFICER COMPENSATION

Valley's shareholders are entitled to vote at the Annual Meeting to approve the compensation of our NEOs, as disclosed in this proxy statement, commonly referred to as a "say-on-pay vote." We currently hold an annual say-on-pay vote.

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 section of this Proxy Statement describes the Company's executive compensation program and the decisions made by the Compensation Committee in 2020 and early 2021.

The Company seeks shareholder approval of the compensation of the Company's NEOs 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 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 NEOs. In 2020, over 97% of the shares voted on "say-on-pay" proposal voted in favor of the Company's executive compensation program.

The Valley Board unanimously recommends a vote "FOR" the non-binding approval of the compensation of the named executive officers as disclosed pursuant to the SEC's Compensation Disclosure Rules (including the Compensation Discussion and Analysis, Compensation Tables and Related Narrative Discussion).

COMPENSATION DISCUSSION AND ANALYSIS

This CD&A describes our executive compensation program for the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executive officers who were serving as executive officers at fiscal year-end (collectively, our "NEOs"). The Compensation Committee oversees all aspects of NEO compensation. The 2020 NEOs are:

Ira Robbins **Michael D. Hagedorn** **Thomas A. Iadanza** **Ronald H. Janis** **Robert J. Bardusch**

Summary of our Compensation Program

We believe that Valley's executive compensation should be structured to balance the expectations of our shareholders, our other stakeholders and our executives. We have adopted a compensation philosophy that seeks to achieve this balance by taking into consideration the following factors:

- *Pay is substantially aligned with performance*: We assess our performance and strive to hold our NEOs, and, in particular, our CEO, Ira Robbins, accountable. In 2020, we successfully achieved many of the quantitative and qualitative goals that were set by the Board and Mr. Robbins despite the challenges faced by Valley and the banking industry due to the COVID-19 pandemic. The Compensation Committee did not adjust our NEOs' 2020 performance targets or modify any outstanding equity awards as a result of the effects of COVID-19. As explained below, in a change from prior years, in February 2020 we set the framework for our incentive compensation to be 50% based upon Company financial goals and 25% to be based upon the accomplishment of other Company strategic goals (the other 25% to be based on key individual performance goals) and did not adjust these goals after the pandemic erupted.
- *We benchmark our compensation package against our peer group*: We inform our compensation decisions by measuring our practices against bank holding companies that are similar in size and complexity to Valley. In particular, our performance based restricted stock unit awards vest in substantial part based on how the total return from our shares performed against the KBW Regional Bank Index (KBW Index), a leading bank stock index of 50 banks.
- *Balanced compensation structure*: We employ a mixture of short-term and long-term financial rewards to our executives. The following table summarizes the key components of our compensation program for our NEOs and the purpose of each component:

SALARY	NON-EQUITY INCENTIVE AWARDS	TIME VESTED EQUITY AWARDS	PERFORMANCE EQUITY AWARDS
Key features: Certain cash payment based on position, responsibilities and experience.	**Key features:** Certain cash payment based on position, responsibilities and experience.	**Key features:** Equity incentives earned based on performance and vested over time.	**Key features:** Equity incentives earned based upon performance and vested based on meeting performance targets.
Purpose: Offers a stable source of income.	**Purpose:** Intended to motivate and reward executives for short-term financial achievements.	**Purpose:** Intended to create alignment with shareholders and promote retention.	**Purpose:** Intended to focus on achievement of company performance objectives, relative TSR and growth in tangible book value (as defined below).

Our Compensation Program

In February 2020, we repositioned our executive compensation program to put a greater emphasis on Valley's financial and strategic performance as opposed to the individual performances of our executives. The Compensation Committee believes that this strategy more effectively aligns our executive compensation with the creation of value for our shareholders.

The Compensation Committee set the framework for our incentive compensation for 2020 to be 50% based upon Company financial goals, 25% based upon the accomplishment of Company strategic goals, and the other 25% to be based on key individual performance goals. At the Compensation Committee's January and February 2021 meetings, the Compensation Committee engaged in a rigorous review of the Company's 2020 financial performance, the Company's strategic performance and each NEOs individual performance against specified goals set in February 2020. These objectives reflect Valley's commitment to driving

shareholder value through unwavering service to our clients, our employees and our community. The Compensation Committee measured each NEO's performance against both Valley's performance and each NEO's individual objectives, while considering internal performance metrics and peer group comparisons.

2020 Financial Performance

As outlined above, the Compensation Committee's incentive compensation decisions are weighted 50% based on Valley's financial performance in 2020. This reflects the Compensation Committee's belief that our executives should generally be rewarded in proportion to Valley's recent financial performance. The most important financial metrics considered by the Compensation Committee were net revenue and after-tax earnings. In 2020, Valley achieved record net revenue of $1.3 billion and record after tax earnings of $391 million. Book value per common share and tangible book value per common share increased by 5 percent and 8 percent to $10.85 and $7.25, respectively, in 2020 compared to 2019. Other metrics that the Compensation Committee considered in making its incentive compensation decisions included:

- An increase of total deposits in 2020 to $31.9 billion, a 9 percent increase;
- Strong growth in non-interest bearing and low-cost transaction accounts;
- Growth in total loans of 8 percent to $32.2 billion compared to 2019;
- The ratio of non-accrual loans to total loans of 0.58% at December 31, 2020 despite the adverse effect of the COVID-19 pandemic;
- An increase in our net interest margin from 2.95% in 2019 to 3.03% in 2020; and
- A 49.6 percent efficiency ratio in 2020, which was an improvement of 7.2 percent on an absolute basis from 56.8 percent in 2019.

2020 Performance Against Strategic Goals

In addition to short term financial performance, the Compensation Committee looked at Valley's attainment of specific strategic goals in setting executive compensation. The attainment of these strategic goals is designed to position Valley for long-term growth and generation of shareholder value. The Compensation Committee believes that the strategic targets developed and implemented by our CEO and other NEOs are crucial to the achievement of Valley's long-term financial objectives. Valley's compensation program is aligned with these long-term goals through our use of equity compensation, in particular our performance based equity awards. In 2020, Valley's strategic objectives were:

- Maintain Valley's ability to create positive operating leverage while delivering an industry-leading efficiency ratio;
- Drive fee diversification and revenue growth by being a trusted partner and offering a broad array of financial services;
- Deliver consistent loan and deposit growth by leveraging our strong market position; and
- Build an enduring culture by enabling inclusion, empowerment, collaboration and innovation.

The Compensation Committee believes that the attainment of each of these objectives will result in long-term success for our franchise and our stakeholders.

Individual Goals

Lastly, the Compensation Committee evaluates each NEO's individual goals. For our CEO, these goals were set by the Board at the beginning of 2020. These included:

- Development of the foundation for Valley's relevancy going forward;
- Ensuring the execution of technology initiatives;
- Developing the foundation and strategy for revenue diversification;
- Evaluating acquisition and expansion opportunities; and
- Overseeing leadership succession and strengthening Valley's talent base.

Mr. Robbins, our CEO, developed goals with each of the other NEOs that are complementary to the Company's financial performance and strategic goals. The performance by each NEO against these goals were analyzed by our CEO and presented to the Compensation Committee with the CEO's compensation recommendations.

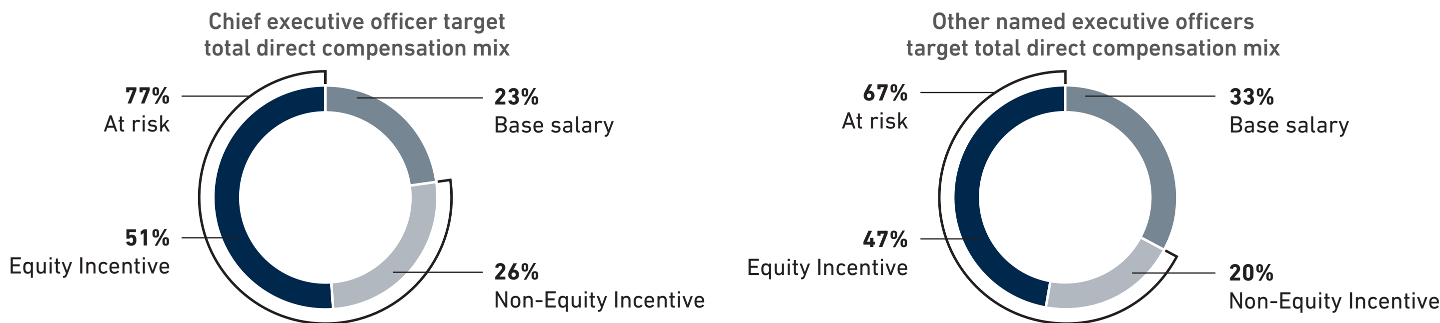
Compensation Objectives

Our compensation program is designed to support our primary strategic objectives to drive sustainable growth, diversify income, reduce our operating costs and create scalable efficiency. The program is intended to attract, motivate and retain our executives, who are critical to the long-term success of our franchise, our shareholders and our other stakeholders. As outlined above, the three core principles which we believe will lead to a successful compensation program include:

- Pay for Performance—the majority of the compensation of our NEOs is variable and "at risk" and tied to measurable financial and strategic goals that are designed to create long-term franchise value
- Balanced compensation structure—we believe that the use of the appropriate mix of short-term, long-term and other compensation strongly aligns our executive pay with the interests of our shareholders and allows us to attract, motivate and retain our top executives.
- Benchmarking against our peer group—the Compensation Committee assesses the competitiveness of our NEO compensation against our peers. Our performance based restricted stock unit awards vest in substantial part based on how the total return from our shares performed against the KBW Index

A substantial portion of our NEO compensation is variable. This is intended to both incentivize our executives and align pay with performance to the benefit of our shareholders.

The charts shown below illustrate the total compensation mix (using the 2020 year-end actual compensation for Mr. Robbins and the average compensation of the other NEOs):



As these charts demonstrate, a substantial amount of our NEOs' total direct compensation is variable, at-risk and performance based. The largest component of total direct compensation for our NEOs is long-term incentives, as the Compensation Committee wants to encourage significant focus on long-term growth and shareholder value.

Compensation Principles and Policies

What we do:

- ✓ *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:* For a period of 6 years after the date of the award, the Compensation Committee may (i) cancel unvested equity awards if there is a material restatement of our financial statements, or material misconduct by the executive which harms the Company financially, and (ii) recoup vested equity awards and previously paid cash awards in the event of intentional fraud or intentional misconduct by the executive.
- ✓ *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. Officers may not sell any shares which they are awarded as compensation (other than shares withheld for taxes) until they meet our stock ownership requirements. The table below shows the minimum holdings required of each NEO. Shares held by spouse and minor children are counted against the requirement, as well as unvested time vesting restricted stock units.

NEO Minimum Stock Ownership Requirements

Title	Minimum Dollar Value of Required Common Stock Ownership
CEO	5 times base salary
Senior EVP	3 times base salary

What we don't do:

- ✗ *No Excise Tax Gross ups:* We do not offer any excise tax gross ups for any executive change in control arrangements.
- ✗ *No Single Trigger Change in Control Payments or Equity Vesting:* Our change in control agreements and equity grant agreements (after 2019) provide that if there is a change in control, executive officers are not entitled to severance or accelerated vesting unless he or she is terminated from employment following the change in control, or resigns for good reason.
- ✗ *No Hedging or Pledging:* We 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. Executive officers, with the approval of the Nominating Committee, may continue to pledge shares which were pledged when they became executive officers.
- ✗ *No Excessive Risk Taking:* We design our equity compensation plans in a manner that we believe does not encourage or foster excessive risk taking but instead aligns our NEOs financial interests with those of our shareholders.

2020 Say-on-Pay Vote

At the 2020 Annual Meeting of Shareholders, approximately 97% of the votes cast were in favor of the advisory vote to approve executive compensation. We believe that our recent "say-on-pay" 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 favorably reflected our continuing outreach program to our large institutional shareholders and the changes that we made to our compensation program as a result of those conversations.

Our Compensation Process

Our Compensation Committee sets the compensation of our CEO and all our NEOs, as well as all executive officers. We met 6 times during 2020 and early 2021 to discuss NEO compensation for 2020 and target compensation in 2021. At Compensation Committee meetings, the Compensation Committee holds executive sessions at which our independent compensation consultant is present and provides advice.

The Compensation Committee has the authority to directly retain the services of independent compensation consultants and other experts to assist in fulfilling its responsibilities. The Compensation Committee engaged the services of FW Cook, a national executive compensation consulting firm, to review and provide recommendations concerning all the components of the Company's executive compensation program. FW Cook performs services solely on behalf of the Compensation Committee and has no relationship with the Company or management except as it may relate to performing such services. FW Cook assists the Compensation Committee in defining Valley's peer companies for executive compensation and practices and in benchmarking our executive compensation program against the peer group. FW Cook also assists the Compensation Committee with all aspects of

the design of our executive and director compensation programs. The Compensation Committee assessed the independence of FW Cook and concluded that no conflict of interest exists that prevents FW Cook from independently representing the Compensation Committee.

Mr. Robbins, our CEO, and some of our other NEOs attended portions of the meetings. Mr. Robbins presented and discussed with the Compensation Committee his recommendations for compensation for the NEOs and the executive team without the other NEOs present. Mr. Robbins neither made a recommendation to the Compensation Committee about his own compensation nor was he present when his compensation was discussed or set by the Compensation Committee. The Compensation Committee sets executive compensation with only Compensation Committee members and consultants present, after presentations by the CEO.

The Compensation Committee uses a balanced approach in making compensation-related decisions. The important factors the Compensation Committee considered this year include:

- Management's focus on the Company's earnings enhancement and expense reduction program;
- The attainment of our strategic goals designed to position the Company for long-term financial success;
- Management's reaction to the COVID-19 pandemic including the steps taken to assist our employees, customers and the communities in which we operate;
- Our percentile rank in TSR relative to our peer companies and tangible book value growth;
- Maintaining Valley's strong commitment to credit quality; and
- Recruiting, developing and engaging talent to deliver on Valley's goals as well as plan for succession.

2020 Compensation Design

In determining our NEO's 2020 compensation package, the Compensation Committee utilized a combination of base salary, equity awards and non-equity awards as detailed below.

Elements of Compensation

- *Salary.* Salaries were determined by an evaluation of individual NEO responsibilities, compensation history, as well as a comparison to the salaries of our peers.
- *Non-Equity Incentive Awards.* We awarded non-equity cash compensation based in substantial part on the 2020 financial results of Valley.
- *Time Vested Equity Awards.* We awarded time vested restricted stock unit awards which vest pro rata on an annual basis over a three-year period.
- *Performance Equity Awards.* We awarded performance-based awards. Consistent with prior years, awards granted in 2021 vest based on the Company's adjusted Growth in Tangible Book Value and relative TSR performance against the KBW Index measured over a three-year performance period.

For each NEO, we set target equity and non-equity awards in February 2020 based on a percentage of the executive's base salary. The actual awards were determined based on each NEO's performance and the attainment of Company financial and strategic goals as well as individual goals.

Non-Equity Incentive Awards

The Compensation Committee set the following target non-equity incentive awards calculated as a percentage of such executive's base salary as follows:

Title	Percentage
CEO	100% of base salary
Other NEOs	45% to 50% of base salary

Equity Awards

The following table summarizes the overall design and mix of our annual long-term equity incentives granted in 2021:

Form of Award	Percentage of Total Target Equity Award Value	Purpose	Performance Measured	Earned and Vesting Periods
Time Vested Award	25%	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	45%	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	30%	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 against the KBW Index.

The percentage mixes described in the chart above are based on the dollar value of the awards granted. In 2020, all equity awards were in the form of restricted stock units ("RSUs"). The dollar value is translated into a number of units using the closing price of our common stock the day before the effective date of the grant.

Time Vested Awards. 25% of the aggregate dollar value of their target annual equity awards granted in 2021 was in the form of time-based restricted stock unit awards. Once granted, the awards vest based solely on continued service with the Company, with one third vesting on each February 1st thereafter.

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 Compensation 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 and shareholder value creation of a commercial bank. The adjustment for dividends allows the Compensation 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 units and the 2016 Stock Plan (and, subject to approval by the shareholders of Valley, the 2021 Incentive Compensation Plan), the Compensation Committee has the authority to adjust the calculation of the Growth in Tangible Book Value for certain items that are one time in nature. The Compensation Committee uses this authority to avoid either penalizing or rewarding executives for certain decisions which may adversely or positively affect the Company's short-term results. The Growth in Tangible Book Value Performance Awards are earned based on average annual Growth in Tangible Book Value during the years 2021 through 2023. Earned Growth in Tangible Book Value Performance Awards vest on February 1 after the end of the 3-year performance period following Compensation Committee certification of performance results. The number of shares that can be earned may range from 0% to 200% of the target, depending on performance (with linear interpolation between performance levels) as follows:

Average Annual Growth in Tangible Book Value 2021-2023	Percentage of Target Shares Earned
Below 10.50%	None
10.50% (Threshold)	50%
12.50% (Target)	100%
15.125% or higher (Maximum)	200%

In 2020, the Compensation Committee determined to raise each Threshold, Target and Maximum goal in order to align these goals with the Company's current improved financial performance. Accordingly, the Threshold was raised to 10.75% from 10.35%, the Target was raised to 12.50% from 12.0%, and the Maximum was raised to 15.125% from 14.75%.

In January and February 2021, the Compensation Committee determined to reduce the Threshold goal slightly from 10.75%, which was the Threshold in the 2019 awards to 10.50% for the 2020 award. It also increased the maximum percentage of target shares earned from 175% to 200%. The Compensation Committee believes that the adjustments were appropriate because earnings momentum for commercial banks have been slowed due to the compressed net interest margin caused by record low interest rates and other adverse economic factors. This change is in line with increases to targets in past years when earnings momentum was improving for banks. The Compensation Committee also noted the increased difficulty faced in increasing tangible book value on a percentage basis as Valley is successful in increasing the absolute tangible book value. Based upon these factors the Compensation Committee believed it was appropriate to make a modest reduction in the Threshold and provide an increase in the Maximum payout which was recently increased to 15.125% from 14.75% for 2019 awards.

Growth in Tangible Book Value Performance Awards are settled in common stock with any dividend equivalents accrued during the performance period paid in cash.

Growth in Tangible Book Value Payout For 2018-2020 Cycle. The table below shows how the performance-based equity awards based on Growth in Tangible Book Value granted in 2018 vested based upon the Company's performance during 2018-2020. For these awards, the Threshold was 10.35%, the Target was 12% and the Maximum was 13.65%. The 2018 awards vested in January 2021 at Maximum performance (150% payout) due to achievement of three-year Growth in Tangible Book Value of 14.03%

Growth in Tangible Book Value

Grant Date	GITBV Performance in 2018	GITBV Performance in 2019	GITBV Performance in 2020	Cumulative Performance Measured to Year End 2020
1/28/2018	13.83%	14.93%	13.32%	14.03%

Relative TSR Performance Awards. 30% of the aggregate dollar value of the target annual equity awards granted for 2021 was in the form of RSUs to be earned based on the Company's relative TSR for the 3-year performance period from January 2021 through December 2023 against the KBW Index (a TSR Performance Award). The KBW Index is used as a broad indicator of Valley's relative market performance. Earned TSR Performance Awards vest at the end of the 3-year performance period and will be settled on February 1 following the end of the three-year performance period. The number of shares that may be earned ranges from 0% to 200% 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%
87.5th percentile of peer group (Maximum)	200%

At its January 2020 meeting, the Compensation Committee made the determination to increase the Maximum performance level from the 75th percentile to the 87.5th percentile to further motivate outperformance and the creation of shareholder value, with a corresponding increase to the Maximum payout from 150% to 175% of the target number of shares. The maximum payout was further increased to 200% at the February 2021 meeting in recognition of the increase in TSR performance that the Company would have to achieve to qualify for the Maximum performance level.

If 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 are settled in common stock with any dividend equivalents accrued during the performance period paid in cash.

TSR Payout For 2018-2020 Cycle. The Company's cumulative TSR was negative 13.23% for the three-year period ended December 31, 2020. The percentile rank against Valley's peer group was 72.91% for that time period. Accordingly, the 2018 TSR Performance Awards vested at 100% level. Although the percentile rank of 72.91% would have resulted in the 2018 Awards vesting at above Target level, the 2018 Awards were limited to Target due to the negative TSR performance on an absolute basis

NEO Performance

Ira Robbins

The Compensation Committee assigned significant weight to the Company's financial performance in assessing Mr. Robbins' compensation awards. In particular, the Company met its earning goals despite a challenging year due to the COVID-19 pandemic. The Compensation Committee also noted excellent financial results achieved by the Company discussed briefly above on page 35 under "2020 Financial Performance."

Mr. Robbins was viewed as having exceeded his individual goals and materially contributed to the Company's substantial achievement of its strategic goals. In particular, the Compensation Committee considered Mr. Robbins' leadership and his efforts to fundamentally transform the Company into a more competitive institution.

The Compensation Committee credited Mr. Robbins for the successful development of the Company strategic plan and his diligence in ensuring that the plan is successfully deployed. The Compensation Committee noted the following key results in 2020 toward meeting the Company's strategic goals:

- Improved the Company's SWAP program;
- Invested in sources of non-interest income;
- Enhanced the Company's payments strategy;
- Elevated the Company's human capital strategy including developing its leadership and diversity programs;
- Reduced operating expenses through facilities management, technology enhancements and talent management; and
- Continued focus on ESG issues, which the Compensation Committee believes will serve the long-term interests of the Company's shareholders.

The Committee believes that the Company substantially improved its financial performance in 2020 under Mr. Robbins' leadership. The Company continued to grow tangible book value and maintain high credit quality while improving its efficiency ratio and implementing many new strategic initiatives. The Company's outstanding efforts in making $2.3 billion in PPP loans to over 13,000 small businesses during the first two rounds of the PPP Program, as well as his efforts to provide support to the Company's employees, customers and communities in light of the pandemic also were weighted heavily in the Company's compensation decisions for Mr. Robbins.

Michael D. Hagedorn

Mr. Hagedorn joined the Company as CFO in July 2019. Since joining the Company, Mr. Hagedorn improved the quality of the Company's financial reporting and improved investor outreach and board insight regarding its institutional investors. Mr. Hagedorn was primarily responsible for the Company's revenue diversification strategies and established our loan and deposit pricing guidelines. Mr. Hagedorn re-assessed the Company's treasury function including regulatory issues, alternative funding sources, and liquidity strategy.

Thomas A. Iadanza

The Compensation Committee believes that Mr. Iadanza was substantially responsible for the Company's organic loan growth in 2020 (net of PPP loan originations). His team exceeded or met most of its financial goals including net income, loan origination and growth and non-interest income. Mr. Iadanza furthered the Company's retail branch transformation and reduced our retail customer acquisition costs. Mr. Iadanza led the Company's efforts to cross-sell its products and services and increase its business banking customer base.

Ronald H. Janis

As General Counsel, Mr. Janis is responsible for oversight of the Company's compliance with federal and state laws and regulations. Mr. Janis and his legal team successfully controlled the Company's legal budget through lower litigation and transactional expenses, including a focus on the use of technology to create greater efficiencies. Mr. Janis helped spearhead the Company's ESG strategy, an area of increasing focus of the Company. Mr. Janis assisted the Board with corporate governance issues as well as with managing the relationship with the Company's Fintech partners. Mr. Janis and his team also developed strategies intended to reduce the Company's litigation exposure.

Robert J. Bardusch

Mr. Bardusch was primarily responsible for developing and implementing the Company's technology roadmap and associated operational enhancements. Mr. Bardusch also led the Company's efforts to improve our customer experience and, importantly, assist with the Company's efficiency through numerous projects. Mr. Bardusch was tasked with establishing a technology marketing strategy and improving data analytics to improve the Company's marketing capacity. The Compensation Committee believes that Mr. Bardusch's efforts to develop the roadmap have been outstanding although the implementation of certain initiatives lagged original projections. Mr. Bardusch has overseen the implementation of multiple employee engagement initiatives and enhanced employee mobility and collaboration platforms, especially in light of the additional employees working remotely due to the COVID-19 pandemic.

Key Compensation Decisions and Actions

Summary

The Compensation Committee increased Mr. Robbins' total direct compensation by $800,000 ($4,350,000 in 2020 vs. $3,550,000 in 2019), or approximately 22.5%, from last year. Mr. Robbins also earned $350,000, or approximately 8.8%, more than his target

total direct compensation of $4,000,000. More specifically, the Compensation Committee made the following compensation determinations with respect to Mr. Robbins:

- Increased his non-equity incentive award to $1,150,000 for 2020 from $1,000,000 in 2019 (or 115% of target in 2020); and
- Increased his total equity award to $2,200,000 from $1,650,000 for 2019 (or 110% of target in 2020).

The Compensation Committee believes that the compensation determination that it made reflects the Company's financial performance in 2020. The increase in Mr. Robbins' compensation was due to (i) the Company's overall financial performance especially in light of the COVID-19 pandemic, (ii) the Company's improvement in its three-year TSR in 2020, (iii) the positive strategic transformation the Company made in 2020 and continues to make, (iv) the outstanding leadership Mr. Robbins demonstrated in Valley's participation in the PPP lending program and response to the COVID-19 pandemic, (v) the Company's response to ESG issues and continued development of a comprehensive ESG program, and (vi) Mr. Robbins' 2019 compensation was significantly below the peer group median.

Mr. Hagedorn earned $1,727,500 in 2020 total direct compensation, consisting of $590,000 in base salary, a $340,000 non-equity incentive award, and a total equity award of $797,500. The total direct compensation paid for 2020 represents a 20% increase from 2019 and a 7.3% increase over target compensation. Mr. Hagedorn joined the Company in 2019 and has implemented several new initiates and efficiencies as CFO.

Mr. Iadanza earned $1,880,000 in 2020 total direct compensation, consisting of $600,000 in base salary, a $400,000 non-equity incentive award, and a total equity award of $880,000. The total direct compensation paid for 2020 represents a 1.6% increase from 2019 and an 8.7% increase over target compensation. In particular, Mr. Iadanza's non-equity award was 121% of target and his equity award was 110% of target. Mr. Iadanza's compensation reflects his excellent overall performance, in particular his key role in growing the Company's loans and deposits and implementing the Company's PPP loan program in 2020.

Mr. Janis' total direct compensation was $1,485,000, an increase of 2.6% from 2019 and in line with his 2020 target direct compensation.

Mr. Bardusch's total direct compensation was $1,396,000, an increase of 11% from 2019 and 6.4% higher than his 2020 target direct compensation.

Salaries

Reflecting the difficult and uncertain macroeconomic circumstances facing our Company and the banking industry in general, none of our NEOs received an increase in base salary in 2021.

Non-Equity Incentive Awards

The non-equity incentive award for Mr. Robbins was $1,150,000. This compares to his $1,000,000 2019 award and his $1,000,000 target 2020 award. The Compensation Committee recognized Mr. Robbins' extraordinary contribution to the Company's success in 2020 by awarding him 115% of his 2020 non-equity award target.

Mr. Iadanza's non-equity award was 121% of his 2020 target. Mr. Hagedorn was awarded a $340,000 non-equity award, or 115% of 2020 target. Mr. Janis and Mr. Bardusch were awarded non-equity awards at 105% and 110% of target respectively.

The following table shows the non-equity incentive awards for each NEO as well as the amount of the actual awards relative to target awards.

Non-Equity Incentive Awards

NEO	2019 Base Salary	2020 Target Non-Equity Award Amount	2020 Non-Equity Incentive Award Amount	2020 Target Non-Equity Award as % of Base Salary	2020 Non-Equity Incentive Award as % of Target
Ira Robbins	$1,000,000	$1,000,000	$1,150,000	100%	115%
Michael D. Hagedorn	590,000	295,000	340,000	50	115
Thomas A. Iadanza	600,000	330,000	400,000	55	121
Ronald H. Janis	515,000	257,500	270,000	50	105
Robert J. Bardusch	475,000	237,500	261,000	50	110

Equity Incentive Awards

The table below shows the total equity awards for each NEO relative to target as well as the amount of the actual awards relative to target awards.

NEO	2020 Target Equity Incentive Award	Actual Equity Incentive Award for 2020	2020 Equity Incentive Award as a % of Target
Ira Robbins	$2,000,000	$2,200,000	110%
Michael D. Hagedorn	725,000	797,500	110
Thomas A. Iadanza	800,000	880,000	110
Ronald H. Janis	700,000	700,000	100
Robert J. Bardusch	600,000	660,000	110

The following table shows the time-based equity awards in both share amounts and dollar value.

NEO	Time Based Equity Awards	Value at Grant Date
Ira Robbins	46,809	$550,000
Michael D. Hagedorn	16,968	199,375
Thomas A. Iadanza	18,723	220,000
Ronald H. Janis	14,894	175,000
Robert J. Bardusch	14,043	165,000

The following table shows the performance-based equity awards issued to our NEOs and the grant date fair value of each award. Of these awards, 60% are subject to vesting based on the attainment of Growth in Tangible Book Value and the remaining 40% are based on relative TSR.

	Performance Based Equity Awards at Target			Performance Based Equity Awards at Maximum		
Named Executive Officer	Based on TSR	Based on Growth in TBV	Total	Based on TSR	Based on Growth in TBV	Total
Ira Robbins	$660,000	$990,000	$1,650,000	$1,320,000	$1,980,000	$3,300,000
Michael D. Hagedorn	239,250	358,875	598,125	478,500	717,750	1,196,250
Thomas A. Iadanza	264,000	396,000	660,000	528,000	792,000	1,320,000
Ronald H. Janis	210,000	315,000	525,000	420,000	630,000	1,050,000
Robert J. Bardusch	198,000	297,000	495,000	396,000	594,000	990,000

Other Compensation

As of January 1, 2017, we established a deferred compensation plan for our NEOs and other selected executives. The deferral plan is intended to provide a retirement savings program for earnings above the limits of the qualified 401(k) Plan. The deferral plan has a similar employer match to the 401(k) Plan. Under the deferral plan, if for the calendar year the executive contributes the maximum to the 401(k) Plan, he or she may elect to defer up to 5% of his or her salary and bonus above the 401(k) limits and the Company will match the executive's deferral amount up to the 5% limit. The deferral plan is described in more detail in "2018 Nonqualified Deferred Compensation—Deferral Compensation Plan".

We also provide perquisites to senior officers. We offer them either a taxable monthly allowance or the use of a company-owned automobile. 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 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 Compensation Committee determined that new executives will receive a taxable car stipend, not use of a company owned car, and this may be applied to existing executives as their cars come up for replacement.

We also support and encourage our customer facing executives 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 executives to interact with present and prospective customers in a relaxed, informal environment. We require that any personal use of the country club facilities be paid by the NEO. The club membership dues are included as perquisites in our Summary Compensation Table in accordance with SEC guidance.

We also provide severance agreements and change in control agreements to our NEOs. The severance agreements provide benefits to our NEOs in the form of lump sum cash payments if they are terminated by Valley without cause. The terms of these agreements are described more fully in this Proxy Statement under "Other Potential Post-Employment Payments." The change in control agreements provide for "double trigger" cash payments in the event of a change of control of Valley. These benefits provide the NEOs with 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.

Effective for 2019 and thereafter, the Compensation Committee, based upon a recommendation from FW Cook, adopted a new program for our executive officers, including our NEOs, regarding change in control benefits. Under this new program, change in control benefits are as follows:

- For the CEO, three times the sum of salary plus highest cash bonus in the last three years; and
- For the other NEOs, two times (reduced from three times) the sum of salary plus highest cash bonus in the last three years.

In 2019, Messrs. Iadanza and Janis entered into new agreements to reduce their change in control benefits under the new program. Due to the nature of their existing agreements, the new agreements do not go into effect until January 1, 2023. Mr. Bardusch entered into a new agreement as his benefits were increased under the new program. Mr. Hagedorn entered into an agreement upon his appointment to Senior Executive Vice President and CFO.

Also, in connection with the new program, commencing in 2019 all equity awards provide for accelerated vesting only upon a "double trigger"; i.e., a change in control followed by a qualifying termination of employment.

A more detailed explanation of these and other matters are set forth in this Proxy Statement under "Other Potential Post-Employment Payments" on page 50.

Our Peer Group

In setting compensation for our executives, we compared total compensation, each compensation element, and Valley's financial performance to a peer group. For purposes of determining 2020 compensation, our peer group consisted of 19 bank holding companies, each with assets within a reasonable range above and below Valley's asset size. The Compensation Committee believes that this peer group is an appropriate group for comparison because they are, on average, similar in size and complexity to Valley.

Appendix A, on page A-1 lists all financial institutions in the peer group. The peer group consists of companies with assets between $23.0 billion and $73.9 billion and market capitalization between $2.1 billion and $7.2 billion.

The Compensation 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 Compensation Committee refers to this peer group information when setting our CEO compensation and that of our other NEOs and generally targets CEO and NEO total compensation at levels that are at the median of our peer group.

Income Tax Considerations

Section 162(m) of the Internal Revenue Code disallows a tax deduction to a public corporation for compensation over $1,000,000 paid in any fiscal year to a company's current of former chief executive officer, chief financial officer or other named executive officers.

The Compensation Committee has and expects in the future to authorize compensation in excess of $1,000,000 to named executive officers that will not be deductible under Section 162(m).

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.

Suresh L. Sani, Committee Chairman
Andrew B. Abramson
Eric P. Edelstein
Marc J. Lenner
Jennifer W. Steans

Summary Compensation Table

The following table summarizes all compensation in 2020, 2019 and 2018 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
Ira Robbins	2020	$1,000,000	$2,285,938	$1,150,000	$165,153	$277,957	$4,879,048
President and CEO	2019	900,000	1,669,676	1,000,000	175,882	221,493	3,967,051
	2018	850,000	1,468,505	660,000	—	206,414	3,184,919
Michael D. Hagedorn	2020	590,000	828,657	340,000	—	55,167	1,813,824
Senior EVP and CFO	2019	590,000	733,648	125,000	—	131,401	1,580,049
Thomas A. Iadanza	2020	600,000	914,375	400,000	—	132,079	2,046,454
Senior EVP and Chief Banking Officer	2019	600,000	930,965	330,000	—	107,958	1,968,923
	2018	600,000	783,198	325,000	—	106,251	1,814,449
Ronald H. Janis	2020	515,000	727,340	270,000	—	83,564	1,595,904
Senior EVP and General Counsel	2019	515,000	708,340	231,750	—	66,104	1,521,194
	2018	515,000	685,306	206,000	—	90,006	1,496,312
Robert J. Bardusch	2020	475,000	685,781	261,000	—	73,820	1,495,601
Senior EVP and Chief Operating Officer	2019	475,000	807,155	182,000	—	48,908	1,513,063
	2018	450,000	538,447	150,000	—	44,170	1,182,617

(1) Stock awards reported in 2020 reflect the grant date fair value of the restricted stock unit 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 2020 results. The grant date fair value of time based restricted stock unit awards reported in this column for each of our NEOs was as follows: Mr. Robbins, $550,000; Mr. Hagedorn, $199,375; Mr. Iadanza, $220,000; Mr. Janis, $175,000 and Mr. Bardusch $165,000. Restrictions on time based restricted stock unit awards lapse at the rate of 33% per year. The grant date fair value of performance based restricted stock units reported in this column for each of our NEOs is the target value. 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 on February 1st 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 FV	Maximum Value at Grant Date
Ira Robbins	$1,735,938	$3,471,891
Michael D. Hagedorn	629,282	1,258,552
Thomas A. Iadanza	694,375	1,388,747
Ronald H. Janis	552,340	1,104,692
Robert J. Bardusch	520,781	1,041,573

(2) For 2020, represents the non-equity incentive award paid in cash in 2021 based on 2020 performance.

(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. The increase in the present value of the accumulated benefits as of December 31, 2020 is attributable to the decrease in the discount rate from 3.30% to 2.52%.

(4) All other compensation includes perquisites and other personal benefits paid in 2020 including automobile, actual dividends paid on vested restricted stock and restricted stock units, 401(k) contribution payments, 401(k) SERP contribution payments by Valley (including interest earned) and group term life insurance and club dues (see table below).

Name	Auto[1]	Actual Dividends Paid In 2020[2]	401(k)[3]	DCP[4]	GTL[5]	Club Dues	Other	Total
Ira Robbins	$11,966	$108,140	$14,250	$98,435	$1,710	$38,796	$ 4,660	$277,957
Michael D. Hagedorn	14,400	3,942	10,212	23,773	1,490		1,350	55,167
Thomas A. Iadanza	17,947	48,228	14,250	38,924	7,524		5,206	132,079
Ronald H. Janis	18,820	7,128	14,250	28,237	5,129	—	10,000	83,564
Robert J. Bardusch	3,704	28,128	14,250	21,387	2,193		4,158	73,820

(1) Auto represents the cost to the Company of the portion of personal use of a company-owned vehicle by the NEO and parking (if applicable), during 2020.

(2) Dividends paid on time and performance based restricted stock units vesting in 2020.

(3) After one year of employment, the Company provides to all full time employees in the plan, including our NEOs, up to 100% of the first 4% of pay contributed and 50% of the next 2% of pay contributed. An employee must save at least 6% to get the full match (5%) under the 401(k) Plan.

(4) Effective January 1, 2017, Valley established the Valley National Bancorp Deferred Compensation Plan for the benefit of certain eligible employees, see "Deferred Compensation Plan" under the "2018 Nonqualified Deferred Compensation" below. If the NEO utilizes the 401(k) to the maximum, for amounts over the maximum compensation amount allowed under the 401(k), the NEO may elect to defer 5% of the excess and the Company will match that deferral compensation.

(5) 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.

Grants of Plan-Based Awards

The following table represents the potential non-equity incentive awards of the NEOs for 2020 and grants of equity awards to the NEOs for 2020 performance made under the 2016 Stock Plan.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Possible Payouts Under Equity Incentive Plan Awards (#)(1)				
Name	**Grant Date**	**Target**	**Maximum**	**Threshold**	**Target**	**Maximum**	**All Other Stock Awards: Number of Shares of Stock (#)(1)**	**Grant Date Fair Value of Stock Awards(2)**
Ira Robbins	2/16/2021	$1,000,000	$2,000,000	70,213	140,426	280,852		$1,735,938
	2/16/2021						46,809	550,000
Michael D. Hagedorn	2/16/2021	295,000	590,000	25,452	50,904	101,808		629,282
	2/16/2021						16,968	199,375
Thomas A. Iadanza	2/16/2021	330,000	660,000	28,085	56,170	112,340		694,375
	2/16/2021						18,723	220,000
Ronald H. Janis	2/16/2021	257,500	515,000	22,341	44,681	89,362		552,340
	2/16/2021						14,894	175,000
Robert J. Bardusch	2/16/2021	237,500	475,000	21,064	42,128	84,256		520,781
	2/16/2021						14,043	165,000

(1) The Compensation Committee set target awards for 2020 as follows: Mr. Robbins as CEO 100% of salary; Messrs. Hagedorn, Janis, Bardusch 50% of salary; and Mr. Iadanza 55% of salary. Awards were paid based upon achievement of company and individual goals. See "Compensation Discussion and Analysis." The Compensation Committee awarded each NEO the cash amount reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for 2020. The Compensation Committee also granted each NEO an award of time-based restricted stock units under the 2016 Stock Plan (reported above under "All Other Stock Awards: Number of Shares of Stock"). The Compensation Committee also made grants to the NEOs under the 2016 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 units 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 on February 1st following the completion of the three-year performance period. Restrictions on time based restricted stock unit 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 the 2016 Stock 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, unless otherwise provided in the grant agreement. Changes were made to grants issued in 2019 and thereafter to implement "double trigger" vesting. As a result, vesting is no longer automatic upon a change in control. See below "2019 Action to Reduce Certain Change in Control and Retirement Benefits."

The per share grant date fair values under ASC Topic 718 of each share of time based restricted stock unit and performance based restricted stock units (with no market condition vesting requirement) was $11.75 per share awarded on 2/16/2021. Performance based restricted stock units with market condition vesting requirements (i.e., TSR) awarded on 2/16/2021 had a $13.28 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, 2020 (including February 16, 2021 awards which were based on 2020 performance).

		Stock Awards[1]			
Name	Grant 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[2]
Ira Robbins	2/16/2021	46,809	$ 456,388	280,852	$2,738,307
	2/11/2020	38,124	371,709	200,151	1,951,472
	2/12/2019	23,970	233,708	177,973	1,735,237
	2/1/2018	11,005	107,299	99,642	971,510
Total awards		119,908	$1,169,104	758,618	$7,396,526
Michael D. Hagedorn	2/16/2021	16,968	$ 165,438	101,808	$ 992,628
	2/11/2020	16,751	163,322	87,945	857,464
	8/1/2019	17,922	174,740		
Total awards		51,641	$ 503,500	189,753	$1,850,092
Thomas A. Iadanza	2/16/2021	18,723	$ 182,549	112,340	$1,095,315
	2/11/2020	21,257	207,256	111,599	1,088,090
	2/12/2019	12,784	124,644	94,918	925,451
	2/1/2018	5,967	58,178	53,700	523,575
Total awards		58,731	$ 572,627	372,557	$3,632,431
Ronald H. Janis	2/16/2021	14,894	$ 145,217	89,362	$ 871,280
	2/11/2020	16,174	157,697	84,912	827,892
	2/12/2019	11,186	109,064	83,055	809,786
	2/1/2018	5,304	51,714	47,733	465,397
Total awards		47,558	$ 463,692	305,062	$2,974,355
Robert J. Bardusch	2/16/2021	14,043	$ 136,919	84,256	$ 821,496
	2/11/2020	13,863	135,164	91,267	889,853
	2/12/2019	8,789	85,693	65,256	636,246
	2/1/2018	3,182	31,025	29,832	290,862
Total awards		39,877	$ 388,801	270,611	$2,638,457

(1) Restrictions on time based restricted stock and restricted stock unit 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 year after of the date of grant.

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 2/1/2018 award, 2/12/2019 award, 2/11/2020 award and 2/16/2021 award.

(2) At per share closing market price of $9.75 as of December 31, 2020.

2020 Stock Vested

The following table shows the restricted stock and restricted stock units held by our NEOs that vested in 2020, as well as performance-based awards which vested in early 2021 based on the three-year performance period ended December 31, 2020, and the value realized upon vesting. None of our NEOs exercised any options in 2020.

	Stock Awards	
Name	**Number of Shares Acquired Upon Vesting (#)**	**Value Realized on Vesting ($)[*]**
Ira Robbins	121,709	$1,334,849
Michael D. Hagedorn	8,960	66,931
Thomas A. Iadanza	64,830	711,078
Ronald H. Janis	54,652	599,644
Robert J. Bardusch	36,842	404,039

* The value realized on vesting of restricted stock/units represents the aggregate dollar amount realized upon vesting by multiplying the number of shares of restricted stock/units that vested by the fair market value of the underlying shares on the vesting date. Included above is the vesting of the final portion of the performance-based awards granted on 2/1/2018 for Mr. Robbins (91,339 shares), Mr. Iadanza (49,225 shares), Mr. Janis (43,756 shares) and Mr. Bardusch (27,346 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, 2020. 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/units.

2020 Pension Benefits

Pension Plan

Valley maintains a non-contributory, defined benefit pension plan (the "Pension Plan") which was frozen effective January 1, 2014. The annual retirement benefit under the Pension Plan generally 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 up to the annual compensation limit under the law, (iii) multiplied by the years of credited service (up to a maximum of 35 years). An employee's "average final compensation" is the employee's highest consecutive five-year average of the employee's annual salary. Employees hired on or after July 1, 2011, including Mr. Iadanza, Mr. Janis, Mr. Bardusch and Mr. Hagedorn, 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.

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, which was frozen effective January 1, 2014. Benefits are generally determined as follows: (i) the benefit calculated under Valley pension plan formula 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. Mr. Robbins is a participant in the BEP. Executives hired on or after July 1, 2011 including Mr. Iadanza, Mr. Janis, Mr. Bardusch and Mr. Hagedorn, are not participants 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, 2020.

Name	**Plan Name**	**# of Years Credited Service**	**Present Value of Accumulated Benefits ($)**
Ira Robbins	VNB Pension Plan	17	$629,780
	VNB BEP	17	260,437

Present values of the accumulated benefits under the BEP and Pension Plan were determined as of January 1, 2021 based upon the accrued benefits under each plan as of December 31, 2020 and valued in accordance with the following principal actuarial assumptions: (i) post-retirement mortality in accordance with the Pre-2012 White Collar Tables, rolled back to 2006, projected

generationally with Scale MP-2019, (ii) interest at an annual effective rate of 2.52% 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, 2021) 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 60% of male participants will elect a joint and two-thirds survivor annuity and 40% will elect a straight life annuity.

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 vested service at the benefit commencement date equals or exceeds 80.

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 70½.

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 $14,250 in 2020.

2020 Nonqualified Deferred Compensation

Deferred Compensation Plan

Valley established the Valley National Bancorp Deferred Compensation Plan (the "Plan") for the benefit of certain eligible employees in 2017. 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 on the amount of compensation which can be taken into account under the 401(k) 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 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, it is expected the Company will match 100% of a participant's deferral contributions under the Plan that do not exceed five percent (5%) of the participant's salary and bonus. A Participant vests in the Company Matching Contribution after two years of participation in the Plan.

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 the 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.

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 of all applicable employment and income tax withholdings. The benefit will be paid to the participant in a single lump sum within six months 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.

The following table shows each NEO's deferred compensation plan activity during 2020 and in the aggregate:

Name	NEO Contribution in 2020	Valley's Contribution in 2020*	Aggregate Earnings in 2020*	Aggregate Withdrawals/ Distributions	Aggregate Balance at 12/31/2020
Ira Robbins	$86,712	$86,712	$11,724	—	$477,761
Michael D. Hagedorn	22,635	22,635	1,139	—	46,408
Thomas A. Iadanza	33,404	33,404	5,520	—	224,965
Ronald H. Janis	24,078	24,078	4,159	—	169,505
Robert J. Bardusch	19,513	19,513	1,874	—	76,356

* Included in the Summary Compensation Table above, under "All Other Compensation" for 2020.

Other Potential Post-Employment Payments

Valley and the Bank are parties to severance and change in control arrangements with Messrs. Robbins, Hagedorn, Iadanza, Janis and Bardusch. The following discussion describes the agreements currently in place with each of our named executive officers.

Based upon a recommendation from FW Cook concerning current practices, the Compensation Committee endorsed a new program to bring consistency to change in control agreements for executives of the Company. The impact of the new program was to reduce potential benefits for many of the Company's executives.

Under the new program, change in control severance benefits for executives are as follows:

- Chief Executive Officer (CEO): Three times (3x) (i) salary, and (ii) highest cash bonus in the last three (3) years.
- Senior Executive Vice Presidents (SEVP): Two times (2x) (i) salary, and (ii) highest cash bonus in the last three (3) years.
- Executive Vice Presidents (EVP): Two times (2x) salary, plus a pro-rata bonus for year of termination.
- Under all agreements the executive also receives a lump sum payment equal to the salary multiplier (3x or 2x) multiplied by his or her COBRA premium minus his or her required employee contribution.

Internal Revenue Code 280G imposes a 20% excise tax on an individual receiving "excess parachute payments" and disallows a deduction for the company paying excess parachute payments above a base level. To deal with tax issues, the change in control agreements provide for "net best" tax treatment. Under this treatment the executive's severance benefits are cut back to eliminate any excess parachute payments unless the executive would end up with more after-tax income by paying the 20% excise tax. In the latter case, severance benefits are not cut back but the executive pays the 20% excise tax in addition to all federal and state income taxes.

Previously, severance benefits under change in control agreements were inconsistent based upon title and included a life insurance benefit that has been eliminated.

Under this new program, in 2019 Mr. Robbins, Mr. Iadanza and Mr. Janis entered into agreements to reduce their benefits by replacing existing change in control agreements with new agreements effective January 1, 2023. The delayed effective date for the reduced benefits was caused by the rolling three-year term in the existing agreements.

Mr. Bardusch entered into a change in control agreement with benefits under the new plan for SEVPs, effective January 2019. Mr. Hagedorn was provided with a change in control agreement in 2019 upon his appointment as CFO with the terms for a SEVP. The change in control agreements contain the same terms as the Company's prior change in control agreements with the exception of the new program terms described above. Messrs. Robbins, Iadanza and Janis also have severance agreements.

As an additional part of the Compensation Committee's new program, equity awards granted in 2019 and thereafter require a double trigger to vest upon a change in control. Under the new program, the award agreements provide there will not be an acceleration of vesting upon a change in control; equity awards will accelerate only if within two years after a change in control, the employee dies or there is a qualifying termination. A qualifying termination is (i) a termination without cause or, (ii) or a resignation for good reason under a change in control agreement or the change in control severance plan.

Furthermore, vesting of equity on a qualified retirement was reduced. Starting with awards granted in 2019, upon a qualified retirement, equity awards outstanding less than one year will vest pro rata based upon the number of full months that the award was outstanding divided by twelve. Awards outstanding more than one year will vest in full on retirement. Prior to 2019, awards vested in full on a qualified retirement.

The description of benefits below describes the agreements that were in effect at December 31, 2020, as do the amounts set forth in the tables below.

Severance Agreement Provisions

The severance agreements of Messrs. Robbins, Iadanza, and Janis, provide, 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). Under Mr. Janis' severance agreement, his equity awards would also vest as if he retired.

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.

Under the severance agreements with Messrs. Robbins, Iadanza and Janis, we provide these officers 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 officer 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 officers, 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 officer 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.

Change in Control ("CIC") Agreement Provisions

Each NEO is a party to a CIC Agreement. For Mr. Bardusch and Mr. Hagedorn, the economic terms of those agreements are described above. With respect to Messrs. Robbins, Iadanza and Janis if the officer 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. 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. Payments under the CIC Agreements are triggered by the specified termination events following a "change in control." The events defined in the agreements as a change in control are:

- Outsider stock accumulation. If we learn 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, or in the case of Mr. Janis, outside of 10 miles of his New York office;
- 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

Valley has adopted a policy prohibiting tax "gross-up" payments. None of our executive officers are entitled to receive tax gross-up payments under their agreements. Mr. Robbins, Mr. Hagedorn, Mr. Iadanza, and Mr. Bardusch have a net best provision in their change in control agreements whereby they would be entitled to the greater after-tax benefit of either: (i) their full change in control payments and benefits less any 280G excise tax, the payment of which would be their responsibility, or (ii) their change in control payments and benefits cut back to the amount that would not result in 280G excise tax. Mr. Janis has a cut back provision which would bring his total 280G parachute payments to the Section 280G limit.

Pension Plan Payments

The present value of the benefits to be paid to Mr. Robbins following termination of employment over his estimated lifetime is set forth in the table below. Mr. Robbins receives three years additional service under the BEP upon termination without cause or resignation for good reason occurring during their change in control contract period. Present values of the BEP and Pension Plan were determined as of January 1, 2020 based on RP-2014 White Collar Tables projected generationally with Scale MP-2015, and interest at an annual effective rate of 4.30% compounded annually for the pension plan and the BEP.

Equity Award Acceleration

In the event of a 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 event of a change in control if the NEO within two years thereafter resigns for good reason or is terminated without cause, the equity awards will vest (for performance based restricted stock units, all restrictions will lapse with respect to the target amount of shares). In the case of retirement (as defined), all restrictions will lapse on outstanding time-based restricted stock and stock unit awards, and performance based restricted stock unit awards will remain outstanding and vest in accordance with the original vesting schedule based on actual performance. However, with respect to awards granted in 2019 and thereafter, in the event of retirement awards outstanding for less than one year will only vest pro rata based on the number of months the award was outstanding divided by 12. For awards made under the 2016 Long-Term Stock Incentive Plan 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 unless otherwise provided.

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, 2020, 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, 2020. 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.

Executive Benefits and Payments Upon Termination	Death	Dismissal for Cause	Retirement or Resignation	Dismissal Without Cause	Dismissal without Cause or Resignation for Good Reason (Following a Change in Control)
Ira Robbins					
Amounts payable in full on indicated date of termination:					
Severance—Salary component	$ —	$ —	$ —	$1,800,000	$2,700,000
Severance—Non-equity incentive	—	—	—	1,000,000	3,000,000
Restricted stock awards	712,709	—	—	—	712,709
Performance restricted stock unit awards[1]	2,166,782	—	—	—	2,166,782
Deferred compensation	477,761	477,761	477,761	477,761	477,761
Welfare benefits lump sum payment	73,476	—	—	73,476	75,268
Automobile & club dues[2]	—	—	—	—	151,739
"Parachute Penalty" tax gross-up	N/A	N/A	N/A	N/A	N/A
Sub Total	3,430,728	477,761	477,761	3,351,237	9,284,259
Present value of annuities commencing on indicated date of termination:					
Benefit equalization plan	—	—	—	—	167,010
Pension plan	507,687	507,687	507,687	507,687	507,687
Total	$3,938,415	$985,448	$985,448	$3,858,924	$9,958,956
Michael D. Hagedorn					
Amounts payable in full on indicated date of termination:					
Severance—Salary component[4]	$ —	$ —	$ —	$ 56,731	$1,120,417
Severance—Non-equity incentive	—	—	—	—	250,000
Restricted stock awards	338,055	—	—	—	338,055
Performance restricted stock unit awards[1]	489,977	—	—	—	489,977
Deferred compensation[3]	23,204	23,204	23,204	23,204	46,408
Welfare benefits lump sum payment	—	—	—	2,701	34,563
Automobile & club dues[2]	—	—	—	—	43,045
"Parachute Penalty" tax gross-up	N/A	N/A	N/A	N/A	N/A
Sub Total	851,236	23,204	23,204	82,636	2,322,465
Present value of annuities commencing on indicated date of termination:					
Benefit equalization plan	N/A	N/A	N/A	N/A	N/A
Pension plan	N/A	N/A	N/A	N/A	N/A
Total	$ 851,236	$ 23,204	$ 23,204	$ 82,636	$2,322,465
Thomas A. Iadanza					
Amounts payable in full on indicated date of termination:					
Severance—Salary component	$ —	$ —	$ —	$1,200,000	$1,800,000
Severance—Non-equity incentive	—	—	—	330,000	990,000
Restricted stock awards	390,068	—	237,218	—	390,068
Performance restricted stock unit awards[1]	1,182,646	—	—	—	1,182,646
Deferred compensation	224,965	224,965	224,965	224,965	224,965
Welfare benefits lump sum payment	60,335	—	—	60,335	60,596
Automobile & club dues[2]	—	—	—	—	53,647
"Parachute Penalty" tax gross-up	N/A	N/A	N/A	N/A	N/A
Sub Total	$1,858,014	$224,965	$462,183	$1,815,300	$4,701,922

Executive Benefits and Payments Upon Termination	Death	Dismissal for Cause	Retirement or Resignation	Dismissal Without Cause	Dismissal without Cause or Resignation for Good Reason (Following a Change in Control)
Present value of annuities commencing on indicated date of termination:					
Benefit equalization plan	N/A	N/A	N/A	N/A	N/A
Pension plan	N/A	N/A	N/A	N/A	N/A
Total	$1,858,014	$224,965	$462,183	$1,815,300	$4,701,922
Ronald H. Janis					
Amounts payable in full on indicated date of termination:					
Severance—Salary component[5]	$ —	$ —	$ —	$1,030,000	$ 345,620
Severance—Non-equity incentive	—	—	—	231,750	750,000
Restricted stock awards	318,471	—	—	—	318,471
Performance restricted stock unit awards[1]	963,856	—	—	—	963,856
Deferred compensation	169,505	169,505	169,505	169,505	169,505
Welfare benefits lump sum payment	51,982	—	—	51,982	53,913
Automobile & club dues[2]	—	—	—	—	56,257
"Parachute Penalty" Tax gross-up	N/A	N/A	N/A	N/A	N/A
Sub Total	1,503,814	169,505	169,505	1,483,237	2,657,622
Present value of annuities commencing on indicated date of termination:					
Benefit equalization plan	N/A	N/A	N/A	N/A	N/A
Pension plan	N/A	N/A	N/A	N/A	N/A
Total	$1,503,814	$169,505	$169,505	$1,483,237	$2,657,622
Robert J. Bardusch					
Amounts payable in full on indicated date of termination:					
Severance—Salary component	$ —	$ —	$ —	$ 127,885	$ 950,000
Severance—Non-equity incentive	—	—	—	—	364,000
Restricted stock awards	251,882	—	—	—	251,882
Performance restricted stock unit awards[1]	971,324	—	—	—	971,324
Deferred compensation	76,356	76,356	76,356	76,356	76,356
Welfare benefits lump sum payment	—	—	—	3,027	38,479
Automobile & club dues[2]	—	—	—	—	11,073
"Parachute Penalty" tax gross-up	N/A	N/A	N/A	N/A	N/A
Sub Total	$1,299,562	$ 76,356	$ 76,356	$ 207,268	$2,663,114
Present value of annuities commencing on indicated date of termination:					
Benefit equalization plan	N/A	N/A	N/A	N/A	N/A
Pension plan	N/A	N/A	N/A	N/A	N/A
Total	$1,299,562	$ 76,356	$ 76,356	$ 207,268	$2,663,114

(1) Upon death, dismissal without cause upon a change-in-control, or resignation for good reason upon a change-in-control, unearned performance restricted stock awards immediately vest at the target amount.

(2) Automobile and club dues include the present value of the continuation of the personal use of a company-owned vehicle by the NEO and driving services and parking (if applicable), and membership in a country club through the contract period following the change-in-control.

(3) In case of death, retirement or resignation, or dismissal w/o cause, Mr. Hagedorn would only receive the contributions he made under the company's deferred compensation plan. In the event of a change-in-control, the company contributions would vest immediately.

(4) Mr. Hagedorn payments will be "cut back" in the event that his reducing payments and benefits received upon a CIC as it was determined to be worth more on an after tax basis than receiving the benefits in full. In the table above, the "Severance—Salary Component" has been reduced by $59,583 to reduce Mr. Hagedorn's parachute payments to his 280G limit.

(5) Mr. Janis's payments will be "cut back" in the event that his parachute payments exceed his 280G limit. In the table above, the "Severance—Salary Component" has been reduced by $1,154,380 to reduce Mr. Janis's parachute payments to his 280G limit.

CEO Pay Ratio

Under SEC rules, we are required to disclose the pay ratio of our CEO to our median employee. The pay ratio disclosure below is a reasonable estimate calculated in a manner consistent with SEC rules and guidance.

Under SEC rules we may continue to use the same median employee for three years if we reasonably believe no change occurred that would significantly impact the pay ratio. Although there has been no change in our employee population or our employee compensation arrangements that we believe would significantly impact our pay ratio disclosure, the median employee we identified in 2019 left the Company's employ in early 2020. As a result, we selected a new median employee whose compensation was substantially similar to the original median employee based on the same compensation measure we used to select the original median employee.

We identified the median employee by examining the 2020 total W-2 compensation, including 401(k) deferrals, for all individuals, excluding our CEO, who were employed by us on October 30, 2020. We included all employees, whether employed on a full-time, part-time, temporary or seasonal basis as of that payroll date. We did not make any assumptions, adjustments or estimates with respect to such total W-2 reported compensation. We did not annualize the compensation for any full or part time employees that were not employed by us for all of 2020. We believe the use of total W-2 compensation, including 401(k) deferrals, for all employees is a consistently applied compensation measure that reasonable reflects the annual compensation of employees.

We calculated the annual total compensation for the median employee using the same methodology we used for the CEO, as set forth in the Summary Compensation Table.

The annual total compensation in 2020 for our median employee using this methodology was $63,627.

The annual total compensation in 2020 for our CEO using this methodology is shown in the Summary Compensation Table and was $4,879,048.

The ratio of the annual total compensation of our CEO to the annual total compensation of our median employee in 2020 was 77 to 1.

ITEM 3 – RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In accordance with its charter, the Audit Committee of the Board is directly responsible for the appointment of the independent registered public accounting firm retained to audit the Company's financial statements as well as monitoring the performance, qualifications and independence of that firm. The Audit Committee has appointed KPMG LLP (KPMG) as the independent registered public accounting firm for the Company in 2021. KPMG has served as the Company's independent registered public accounting firm continuously since 2008.

Before reappointing KPMG for 2021, the Audit Committee considered KPMG's qualifications as an independent registered public accounting firm. This included a review of KPMG's performance in prior years, its knowledge of the company and its operations, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee's review also included matters required to be considered under rules of the SEC on auditor independence, including the nature and extent of non-audit services, to ensure that the provision of such services will not impair the independence of the auditors. In addition, the Audit Committee interviews and approves the selection of KPMG's new lead engagement partner with each rotation.

The fees billed for services rendered to us by KPMG for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Audit fees	$2,340,000	$2,167,500
Audit-related fees[1]	335,000	500,000
Tax fees[2]	—	29,591
Total	$2,675,000	$2,697,091

(1) Fees paid for benefit plan audits, business combination, and a review of Form S-4 and Form S-8 registration statements and related expert consents.

(2) Includes fees rendered in connection with tax services relating to state and local matters.

The Audit Committee maintains a formal policy concerning the pre-approval of audit and non-audit services to be provided by its independent registered public 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 registered public 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 2020. 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.

The Audit Committee requests that shareholders ratify the appointment of KPMG LLP.

The Valley Board unanimously recommends a vote "FOR" ratification of the appointment of KPMG LLP as Valley's independent registered public accounting firm for 2021.

REPORT OF THE AUDIT COMMITTEE

February 26, 2021

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 2020. With respect to fiscal year 2020, 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 2020 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 2020.

Pursuant to Section 404 of the Sarbanes-Oxley Act, management is required to prepare as part of the Company's 2020 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 2020 Annual Report on Form 10-K, the auditors' attestation report on management's assessment.

During the course of 2020, 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 2020 Annual Report on Form 10-K.

Eric P. Edelstein, Chairman
Peter J. Baum
Peter V. Maio
Lisa J. Schultz
Jennifer W. Steans

ITEM 4: APPROVAL OF 2021 INCENTIVE COMPENSATION PLAN

INTRODUCTION

On January 26, 2021, upon recommendation of the Compensation Committee (the "Committee"), the Board approved the Valley National Bancorp 2021 Incentive Compensation Plan (the "Plan"), subject to shareholder approval at the 2021 Annual Meeting. The Plan will supersede the Valley National Bancorp 2016 Long-Term Stock Incentive Plan (the "2016 Plan"), which is the only plan under which equity-based compensation may currently be awarded to our officers, other employees and non-employee directors. Awards currently outstanding under the 2016 Plan will remain outstanding under the 2016 Plan in accordance with their terms.

We believe that the adoption of the Plan is necessary in order to allow us to continue to use equity awards, including performance awards. We believe that granting equity-based compensation to eligible officers, employees and non-employee directors is an effective means to promote the future growth and development of the Company. Equity awards, among other things, further align the interests of award recipients with Company shareholders and enable the Company to attract and retain qualified personnel.

If the plan is approved by our shareholders, the Plan will become effective on April 19, 2021 (the "Effective Date"), and no further awards will be made under the 2016 Plan. If our shareholders do not approve the Plan, the 2016 Plan will remain in effect in its current form, subject to its expiration date. However, there will be insufficient shares available under the 2016 Plan to make annual awards and to provide grants to new hires in the coming years. In this event, the Committee would be required to revise its compensation philosophy and formulate other cash-based programs to attract, retain, and compensate eligible officers, employees, non-employee directors and consultants/advisors.

NON-EMPLOYEE DIRECTOR COMPENSATION APPROVAL

The Plan is also being submitted to our shareholders for approval to place a limit on the total value of cash and equity compensation that may be paid or granted to our non-employee directors each fiscal year. The Plan provides that the maximum value of awards granted during a single fiscal year under the Plan, taken together with any cash fees paid during such fiscal year for services on the Board, will not exceed $500,000 in total value for any non-employee director. In setting such a limit, the Board considered the effectiveness and reasonableness of the equity and cash compensation that we offer to our non-employee directors, the current and future responsibilities of our non-employee directors, whether such a limit provides sufficient flexibility to adjust non-employee director compensation in the future if such changes are necessary to remain competitive with our peers and the recommendation of FW Cook, our compensation consultant. We believe that such a limit allows us to stay within reasonable bounds of what the market requires in a competitive environment for qualified directors, while also imposing meaningful limits on the amount of compensation that may be awarded to our non-employee directors.

PROPOSED SHARE RESERVE

A total of 9,000,000 shares of common stock are reserved for awards granted under the Plan. The Plan's reserve will be reduced by one (1) share for every one (1) share that is subject to an award granted under the 2016 Plan after December 31, 2020.

If any award granted under the Plan is forfeited, expires or otherwise does not result in the issuance of all or a portion of the shares subject to such award, or is settled for cash (in whole or in part), then the shares subject to such award, to the extent of such forfeiture, expiration, non-issuance or cash settlement, will be added back to the Plan's share reserve. In addition, with respect to any award granted under the Plan other than stock options or SARs, if any shares are tendered or withheld in satisfaction of tax withholding obligations, the tendered or withheld shares will likewise be added back to the Plan's reserve.

With respect to awards granted under the 2016 Plan, if after December 31, 2020, any such award is forfeited, expires or otherwise does not result in the issuance of all or a portion of the shares subject to such award, or is settled for cash (in whole or in part), then the shares subject to such award, to the extent of such forfeiture, expiration, non-issuance or cash settlement, will be added to the Plan's share reserve. In addition, with respect to any award granted under the 2016 Plan other than stock options or SARs, if any shares are tendered or withheld in satisfaction of tax withholding obligations arising after December 31, 2020, the tendered or withheld shares will likewise be added back to the Plan's reserve.

With respect to stock options and SARs granted under the Plan and the 2016 Plan, the following shares will not be added back to the share reserve under the Plan: (i) shares tendered or withheld in payment of the purchase price of an option, or any tax withholding obligation arising in connection with an option or SAR, (ii) shares subject to a SAR that are not issued in connection with its stock settlement on exercise, and (iii) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options.

No more than 4,500,000 shares of common stock may be issued in the aggregate in respect of incentive stock options under the Plan. On February 1, 2021, the closing sales price per share of our common stock as reported on the Nasdaq Stock Market was $10.35.

Impact on Dilution and Fully-diluted Overhang

Our Board recognizes the impact of dilution on our shareholders and has evaluated this share request carefully in the context of the need to motivate, retain and ensure that our leadership team and key employees are focused on our strategic priorities.

The total fully-diluted overhang as of December 31, 2020 was 3.7%. In this context, fully-diluted overhang is calculated as the sum of grants outstanding and shares available for future awards (numerator) divided by the sum of the numerator and basic common shares outstanding, with all data effective as of December 31, 2020.

Our Board believes that the increase in shares of common stock available for issuance represents a reasonable amount of potential equity dilution to accommodate our long-term strategic and growth priorities.

Expected Duration of the Share Reserve

We expect that the share reserve under the Plan, if this proposal is approved by our shareholders, will be sufficient for awards for approximately five years. Expectations regarding future share usage could be impacted by a number of factors such as award type mix; hiring and promotion activity at the executive level; the rate at which shares are returned to the Plan's reserve under permitted addbacks; the future performance of our stock price; the consequences of acquiring other companies; and other factors. While we believe that the assumptions we used are reasonable, future share usage may differ from current expectations.

GOVERNANCE HIGHLIGHTS

The Plan incorporates numerous governance best practices, including:

- No "liberal share recycling" of options or SARs.
- Dividends and dividend equivalent rights, if any, on all other awards will be subject to the same vesting requirements as the underlying award and will only be paid at the time those vesting requirements are satisfied.
- Minimum 100% fair market value at grant exercise price for options and SARs.
- No repricing of options or SARs and no cash buyout of underwater options and SARs without shareholder approval, except for equitable adjustments in connection with certain corporate transactions.
- No "liberal" Change in Control definition or automatic "single-trigger" Change in Control vesting.
- No "evergreen" share increases or automatic "reload" awards.

DATE OF PLAN EXPIRATION

The Plan will terminate on April 19, 2031, unless terminated earlier by the Board. Termination of the Plan shall not affect the terms or conditions of any award granted prior to termination.

SHARE USAGE

The following table provides information on the annual share usage rate for the past three fiscal years. This rate measures the potential dilutive effect of our annual equity awards. The annual share usage rate expresses the number of shares granted annually as equity awards relative to the total number of shares of common stock outstanding by dividing the number of shares granted during the year by the weighted average number of shares outstanding for that year.

	2020	2019	2018	3-Year Average
Stock Options/Stock Appreciation Rights (SARs) Granted	0	0	0	—
Stock-Settled Time-Vested Restricted Shares/Units Granted	1,288,207	881,181	1,263,144	—
Weighted-Average Basic Common Shares Outstanding	403,754,356	337,792,270	331,258,964	—
Share Usage Rate	0.47%	0.42%	0.54%	0.47%

OVERHANG AS OF DECEMBER 31, 2020

The following table sets forth certain information as of December 31, 2020, unless otherwise noted, with respect to the Company's existing equity compensation plans (including plans of acquired companies adopted by the Company in mergers):

Stock Options/SARs Outstanding	2,986,347
Weighted-Average Exercise Price of Outstanding Stock Options/SARs	$ 7.25
Weighted-Average Remaining Term of Outstanding Stock Options/SARs	1.2554 years
Total Stock-Settled Full-Value Awards Outstanding	3,642,360
Proposed share reserve under the 2021 Incentive Compensation Plan	9,000,000
Basic common shares outstanding as of the record date (February 22, 2021)	405,603,861

* The proposed share reserve is subject to reduction for any awards granted under the 2016 Plan after December 31, 2020. As of December 31, 2020, there were 3,006,832 shares available for future grant under the 2016 Plan. Upon shareholder approval of the 2021 Incentive Compensation Plan, no further awards will be made under the 2016 Plan.

DESCRIPTION OF PLAN

The following description is qualified in its entirety by reference to the Plan document, a copy of which is attached as Appendix B and incorporated into this Proxy Statement by reference.

Administration

The Plan is administered by the Committee. Subject to the express provisions of the Plan, the Committee has the authority to select eligible persons to receive awards and determine all of the terms and conditions of each award.

The Committee may delegate some or all of its power and authority under the Plan to the Board, a subcommittee of the Board, the Chief Executive Officer or other executive officer of the Company as the Committee deems appropriate, except that that the Committee may not delegate its power and authority to the Chief Executive Officer or other executive officer of the Company with regard to the selection for participation in the Plan of an officer or director subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an Award to such officer or director.

Eligibility

Participants in the Plan will consist of such officers, other employees, and non-employee directors of the Company and its subsidiaries (and such persons who are expected to become any of the foregoing) as selected by the Committee. Generally, employees at the level of First Vice President and above are eligible for annual awards and certain employees below the level of First Vice President receive awards on a discretionary basis. In 2020 and 2019, the Committee authorized awards to 421 and 305 employees, respectively. Of these employees, in 2020 and 2019, 136 and 72 employees, respectively, were below the level of First Vice President. We expect that the Committee will continue to make awards under the Plan in a manner generally consistent with awards granted in 2020 and 2019.

Dividends; Dividend Equivalents

In no event will dividends or dividend equivalents be paid with respect to options or stock appreciation rights under the Plan. Further, notwithstanding anything to the contrary, with respect to restricted stock, restricted stock units and performance awards, if such award provides for a right to dividends or dividend equivalents, any dividends or dividend rights will be subject to the same vesting requirements as the underlying award and will only be paid at the time those vesting requirements are satisfied.

Stock Options and SARs

The Plan provides for the grant of stock options and SARs. The Committee will determine the conditions to the exercisability of each option and SAR.

Each option will be exercisable for no more than ten (10) years after its date of grant, except with respect to certain options that expire during blackout periods. If the option is an incentive stock option and the optionee owns greater than ten percent (10%) of the voting power of all shares of capital stock of the Company (a "ten percent holder"), then the option will be exercisable for no more than five years after its date of grant. Except in the case of substitute awards granted in connection with a corporate transaction, the exercise price of an option will not be less than 100% of the fair market value of a share of common stock on the date of grant, unless the option is an incentive stock option and the optionee is a ten percent holder, in which case the exercise price will be the price required by the Internal Revenue Code.

Each SAR will be exercisable for no more than ten (10) years after its date of grant, except with respect to certain SARs that expire during blackout periods. Other than in the case of substitute awards granted in connection with a corporate transaction, the base price of a SAR will not be less than 100% of the fair market value of a share of common stock on the date of grant, provided that the base price of a SAR granted in tandem with an option (a "tandem SAR") will be the exercise price of the related option. A SAR entitles the holder to receive upon exercise (subject to withholding taxes) shares of common stock (which may be restricted stock) or, to the extent provided in the award agreement, cash or a combination thereof, with an aggregate value equal to the difference between the fair market value of the shares of common stock on the exercise date and the base price of the SAR.

All of the terms relating to the exercise, cancellation or other disposition of stock options and SARs (i) upon a termination of employment or service of a participant, whether by reason of disability, retirement, death or any other reason, or (ii) during a paid or unpaid leave of absence, are determined by the Committee. Notwithstanding anything in the award agreement to the contrary, the holder of an option or SAR will not be entitled to receive dividend equivalents with respect to the shares of common stock subject to such option or SAR.

Stock Awards

The Plan provides for the grant of Stock Awards. The Committee may grant a Stock Award as a restricted stock award, restricted stock unit award or unrestricted stock award. Unless otherwise specified in the award agreements, restricted stock awards and restricted stock unit awards are subject to forfeiture if the holder does not remain continuously in the employment of the Company during the restriction period or if specified performance measures (if any) are not attained during the performance period. Unrestricted stock awards are not subject to any restriction periods or performance measures.

Unless the agreement relating to a restricted stock award specifies otherwise, the holder of such award shall have all rights as a shareholder of the Company, including, but not limited to, voting rights, the right to receive dividends (to the extent the restricted award vests) and the right to participate in any capital adjustment applicable to all holders of common stock.

The agreement awarding restricted stock units will specify (1) whether such award may be settled in shares of common stock, cash or a combination thereof; and (2) whether the holder will be entitled to receive dividend equivalents.

All of the terms relating to vesting of a Stock Award, or the forfeiture and cancellation of a Stock Award (i) upon a termination of employment or service, whether by reason of disability, retirement, death or any other reason, or (ii) during a paid or unpaid leave of absence, will be determined by the Committee and reflected in the award agreement.

Cash Awards

The Plan provides for the grant of cash-based awards which may be granted as an element of or a supplement to any other award under the Plan or as a stand-alone award. The terms and conditions relating to such cash-based awards shall be set forth in the applicable award agreement.

Performance Awards

The Plan also provides for the grant of performance awards. The agreement relating to a performance award will specify whether such award may be settled in shares of common stock (including shares of restricted stock) or cash or a combination thereof. The agreement relating to a performance award will provide, in the manner determined by the Committee, for the vesting of such performance award if the specified performance measures are satisfied or met during the specified performance period and for the forfeiture of such award if the specified performance measures are not satisfied or met during the specified performance period. Prior to the settlement of a performance award in shares of common stock, the holder of such award has no rights as a shareholder of the Company with respect to such shares. All of the terms relating to the satisfaction of performance measures and the termination of a performance period, or the forfeiture and cancellation of a performance award upon (i) a termination of employment or service, whether by reason of disability, retirement, death or any other reason, or (ii) during a paid or unpaid leave of absence, will be determined by the Committee and reflected in the award agreement.

Performance Measures

Under the Plan, the grant, vesting, exercisability or payment of certain awards, or the receipt of shares of common stock subject to certain awards, may be made subject to the satisfaction of performance measures. The performance goals applicable to a particular award will be determined by the Committee at the time of grant. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies (or a combination of such past and current performance). The applicable performance measures may be applied on a pre- or

post-tax basis and may be adjusted to include or exclude the impact of one or more items that may affect or alter any performance measure, including, without limitation, restructuring or impairment charges, acquisitions or dispositions, foreign exchange, debt refinancing costs, extraordinary or noncash items, unusual, nonrecurring or one-time events affecting the Company or its financial statements, changes in law or accounting principles, or any other event as determined by the Committee.

CHANGE IN CONTROL

Subject to the terms of the applicable award agreement, in the event of a Change in Control (as defined in the Plan), the Compensation Committee may, in its discretion:

- Require that shares of stock of the corporation resulting from such Change in Control, or a parent corporation thereof, be equitably substituted for some or all of the shares subject to an outstanding award;
- Provide that (A) some or all outstanding options and SARs shall become exercisable in full or in part, either immediately or upon a subsequent termination of employment, (B) the restriction period applicable to some or all outstanding awards shall lapse in full or in part, either immediately or upon a subsequent termination of employment, (C) the performance period applicable to some or all outstanding awards shall lapse in full or in part, and (D) the performance criteria applicable to some or all outstanding awards shall be deemed to be satisfied at the target or any other level; and/or
- Require outstanding awards, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive (A) a cash payment in an amount equal to (1) in the case of an option or an SAR, the aggregate number of shares then subject to the portion of such option or SAR surrendered multiplied by the excess, if any, of the fair market value of a share as of the date of the Change in Control, over the exercise price or grant price per share subject to such option or SAR, (2) in the case of a performance-based award denominated in shares, the aggregate number of shares then subject to the portion of such award surrendered to the extent the performance criteria applicable to such award have been satisfied or are deemed satisfied, multiplied by the fair market value of a share as of the date of the Change in Control, and (3) in the case of a performance-based award denominated in cash, the value of the award then subject to the portion of such award surrendered to the extent the performance criteria applicable to such award have been satisfied or are deemed satisfied; (B) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Change in Control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (A) above; or (C) a combination of the payment of cash pursuant to clause (A) above and the issuance of shares pursuant to clause (B) above.

No Repricing

The Committee may not, without the approval of shareholders, (i) reduce the purchase price or base price of any previously granted stock option or SAR, (ii) cancel any previously granted stock option or SAR in exchange for another stock option or SAR with a lower purchase price or base price or (iii) cancel any previously granted stock option or SAR in exchange for cash or another award if the purchase price of such stock option or the base price of such SAR exceeds the fair market value of a share of common stock on the date of such cancellation, in each case, other than in connection with a change in control or pursuant to the plan's adjustment provisions.

Clawback of Awards

The awards granted under the Plan and any cash payment or shares of common stock delivered pursuant to an award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable award agreement or any clawback or recoupment policy which the Company may adopt from time to time, including any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law or the rules of any primary securities exchange on which the Company's shares of common stock are listed.

Effective Date, Termination and Amendment

The Plan will become effective as of the date of shareholder approval and will terminate as of the tenth anniversary of the date of such shareholder approval, unless earlier terminated by the Board. The Board may amend the Plan at any time, subject to any requirement of shareholder approval required by applicable law, rule or regulation, including any rule of Nasdaq, and provided that no amendment may be made that seeks to modify the prohibition on repricing of stock options and SARs without shareholder approval under the Plan, or that materially impairs the rights of a holder of an outstanding award without the consent of such holder.

FEDERAL INCOME TAX CONSEQUENCES

The following is a brief summary of certain United States federal income tax consequences generally arising with respect to awards under the Plan. This discussion does not address all aspects of the United States federal income tax consequences of participating in the Plan that may be relevant to participants in light of their personal investment or tax circumstances and does not discuss any state, local or non-United States tax consequences of participating in the Plan. Each participant is advised to consult his or her particular tax advisor concerning the application of the United States federal income tax laws to such participant's particular situation, as well as the applicability and effect of any state, local or non-United States tax laws before taking any actions with respect to any awards.

Stock Options

A participant will not recognize taxable income at the time an option is granted and the Company will not be entitled to a tax deduction at that time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and the Company will be entitled to a corresponding deduction, subject to Section 162(m) of the Internal Revenue Code. A participant will not recognize income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of those shares will be taxed as long-term capital gain or loss, and the Company will not be entitled to any deduction. If, however, those shares are disposed of within the above-described period, then in the year of that disposition the participant will recognize compensation taxable as ordinary income equal to the lesser of (1) the excess of the amount realized upon that disposition over the exercise price, and (2) the excess of the fair market value of those shares on the date of exercise over the exercise price, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

SARs

A participant will not recognize taxable income at the time SARs are granted and the Company will not be entitled to a tax deduction at that time. Upon exercise, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) in an amount equal to the fair market value of any shares delivered and the amount of cash paid by the Company, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

Stock Awards

A participant will not recognize taxable income at the time restricted stock is granted and the Company will not be entitled to a tax deduction at that time, unless the participant makes an election to be taxed at that time. If such election is made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of the grant in an amount equal to the excess of the fair market value for the shares at such time over the amount, if any, paid for those shares. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions constituting a substantial risk of forfeiture lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for those shares, plus the amount of any dividends received at such time. The amount of ordinary income recognized by making the above-described election or upon the lapse of restrictions constituting a substantial risk of forfeiture is deductible by the Company as compensation expense, except to the extent the deduction limits of Section 162(m) apply. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions constituting a substantial risk of forfeiture lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income, in an amount equal to the dividends paid and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

A participant will not recognize taxable income at the time a restricted stock unit is granted and the Company will not be entitled to a tax deduction at that time. Upon settlement of restricted stock units, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) in an amount equal to the fair market value of any shares delivered and the amount of any cash paid by the Company, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

A participant who receives shares of common stock that are not subject to any restrictions under the Plan will recognize compensation taxable as ordinary income on the date of grant in an amount equal to the fair market value of such shares on that date, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

Performance Awards

A participant will not recognize taxable income at the time performance awards are granted and the Company will not be entitled to a tax deduction at that time. Upon settlement of performance awards, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) in an amount equal to the fair market value of any shares delivered and the amount of cash paid by the Company, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

Section 162(m) Implications

In general, there will be no tax consequences to us of awards or exercises of awards made pursuant to the Plan except that we will be entitled to a deduction when a participant has compensation income. Any such deduction for certain senior executives will be subject to the limitations of Section 162(m) of the Internal Revenue Code which provides that the Company will be denied a deduction for any compensation exceeding $1,000,000 for our chief executive officer, chief financial officer and other named executive officers and former executive officers, regardless of whether the compensation is performance-based compensation.

NEW PLAN BENEFITS

If the Plan is approved by our shareholders, awards under the Plan will be determined by the Committee in its discretion, and it is, therefore, not possible to predict the awards that will be made to particular participants in the future. For information regarding grants made to our named executive officers under the 2016 Plan for fiscal year 2020, please refer to the discussion beginning on page 46 under “Grants of Plan-Based Awards”. For information regarding grants made to our non-employee directors under the 2016 Plan for fiscal year 2020, please refer to the discussion beginning on page 29 under “Compensation of Directors”.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding our equity compensation plans as of December 31, 2020.

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	5,502,715	$7.25	3,006,832
Equity compensation plans not approved by security holders	—	—	—
Total	5,502,715	$7.25	3,006,832

* Amount includes 2,986,347 options outstanding with a weighted average exercise price of $7.25 and 2,516,368 performance-based restricted stock units measured at maximum vesting at December 31, 2020. Amount does not include 413,701 outstanding restricted shares and 1,729,250 outstanding restricted stock units.

ITEM 5: SHAREHOLDER PROPOSAL

Mr. Kenneth Steiner has advised the Company that he intends to propose a resolution at the 2021 Annual Meeting. Mr. Steiner has appointed John Chevedden, and/or his designee to act on his behalf in matters relating to the proposed resolution. In accordance with SEC rules, the text of the resolution and supporting statement appear below, printed verbatim from the submission.

For the reasons set forth in the Statement in Opposition immediately following this shareholder proposal, our Board of Directors recommends that you vote AGAINST this proposal.

PROPOSAL 5 – INDEPENDENT BOARD CHAIRMAN

Shareholders

Shareholders request that our Board of Directors adopt a policy, and amend our governing documents as necessary to require that the Chairman of the Board of Directors to be an independent member of the Board whenever possible including the next Chairman of the Board transition.

If the Board determines that a Chairman who was independent when selected is no longer independent, the Board shall select a new Chairman who satisfies the requirements of the policy within a reasonable amount of time. This policy is not intended to violate any employment contract but recognizes that the Board has broad power to renegotiate an employment contract.

Support for proposals to appoint an independent board chair received 17% higher support at U.S. companies in 2020. Since management performance setbacks often result in higher support for this proposal topic, the mere submission of this proposal may be an incentive for the Chairman of the Board to perform better leading up to the 2021 annual meeting.

An independent Chairman is best positioned to focus on the reasons behind the decline in our stock price from $12 in 2018. The decline in our stock price from $12 since 2018 is evidence that Mr. Andrew Abramson in the Lead Director role is no substitute for an Independent Board Chairman.

Clearly our Chairman needs to focus on increasing the stock price (which has been lagging during a robust stock market) by enhancing the underlying core value of Valley National Bancorp.

It is also important to have an independent board chairman to help make up for the 2020 devaluation of shareholder meetings with the widespread substitution of online shareholder meetings using the pandemic as a steppingstone. Online meetings are so easy for management that management will never want to return to in-person shareholder meetings.

With tightly controlled online shareholder meetings everything is optional. For instance management reporting on the status of the company is optional. Also answers to questions are optional even if management misleadingly asks for questions to be typed on a computer screen. And Valley National Bancorp management thinks that an acceptable answer to a shareholder question during an online meeting is to give directions on how a shareholder can research the answer—what arrogance!

Goodyear management even hit the mute button right in the middle of a formal shareholder proposal presentation at its 2020 shareholder meeting to bar constructive criticism.

Plus AT&T management would not even allow the proponents of shareholder proposals to read their proposals by telephone at the 2020 AT&T online annual meeting during the pandemic.

Please see:

AT&T investors denied a dial-in as annual meeting goes online
https://whbl.com/2020/04/17/aft-investors-denied-a-dial-in-as-annual-meeting-goes-online/1007928/

Online shareholder meetings also give management a blank check to make false statements. For instance management at scores of 2020 online annual meetings falsely stated that there were no more shareholder questions. Shareholders were powerless to point out that their questions were not answered.

Please vote yes:
Independent Board Chairman – **Proposal 5**

Board of Directors Statement in Opposition to Shareholder Proposal 5 to amend Valley's governing documents as necessary to require that the Chairman of the Board of Directors to be an independent member of the Board**.**

The Board recommends you vote AGAINST this proposal for the following reasons:

The Board recognizes that an independent Board is critical to its role of oversight and representing the interests of shareholders. The Board also recognizes the significance of board refreshment to effective corporate governance.

The Board believes that its results demonstrate a continuing commitment to independence and oversight. Since 2016:

- The Board has elected a new President and CEO who is in his forties;
- Six directors (out of 13 directors in 2016) have left the Board, with two more leaving at the 2021 Annual Meeting; and
- Six new directors were added to the Board, including one identifying as African American, one with a technology background, and two women.

In addition:

- Our total shareholder return for the past three years compared to the banks in the KBW Index is in the 73rd percentile: and
- The Company held its first virtual annual meeting on May 1, 2020 and received no criticism about how it handled questions from shareholders or the presentation of a shareholder proposal.

The proposal requests a specific means to achieve an independent Board—namely an independent chairperson.

The Board believes it is important to preserve flexibility in choosing the best leadership structure for an independent board to maintain effective oversight of the Company. The directors believe that maintaining a strong, independent board may take different forms. An independent Lead Director is crucial if the chairperson is not independent. The Board currently combines the role of chairperson and CEO. The independent directors do not believe the combined Chair/CEO position weakens independent corporate governance or impedes the Board's ability to provide effective independent oversight. An independent chairperson is not a measure of independent board leadership.

The Board currently believes that independent Board leadership is effectively provided by the election by the independent directors of an independent Lead Director. As provided in the Corporate Governance Guidelines, the Lead Director:

- Has the responsibility to identify issues for Board consideration and assist in forming a consensus among directors;
- Has the authority to call meetings of independent directors and non-management directors (including meetings not in connection with regular board meetings) and preside at all executive sessions of independent and non- management directors;
- Establishes the agenda for all meetings and executive sessions of the independent directors and non-management directors, with input from other directors;
- Has the authority to retain outside advisors who report directly to the Board, with the prior approval of the Board;
- Serves as a liaison between the CEO and the independent and non-management directors and assists the CEO and/or chairperson with establishing meeting agendas, meeting schedules and assuring sufficient time for discussion of agenda items;
- Leads the independent director assessment of the CEO; and
- Is appointed annually by the independent directors.

Separately, no prevailing empirical evidence supports the merits of independent chairs.

The Valley Board unanimously recommends a vote "AGAINST" the shareholder proposal.

INFORMATION ABOUT THE ANNUAL MEETING

We are providing this proxy statement in connection with the solicitation of proxies by the Board of Directors for use at our 2021 Annual Meeting and at any adjournment or postponement of the meeting. This year's Annual Meeting will be held in a virtual format through a live audio webcast.

In light of the continuing COVID-19 pandemic, the Board of Directors has opted, as with the 2020 Annual Meeting, to hold a virtual-only Annual Meeting. For health and safety reasons, the Board believes that holding an in-person meeting is not in the best interests of Valley's employees, directors and shareholders. The Board believes that the virtual format used for the 2020 Annual Meeting was successful.

You are entitled to participate in the Annual Meeting if you were a shareholder as of the close of business on February 22, 2021, the record date, or hold a valid proxy for the meeting. To be admitted to the Annual Meeting at www.virtualshareholdermeeting.com/VLY2021, you must enter the 16-digit control number found next to the label "Control Number" on your Notice of Internet Availability, proxy card, or voting instruction form, or in the email sending you the Proxy Statement. If you are a beneficial shareholder, you may contact the bank, broker or other institution where you hold your account if you have questions about obtaining your control number

Whether or not you participate in the Annual Meeting, it is important that your shares be part of the voting process. You may log on to proxyvote.com and enter your Control Number.

You will be permitted to submit live questions at the Annual Meeting just as if you were attending a physical meeting. Questions may be submitted starting thirty minutes before the start of the Annual Meeting through www.virtualshareholdermeeting.com/VLY2021. We expect to allow up to 40 minutes to answer questions during the Annual Meeting, including those answered during the "official business" portion of the Annual Meeting and the "Q&A" portion of the Annual Meeting. To allow us to answer questions from as many shareholders as possible, we will limit each shareholder to three questions, one asked with respect to the "official business" portion of the Annual Meeting and two asked with respect to the "Q&A" portion of the Annual Meeting. It will help us if questions are succinct and cover only one topic per question. In addition, Valley will adhere to the following policies:

- Only questions from shareholders will be answered during the Annual Meeting;
- Questions from multiple shareholders on the same topic or that are otherwise related may be grouped, summarized and answered together;
- Depending on the volume of questions received, questions submitted will be addressed generally in the order received as time allows; and
- If the volume of questions exceeds the time allotted for the meeting, responses to such additional questions will be posted on our investor relations' website and remain posted for at least two weeks.

We encourage you to access the Annual Meeting before it begins. Online check-in will start approximately thirty minutes before the meeting.

This proxy statement is first being made available to shareholders on or about March 8, 2021.

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 an 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 2021 notice of annual meeting of shareholders, this proxy statement, the Company's 2021 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.valley.com/filings.html.

SHAREHOLDERS ENTITLED TO VOTE

The record date for the meeting is Monday, February 22, 2021. Only holders of common stock of record at the close of business on that date, or their valid proxy holders, are entitled to vote at the virtual meeting or by proxy.

On the record date there were 405,603,861 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 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 tzarkadas@valley.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 submit your proxy 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 11 nominees for director named in this proxy statement;
- Item 2 – FOR the approval, on an advisory basis, of the compensation of our named executive officers;
- Item 3 – FOR the ratification of the appointment of KPMG LLP;
- Item 4 – FOR approval of the Valley National Bancorp 2021 Incentive Compensation Plan; and
- Item 5 – AGAINST the shareholder proposal.

HOW TO VOTE

We are offering you four alternative ways to vote your shares:

During the Annual Meeting. If you wish to vote in person at the virtual Annual Meeting, you can do so by going to www.virtualshareholdermeeting.com/VLY2021. during the live audio webcast. Have the information that is printed on your E-Proxy Notice or proxy card available and follow the on-screen instructions.

By Internet. If you wish to vote using the Internet, you can access the web page at www.proxyvote.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 1-800-690-6903 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 section and "Revoking Your Proxy".

If you are an employee or former employee of the Company and hold our shares in our Savings and Investment Plan (401(k) plan), 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.

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 by mail or written revocation must be received before the meeting by the Corporate Secretary of the Company, Valley National Bancorp, at 1455 Valley Road, Wayne, NJ 07470. You may also revoke your proxy by submitting a new proxy via telephone or the Internet. You will be able to change your proxy as many times as you wish prior to the Annual Meeting and the last vote received chronologically will supersede any prior proxies.

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, the advisory vote on executive compensation, the adoption of the Valley National Bancorp 2021 Incentive Compensation Plan or the shareholder proposal.

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 director has executed a resignation letter which becomes effective if he or she does not receive a majority of the votes cast in an election that is not contested and the Board votes to accept the 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 2021), directors would be elected by a plurality of votes cast at the Annual Meeting.
- 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 ratification of the appointment of KPMG LLP will be approved if a majority of the votes cast are voted FOR the proposal. Abstentions are not counted as votes cast and will have no effect on the outcome.
- The vote to approve the Valley National Bancorp 2021 Incentive Compensation Plan will be approved if a majority of the votes cast are voted FOR such proposal. Abstentions and broker non-votes are not counted as votes cast and will have no effect on the outcome.
- The shareholder proposal 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

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 NASDAQ, 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 Equiniti (US) Services LLC a fee of $8,000 plus out of pocket expenses to assist with solicitation of proxies.

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. The proxy is solicited on behalf of the Board of Directors.

By Order of the Board of Directors

Wayne, New Jersey

March 8, 2021

A copy of our Annual Report on Form 10-K (without exhibits) for the year ended December 31, 2020 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.valley.com/filings.html

APPENDIX A

VALLEY NATIONAL BANCORP
Valley Peer 19

Company	Ticker	Net Income (in thous.)	Total Revenue (in thous.)	Total Assets (in thous.)	Market Capitalization (in mil.)
BankUnited, Inc.	BKU	$ 197,853	$ 884,979	$ 35,010,493	$ 3,237.0
Cullen/Frost Bankers, Inc.	CFR	331,151	1,441,455	42,391,317	5,496.0
F.N.B. Corporation	FNB	286,006	1,216,638	37,354,351	3,055.0
Fulton Financial Corporation	FULT	178,040	858,595	25,906,733	2,065.0
Hancock Whitney	HWC	(45,174)	1,266,951	33,638,602	2,950.0
Investors Bancorp, Inc.	ISBC	221,580	815,150	26,023,159	2,618.0
New York Community Bancorp, Inc.	NYCB	511,109	1,161,222	56,306,120	4,894.0
Old National Bancorp	ONB	226,409	835,368	22,960,622	2,738.0
PacWest Bancorp	PACW	(1,237,574)	1,160,618	29,498,442	3,008.0
People's United Financial, Inc.	PBCT	572,600	2,068,500	63,444,800	5,491.0
Prosperity Bancshares	PB	528,904	1,162,267	34,059,275	6,421.0
Signature Bank	SBNY	528,359	1,594,340	73,888,344	7,247.0
Sterling Bancorp	STL	225,769	1,000,483	29,820,138	3,469.0
Synovas Financial	SNV	373,695	2,019,261	54,366,086	4,792.0
Texas Capital Bancshares, Inc.	TCBI	66,289	1,054,342	37,726,096	3,003.0
Umpqua Holdings Corporation	UMPQ	(1,523,420)	1,294,528	29,235,175	3,334.0
United Bankshares, Inc.	UBSI	289,023	1,044,519	26,184,247	4,186.0
Webster Financial Corporation	WBS	220,621	1,176,670	32,590,690	3,802.0
Wintrust Financial	WTFC	292,990	1,644,096	45,080,768	3,468.0
Valley National Bancorp	**VLY**	**390,606**	**1,301,936**	**40,686,076**	**3,938.0**

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APPENDIX B

VALLEY NATIONAL BANCORP
2021 INCENTIVE COMPENSATION PLAN

I. INTRODUCTION

1.1. Purposes. The purposes of the Valley National Bancorp 2021 Incentive Compensation Plan (as amended from time to time, the "Plan") are (i) to align the interests of the Company's shareholders and the recipients of Awards under the Plan by increasing the proprietary interest of such recipients in the Company's growth and success, (ii) to advance the interests of the Company by attracting and retaining officers, other employees and Non-Employee Directors, and (iii) to motivate such persons to act in the long-term best interests of the Company and its shareholders.

1.2. Certain Definitions.

(a) **"Award"** shall mean any options to purchase Shares in the form of Incentive Stock Options or Nonqualified Stock Options, SARs in the form of Tandem SARs or Free-Standing SARs, Stock Awards in the form of Restricted Stock, Restricted Stock Units or Unrestricted Stock, Performance Awards and Other Cash-Based Awards granted under the Plan.

(b) **"Award Agreement"** shall mean any written or electronic agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by the eligible person to whom it has been so granted. Each Award Agreement shall be subject to the terms and conditions of the Plan.

(c) **"Blackout Period"** shall have the meaning set forth in Section 3.1(b).

(d) **"Board"** shall mean the Board of Directors of the Company.

(e) **"Change in Control"** shall have the meaning set forth in Section 7.7(b).

(f) **"Code"** shall mean the Internal Revenue Code of 1986, as amended.

(g) **"Committee"** shall mean the Compensation and Human Resources Committee of the Board, or a subcommittee thereof, consisting of two or more members of the Board, each of whom is intended to be (i) a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act and (ii) "independent" within the meaning of the rules of The Nasdaq Stock Market LLC or, if Shares are not listed on The Nasdaq Stock Market LLC, within the meaning of the rules of the principal stock exchange on which Shares are then traded; provided, however, that the "Committee" in regard to exercising any authority and responsibility to grant awards under the Plan to participants who are Non-Employee Directors and to make or take, as the case may be, all required or appropriate determinations and actions in respect of such grants shall mean the Nominating and Corporate Governance Committee of the Board or another Board committee and/or the Board itself, if so determined by the Board.

(h) **"Common Stock"** shall mean the common stock, no par value per share, of the Company, and all rights appurtenant thereto.

(i) **"Company"** shall mean Valley National Bancorp, a New Jersey corporation, and its successors by operation of law.

(j) **"Continuing Directors"** shall have the meaning set forth in Section 7.7(b).

(k) **"Control Person"** shall have the meaning set forth in Section 7.7(b).

(l) **"Exchange Act"** shall mean the Securities Exchange Act of 1934, as amended.

(m) **"Fair Market Value"** shall mean, unless otherwise determined by the Committee from time to time, the closing transaction price of a Share as reported on the Nasdaq Global Select Market on the date as of which such value is being determined or, if Shares are not listed on the Nasdaq Global Select Market, the closing transaction price of a Share on the principal national stock exchange on which Shares are traded on the date as of which such value is being determined or, if there shall be no reported transactions for such date, on the next preceding date for which transactions were reported; provided, however, that if Shares are not listed on a national stock

exchange or if Fair Market Value for any date cannot be so determined, Fair Market Value shall be determined by the Committee by whatever means or method as the Committee, in the good faith exercise of its discretion, shall at such time deem appropriate and in compliance with Section 409A of the Code.

(n) **"Free-Standing SAR"** shall mean an SAR which is not granted in tandem with, or by reference to, an option, which entitles the holder thereof to receive, upon exercise, Shares (which may be Restricted Stock) or, to the extent provided in the applicable Award Agreement, cash or a combination thereof, with an aggregate value equal to the excess of the Fair Market Value of one Share on the date of exercise over the base price of such SAR, multiplied by the number of such SARs which are exercised.

(o) **"Incentive Stock Option"** shall mean an option to purchase Shares that meets the requirements of Section 422 of the Code, or any successor provision, which is intended by the Committee to constitute an Incentive Stock Option.

(p) **"Non-Control Transaction"** shall have the meaning set forth in Section 7.7(b).

(q) "**Non-Employee Director"** shall mean any director of the Company who is not an officer or employee of the Company or any Subsidiary.

(r) **"Non-qualified Stock Option"** shall mean an option to purchase Shares which is not an Incentive Stock Option.

(s) **"Other Cash-based Award"** shall mean a cash-denominated award granted under Section 6.1 of the Plan.

(t) **"Performance Award"** shall mean a right to receive an amount of cash, Common Stock, or a combination of both, contingent upon the attainment of specified Performance Measures within a specified Performance Period.

(u) **"Performance Measures"** shall mean the criteria and objectives, established by the Committee, which shall be satisfied or met (i) as a condition to the grant or exercisability of all or a portion of an option or SAR or (ii) during the applicable Restriction Period or Performance Period as a condition to the vesting of the holder's interest, in the case of a Restricted Stock Award, of the Shares subject to such Award, or, in the case of a Restricted Stock Unit Award or Performance Award, to the holder's receipt of the Shares subject to such Award or of payment with respect to such Award. Such criteria and objectives may be one or more of the following company-wide or subsidiary, division, operating unit or individual measures, including without limitation: the attainment by a share of Common Stock of a specified Fair Market Value for a specified period of time; increase in shareholder value; earnings per share; return on or net assets; return on equity; return on investments; return on capital or invested capital; total shareholder return; earnings or income of the Company before or after taxes and/or interest; earnings before interest, taxes, depreciation and amortization; operating income; revenues; operating expenses, attainment of expense levels or cost reduction goals; market share; cash flow, cash flow per share, cash flow margin or free cash flow; book value, tangible book value or growth in book value or tangible book value, interest expense; economic value created; gross profit or margin; operating profit or margin; net cash provided by operations; price-to-earnings growth; and strategic business criteria, or any other objective or subjective measures determined by the Committee. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies or an index of other companies (or a combination of such past and current performance). The applicable performance measures may be applied on a pre- or post-tax basis and may be adjusted to include or exclude one or more components of any performance measure, including, without limitation, restructuring or impairment charges, acquisitions or dispositions, foreign exchange, debt refinancing costs, extraordinary or noncash items, unusual, nonrecurring or one-time events affecting the Company or its financial statements or changes in law or accounting principles.

(v) **"Performance Period"** shall mean any period designated by the Committee during which (i) the Performance Measures applicable to an Award shall be measured and (ii) the conditions to vesting applicable to an Award shall remain in effect.

(w) **"Prior Plan"** shall mean the Valley National Bancorp 2016 Long-Term Stock Incentive Plan, as amended from time to time.

(x) **"Restricted Stock"** shall mean Shares which are subject to a Restriction Period and which may, in addition thereto, be subject to the attainment of specified Performance Measures within a specified Performance Period.

(y) **"Restricted Stock Award"** shall mean an award of Restricted Stock under the Plan.

(z) **“Restricted Stock Unit”** shall mean a right to receive one Share or, in lieu thereof, the Fair Market Value of such Share in cash, which shall be contingent upon the expiration of a specified Restriction Period and which may, in addition thereto, be contingent upon the attainment of specified Performance Measures within a specified Performance Period.

(aa) **“Restricted Stock Unit Award”** shall mean an award of Restricted Stock Units under the Plan.

(bb) **“Restriction Period”** shall mean any period designated by the Committee during which (i) the Common Stock subject to a Restricted Stock Award may not be sold, transferred, assigned, pledged, hypothecated or otherwise encumbered or disposed of, except as provided in the Plan or the Agreement relating to such Award, or (ii) the conditions to vesting applicable to a Restricted Stock Unit Award shall remain in effect.

(cc) “**Retirement**” with respect to employees means, except as otherwise set forth in the applicable Award Agreement, the retirement from active employment with the Company, but only if such person meets one of the requirements contained below in either clause (i), clause (ii) or clause (iii).

(i) the person has a minimum combined total of Years of Service and age equal to eighty (80); and the person is age fifty-five (55) or older; or

(ii) the person has a minimum of five (5) Years of Service; and the person is age sixty-five (65) or older; or

(iii) the person has a minimum of ten (10) Years of Service; and the person is age sixty (60) or older, and

in the case of (i), (ii) and (iii) only if the person provides thirty (30) days prior written notice to the Company of the retirement.

For Non-Employee Directors, the term “Retirement” shall mean the date on which the Director ceases to be a member of the Board after both attaining age sixty-five (65) and completing at least five (5) years of service on the Board.

(dd) **“SAR”** shall mean a stock appreciation right which may be a Free-Standing SAR or a Tandem SAR.

(ee) **“Shares”** shall mean the shares of the Company’s Common Stock. If there has been an adjustment or substitution pursuant to Section 7.6, the term “Shares” shall also include any shares of stock or other securities that are substituted for the Common Stock or into which the Common Stock is adjusted pursuant to Section 7.6.

(ff) **“Stock Award”** shall mean a Restricted Stock Award, Restricted Stock Unit Award or Unrestricted Stock Award.

(gg) **“Subsidiary”** shall mean any corporation, limited liability company, partnership, joint venture or similar entity in which the Company owns, directly or indirectly, an equity interest possessing more than 50% of the combined voting power of the total outstanding equity interests of such entity.

(hh) **“Substitute Award”** shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, including a merger, combination, consolidation or acquisition of property or stock.

(ii) **“Surviving Corporation”** shall have the meaning set forth in Section 7.7(b).

(jj) **“Tandem SAR”** shall mean an SAR which is granted in tandem with, or by reference to, an option (including a Nonqualified Stock Option granted prior to the date of grant of the SAR), which entitles the holder thereof to receive, upon exercise of such SAR and surrender for cancellation of all or a portion of such option, Shares (which may be Restricted Stock) or, to the extent provided in the applicable Award Agreement, cash or a combination thereof, with an aggregate value equal to the excess of the Fair Market Value of one Share on the date of exercise over the base price of such SAR, multiplied by the number of Shares subject to such option, or portion thereof, which is surrendered.

(kk) **“Tax Date”** shall have the meaning set forth in Section 7.4.

(ll) **“Ten Percent Holder”** shall have the meaning set forth in Section 3.1(a).

(mm) **“Unrestricted Stock”** shall mean Shares which are not subject to a Restriction Period or Performance Measures.

(nn) **“Unrestricted Stock Award”** shall mean an Award of Unrestricted Stock under the Plan.

(oo) “**Years of Service**” shall mean each twelve consecutive month period commencing on the participant’s employment date, after which he or she remains employed by the Company or an affiliate. Partial years of

service will not be considered. For the avoidance of doubt, Years of Service for an individual who becomes an employee in connection with an asset or stock purchase, merger, or other corporate transaction involving his or her prior employer (an "Acquired Entity") will not include the period of employment with the Acquired Entity.

1.3. Administration. This Plan shall be administered by the Committee. The Committee shall have full power and authority in its sole discretion, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select eligible persons to whom Awards may from time to time be granted; (ii) determine the type or types of Awards, not inconsistent with the provisions of the Plan, to be granted to each participant; (iii) determine the number of Shares or dollar value to be covered by each Award; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled in cash, Shares, or other property; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other property, and other amounts payable with respect to an Award made under the Plan shall be deferred, either automatically or at the election of the participant; (vii) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards; (viii) determine whether, to what extent, and under what circumstances any Award shall be canceled or suspended; (ix) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (x) correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner, and to the extent, that the Committee shall deem desirable to carry it into effect; (xi) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xii) determine whether any Award (other than a Stock Option or SAR) will have dividend equivalents; and (xiii) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

The Committee shall in its sole discretion, subject to the terms of the Plan, interpret the Plan and the application thereof, establish rules and regulations it deems necessary or desirable for the administration of the Plan and may impose, incidental to the grant of an Award, conditions with respect to the Award, such as limiting competitive employment or other activities. All such interpretations, rules, regulations and conditions shall be conclusive and binding on any person receiving or claiming Awards.

The Committee may delegate some or all of its power and authority hereunder to the Board or, subject to applicable law, to the Chief Executive Officer or such other executive officer of the Company as the Committee deems appropriate; provided, however, that the Committee may not delegate its power and authority to the Chief Executive Officer or other executive officer of the Company with regard to the selection for participation in the Plan of an officer, director or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an Award to such an officer, director or other person.

No member of the Board or Committee, and neither the Chief Executive Officer nor any other executive officer to whom the Committee delegates any of its power and authority hereunder, shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Board and the Committee and the Chief Executive Officer or other executive officer shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys' fees) arising therefrom to the full extent permitted by law and under any directors' and officers' liability insurance that may be in effect from time to time.

1.4. Eligibility. Participants in the Plan shall consist of such officers, other employees, and Non-Employee Directors of the Company and persons expected to become officers, other employees, and Non-Employee Directors of the Company as the Committee in its sole discretion may select from time to time. The Committee's selection of a person to participate in the Plan at any time shall not require the Committee to select such person to participate in the Plan at any other time. Except as provided otherwise in an Award Agreement, for purposes of the Plan, references to employment by the Company shall also mean employment by a Subsidiary, and references to employment shall include service as a Non-Employee Director. The Committee shall determine, in its sole discretion, the extent to which a participant shall be considered employed during any periods during which such participant is on a leave of absence.

1.5. Treatment of Dividends and Dividend Equivalents on Unvested Awards. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that provides for or includes a right to dividends or dividend equivalents, if dividends are declared during the period that an equity Award is outstanding, such dividends (or dividend equivalents) shall either (i) not be paid or credited with respect to such Award or (ii) be accumulated but remain subject to vesting requirement(s) to the same extent as the applicable Award and shall only be paid at the time or times such vesting requirement(s) are satisfied.

II. SHARES AVAILABLE

2.1 **Initial Share Reserve**. Subject to adjustment as provided in Section 7.6 below, 9,000,000 Shares shall initially be available for all Awards under the Plan, less one (1) Share for every one (1) Share granted under any Prior Plan after December 31, 2020. Subject to adjustment as provided in Section 7.6, no more than 4,500,000 Shares in the aggregate may be issued under the Plan in connection with Incentive Stock Options. After the effective date of the Plan (as provided in Section 7.1), no awards may be granted under any Prior Plan.

2.2 **Permitted Addbacks to Share Reserve**. If (i) any Shares subject to an Award are forfeited, an Award expires or an Award is settled for cash (in whole or in part), or (ii) after December 31, 2020 any Shares subject to an award under the Prior Plan are forfeited, an award under the Prior Plan expires or is settled for cash (in whole or in part), then in each such case the Shares subject to such Award or award under the Prior Plan shall, to the extent of such forfeiture, expiration or cash settlement, be added to the shares available for Awards under Section 2.1 of the Plan. In the event that withholding tax liabilities arising from an Award other than an Option or SAR or, after December 31, 2020, an award other than an option or stock appreciation right under the Prior Plan are satisfied by the tendering of Shares (either actually or by attestation) or by the withholding of Shares by the Company, the Shares so tendered or withheld shall be added to the Shares available for Awards under Section 2.1 of the Plan; provided, however, that Shares that again become available for issuance under the Plan pursuant to the preceding clause (ii) shall not increase the numbers of shares that may be granted under the Plan in connection with Incentive Stock Options.

2.3 **No Recycling of Options or SARs**. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the shares authorized for grant under Section 2.1: (i) Shares tendered by the Participant or withheld by the Company in payment of the purchase price of an Option or, after December 31, 2020, an option under the Prior Plan, (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to Options or SARs or, after December 31, 2020, options or stock appreciation rights under the Prior Plan, (iii) Shares subject to a SAR or, after December 31, 2020, a stock appreciation right under the Prior Plan that are not issued in connection with its stock settlement on exercise thereof, and (iv) Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options or, after December 31, 2020, options under the Prior Plan.

2.4 **Substitute Awards.** Substitute Awards shall not reduce the Shares authorized for grant under the Plan, nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided in Section 2.2 above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Non-Employee Directors prior to such acquisition or combination.

2.5 **Source of Shares.** Shares of Common Stock to be delivered under the Plan shall be made available from authorized and unissued Shares, authorized and issued Shares reacquired and held as treasury shares or otherwise or a combination thereof.

2.6 **Director Limit.** The maximum number of Shares subject to Awards granted during a single fiscal year to any Non-Employee Director, taken together with any cash fees paid during the fiscal year to the Non-Employee Director in respect of such Director's service as a member of the Board during such year (including service as a member or chair of any committees of the Board), shall not exceed $500,000 in total value (calculating the value of any such Awards based on the grant date fair value of such Awards for financial reporting purposes).

III. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

3.1. **Stock Options.** The Committee may, in its discretion, grant options to purchase Shares to such eligible participants as may be selected by the Committee. Each option, or portion thereof, that is not an Incentive Stock Option shall be a Nonqualified Stock Option. To the extent that the aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which options designated as Incentive Stock Options are exercisable for the first time by a participant during any calendar year (under the Plan or any other plan of the Company, or any parent or Subsidiary) exceeds the amount (currently $100,000) established by the Code, such options shall constitute Nonqualified Stock Options.

Options shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem advisable:

(a) **Number of Shares and Purchase Price.** The number of Shares subject to an option and the purchase price per share purchasable upon exercise of the option shall be determined by the Committee; provided, however, that the purchase price per share purchasable upon exercise of an option shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such option; provided further, that if an Incentive Stock Option shall be granted to any person who, at the time such option is granted, owns capital stock possessing more than 10 percent of the total combined voting power of all classes of capital stock of the Company (or of any parent or Subsidiary) (a "Ten Percent Holder"), the purchase price per share shall not be less than the price (currently 110% of Fair Market Value) required by the Code in order to constitute an Incentive Stock Option.

Notwithstanding the foregoing, in the case of an option that is a Substitute Award, the purchase price per share of the shares subject to such option may be less than 100% of the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate purchase price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor company or other entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate purchase price of such shares.

(b) **Option Period and Exercisability**. The period during which an option may be exercised shall be determined by the Committee; provided, however, that no option shall be exercised later than ten (10) years after its date of grant; provided further, that if an Incentive Stock Option shall be granted to a Ten Percent Holder, such option shall not be exercised later than five years after its date of grant; provided, further, that with respect to a Nonqualified Stock Option, if the expiration date of such option occurs during any period when the participant is prohibited from trading in securities of the Company pursuant to the Company's insider trading policy or other policy of the Company or during a period when the exercise of such option would violate applicable securities laws (each, a "Blackout Period"), then the period during which such option shall be exercisable shall be extended to the date that is 30 days after the expiration of such Blackout Period (to the extent permitted by Section 409A of the Code); provided, further that no extension will be made if the purchase price of such Option at the date the initial term would otherwise expire is above the Fair Market Value. The Committee may, in its sole discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an option or to the exercisability of all or a portion of an option. The Committee shall determine whether an option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable option, or portion thereof, may be exercised only with respect to whole Shares.

(c) **Method of Exercise**. An option may be exercised (i) by giving written notice to the Company specifying the number of whole Shares to be purchased and accompanying such notice with payment therefor in full (or arrangement made for such payment to the Company's satisfaction) either (A) in cash, (B) by delivery (either actual delivery or by attestation procedures established by the Company) of Shares having a Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) authorizing the Company to withhold whole Shares which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation, (D) in cash by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise or (E) a combination of (A), (B) and (C), in each case to the extent set forth in the Agreement relating to the option, (ii) if applicable, by surrendering to the Company any Tandem SARs which are cancelled by reason of the exercise of the option and (iii) by executing such documents as the Company may reasonably request. No Shares shall be issued and no certificate representing Shares shall be delivered until the full purchase price therefor and any withholding taxes thereon, as described in Section 7.4, have been paid (or arrangement made for such payment to the Company's satisfaction).

3.2. Stock Appreciation Rights. The Committee may, in its discretion, grant SARs to such eligible persons as may be selected by the Committee. The Agreement relating to an SAR shall specify whether the SAR is a Tandem SAR or a Free-Standing SAR.

SARs shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem advisable:

(a) **Number of SARs and Base Price**. The number of SARs subject to an Award shall be determined by the Committee. Any Tandem SAR related to an Incentive Stock Option shall be granted at the same time that such

Incentive Stock Option is granted. The base price of a Tandem SAR shall be the purchase price per share of the related option. The base price of a Free-Standing SAR shall be determined by the Committee; provided, however, that such base price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such SAR (or, if earlier, the date of grant of the option for which the SAR is exchanged or substituted).

Notwithstanding the foregoing, in the case of an SAR that is a Substitute Award, the base price per share of the shares subject to such SAR may be less than 100% of the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate base price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor company or other entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate base price of such shares.

(b) **Exercise Period and Exercisability**. The period for the exercise of an SAR shall be determined by the Committee; provided, however, that no SAR shall be exercised later than ten (10) years after its date of grant; provided further, that no Tandem SAR shall be exercised later than the expiration, cancellation, forfeiture or other termination of the related option; provided, further, if the expiration date of an SAR occurs during any Blackout Period, then the period during which such SAR shall be exercisable shall be extended to the date that is 30 days after the expiration of such Blackout Period (to the extent permitted by Section 409A of the Code); provided, further that no extension will be made if the base price of such SAR at the date the initial term would otherwise expire is above the Fair Market Value. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an SAR or to the exercisability of all or a portion of an SAR. The Committee shall determine whether an SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised, in the case of a Tandem SAR, only with respect to whole Shares and, in the case of a Free-Standing SAR, only with respect to a whole number of SARs. If an SAR is exercised for shares of Restricted Stock, a certificate or certificates representing such Restricted Stock shall be issued in accordance with Section 4.3(c), or such shares shall be transferred to the holder in book entry form with restrictions on the shares duly noted, and the holder of such Restricted Stock shall have such rights of a shareholder of the Company as determined pursuant to Section 4.3(c). Prior to the exercise of a stock-settled SAR, the holder of such SAR shall have no rights as a shareholder of the Company with respect to the Shares subject to such SAR.

(c) **Method of Exercise**. A Tandem SAR may be exercised (i) by giving written notice to the Company specifying the number of whole SARs which are being exercised, (ii) by surrendering to the Company any options which are cancelled by reason of the exercise of the Tandem SAR and (iii) by executing such documents as the Company may reasonably request. A Free-Standing SAR may be exercised (A) by giving written notice to the Company specifying the whole number of SARs which are being exercised and (B) by executing such documents as the Company may reasonably request. No Shares shall be issued and no certificate representing Shares shall be delivered until any withholding taxes thereon, as described in Section 7.4, have been paid (or arrangement made for such payment to the Company's satisfaction).

3.3. Termination of Employment or Service. All of the terms relating to the exercise, cancellation or other disposition of an option or SAR upon a termination of employment with or service to the Company of the holder of such option or SAR, as the case may be, whether by reason of disability, Retirement, death or any other reason, shall be determined by the Committee and set forth in the applicable Award Agreement.

3.4. No Repricing. The Committee may not without the approval of the shareholders of the Company, (i) reduce the purchase price or base price of any previously granted option or SAR, (ii) cancel any previously granted option or SAR in exchange for another option or SAR with a lower purchase price or base price or (iii) cancel any previously granted option or SAR in exchange for cash or another Award if the purchase price of such option or the base price of such SAR exceeds the Fair Market Value of a Share on the date of such cancellation, in each case, other than in connection with a Change in Control or the adjustment provisions set forth in Section 7.6.

3.5. Dividend Equivalents. Notwithstanding anything in an Award Agreement to the contrary, the holder of an option or SAR shall not be entitled to receive dividend equivalents with respect to the number of Shares subject to such option or SAR.

IV. STOCK AWARDS

4.1. Stock Awards. The Committee may, in its discretion, grant Stock Awards to such eligible persons as may be selected by the Committee. The Agreement relating to a Stock Award shall specify whether the Stock Award is a Restricted Stock Award, Restricted Stock Unit Award or Unrestricted Stock Award.

4.2. Terms of Unrestricted Stock Awards. The number of Shares subject to an Unrestricted Stock Award shall be determined by the Committee. Unrestricted Stock Awards shall not be subject to any Restriction Periods or Performance Measures. Upon the grant of an Unrestricted Stock Award, subject to the Company's right to require payment of any taxes in accordance with Section 7.4, a certificate or certificates evidencing ownership of the requisite number of Shares shall be delivered to the holder of such Award or such shares shall be transferred to the holder in book entry form.

4.3. Terms of Restricted Stock Awards. Restricted Stock Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem advisable.

(a) **Number of Shares and Other Terms**. The number of Shares subject to a Restricted Stock Award and the Restriction Period, Performance Period (if any) and Performance Measures (if any) applicable to a Restricted Stock Award shall be determined by the Committee.

(b) **Vesting and Forfeiture**. The Agreement relating to a Restricted Stock Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of the Plan, for the vesting of the Shares subject to such Award (i) if the holder of such Award remains continuously in the employment of the Company during the specified Restriction Period and (ii) if specified Performance Measures (if any) are satisfied or met during a specified Performance Period, and for the forfeiture of the Shares subject to such Award (x) if the holder of such Award does not remain continuously in the employment of the Company during the specified Restriction Period or (y) if specified Performance Measures (if any) are not satisfied or met during a specified Performance Period.

(c) **Stock Issuance**. During the Restriction Period, the shares of Restricted Stock shall be held by a custodian in book entry form with restrictions on such shares duly noted or, alternatively, a certificate or certificates representing a Restricted Stock Award shall be registered in the holder's name and may bear a legend, in addition to any legend which may be required pursuant to Section 7.5, indicating that the ownership of the Shares represented by such certificate is subject to the restrictions, terms and conditions of the Plan and the Agreement relating to the Restricted Stock Award. All such certificates shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate, which would permit transfer to the Company of all or a portion of the Shares subject to the Restricted Stock Award in the event such Award is forfeited in whole or in part. Upon termination of any applicable Restriction Period (and the satisfaction or attainment of applicable Performance Measures), subject to the Company's right to require payment of any taxes in accordance with Section 7.4, the restrictions shall be removed from the requisite number of any Shares that are held in book entry form, and all certificates evidencing ownership of the requisite number of Shares shall be delivered to the holder of such Award.

(d) **Rights with Respect to Restricted Stock Awards**. Unless otherwise set forth in the Agreement relating to a Restricted Stock Award, and subject to the terms and conditions of a Restricted Stock Award, the holder of such Award shall have all rights as a shareholder of the Company, including, but not limited to, voting rights, the right to receive dividends subject to Section 1.5, and the right to participate in any capital adjustment applicable to all holders of Common Stock.

4.4. Terms of Restricted Stock Unit Awards. Restricted Stock Unit Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem advisable.

(a) **Number of Shares and Other Terms**. The number of Shares subject to a Restricted Stock Unit Award and the Restriction Period, Performance Period (if any) and Performance Measures (if any) applicable to a Restricted Stock Unit Award shall be determined by the Committee.

(b) **Vesting and Forfeiture**. The Agreement relating to a Restricted Stock Unit Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of the Plan, for the vesting of such Restricted Stock Unit Award (i) if the holder of such Award remains continuously in the employment of the Company during the specified Restriction Period and (ii) if specified Performance Measures (if any) are satisfied

or met in whole or in part during a specified Performance Period, and for the forfeiture of the Shares subject to such Award (x) if the holder of such Award does not remain continuously in the employment of the Company during the specified Restriction Period or (y) if specified Performance Measures (if any) are not satisfied or met in whole or in part during a specified Performance Period.

(c) **Settlement of Vested Restricted Stock Unit Awards**. The Agreement relating to a Restricted Stock Unit Award shall specify (i) whether such Award may be settled in Shares or cash or a combination thereof and (ii) subject to Section 1.5 , whether the holder thereof shall be entitled to receive dividend equivalents, and, if determined by the Committee, interest on, or the deemed reinvestment of, any deferred dividend equivalents, with respect to the number of Shares subject to such Award. Prior to the settlement of a Restricted Stock Unit Award, the holder of such Award shall have no rights as a shareholder of the Company with respect to the Shares subject to such Award.

4.5. Termination of Employment or Service. All of the terms relating to the satisfaction of Performance Measures and the termination of the Restriction Period or Performance Period relating to a Stock Award, or any forfeiture and cancellation of such Award upon a termination of employment with or service to the Company of the holder of such Award, whether by reason of disability, Retirement, death or any other reason, shall be determined by the Committee and set forth in the applicable Award Agreement.

V. PERFORMANCE AWARDS

5.1. Performance Awards. The Committee may, in its discretion, grant Performance Awards to such eligible persons as may be selected by the Committee.

5.2. Terms of Performance Awards. Performance Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem advisable.

(a) **Value of Performance Awards and Performance Measures**. The method of determining the value of the Performance Award and the Performance Measures and Performance Period applicable to a Performance Award shall be determined by the Committee.

(b) **Vesting and Forfeiture**. The Agreement relating to a Performance Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of the Plan, for the vesting of such Performance Award if the specified Performance Measures are satisfied or met in whole or in part during the specified Performance Period and for the forfeiture of such Award if the specified Performance Measures are not satisfied or met in whole or in part during the specified Performance Period.

(c) **Settlement of Vested Performance Awards**. The Agreement relating to a Performance Award shall specify whether such Award may be settled in Shares (including shares of Restricted Stock) or cash or a combination thereof. If a Performance Award is settled in shares of Restricted Stock, such shares of Restricted Stock shall be issued to the holder in book entry form or a certificate or certificates representing such Restricted Stock shall be issued in accordance with Section 4.3(c) and the holder of such Restricted Stock shall have such rights as a shareholder of the Company as determined pursuant to Section 4.3(d). Prior to the settlement of a Performance Award in Shares, including Restricted Stock, the holder of such Award shall have no rights as a shareholder of the Company.

5.3. Termination of Employment or Service. All of the terms relating to the satisfaction of Performance Measures and the termination of the Performance Period relating to a Performance Award, or any forfeiture and cancellation of such Award upon a termination of employment with or service to the Company of the holder of such Award, whether by reason of disability, Retirement, death or any other reason, shall be determined by the Committee and set forth in the applicable Award Agreement.

VI. OTHER CASH-BASED AWARDS

6.1. Other Cash-Based Awards. The Committee may grant cash-based Awards to such eligible persons as may be selected by the Committee that provide the opportunity to earn or receive cash payments. Other Cash-Based Awards may be granted as an element of or a supplement to any other Award under the Plan or as a stand-alone Award. The terms and conditions relating to Other Cash-Based Awards shall be set forth in the applicable Award Agreement.

VII. GENERAL

7.1. Effective Date and Term of Plan. This Plan shall be submitted to the shareholders of the Company for approval and, if approved, shall become effective as of the date of such shareholder approval. This Plan shall terminate on the tenth anniversary of the date on which the Company's shareholders approve the Plan, unless earlier terminated by the Board; provided, however, that no Incentive Stock Options shall be granted after the tenth anniversary of the date on which the Plan was approved by the Board. Termination of the Plan shall not affect the terms or conditions of any Award granted prior to termination. Awards hereunder may be made at any time prior to the termination of the Plan.

7.2. Amendments. The Board may amend the Plan as it shall deem advisable; provided, however, that no amendment to the Plan shall be effective without the approval of the Company's shareholders if (i) shareholder approval is required by applicable law, rule or regulation, including any applicable rule of The Nasdaq Stock Market LLC, or (ii) such amendment seeks to modify Section 3.4 hereof; provided further, that no amendment may materially impair the rights of a holder of an outstanding Award without the consent of such holder.

7.3. Non-Transferability. No Award shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company or, to the extent expressly permitted in the Agreement relating to such Award, to the holder's family members, a trust or entity established by the holder for estate planning purposes or a charitable organization designated by the holder, in each case, without consideration. Except to the extent permitted by the foregoing sentence or the Agreement relating to an Award, each Award may be exercised or settled during the holder's lifetime only by the holder or the holder's legal representative or similar person. Except as permitted by the second preceding sentence, no Award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any Award, such Award and all rights thereunder shall immediately become null and void.

7.4. Tax Withholding. The Company shall have the right to require, prior to the issuance or delivery of any Shares or the payment of any cash pursuant to an Award made hereunder, payment by the holder of such Award of any federal, state, local or other taxes which may be required to be withheld or paid in connection with such Award. An Agreement may provide that (i) the Company shall withhold whole Shares which would otherwise be delivered to a holder, having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an Award (the "Tax Date"), or withhold an amount of cash which would otherwise be payable to a holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation by any of the following means: (A) a cash payment to the Company; (B) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole Shares having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation; (C) authorizing the Company to withhold whole Shares which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to a holder, equal to the amount necessary to satisfy any such obligation; (D) in the case of the exercise of an option, a cash payment by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise or (E) any combination of (A), (B) and (C), in each case to the extent set forth in the Agreement relating to the Award.

7.5. Restrictions on Shares. Each Award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the Shares subject to such Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares thereunder, such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company may require that certificates evidencing Shares delivered pursuant to any Award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the holder is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder and may impose a similar restriction on book entry shares.

7.6. Adjustment. In the event of any equity restructuring that causes the per share value of Shares to change, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through an extraordinary cash dividend, the number and class of securities available under the Plan, the terms of each outstanding option and SAR (including the number and class of securities subject to each outstanding option or SAR and the purchase price or base price per share), the terms of each outstanding Restricted Stock Award and Restricted Stock Unit Award (including the number and class of securities subject thereto) and the terms of each outstanding Performance Award (including the number and class of securities subject thereto), shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding options

and SARs without an increase in the aggregate purchase price or base price and in accordance with Section 409A of the Code. In the event of any other change in corporate capitalization, including a merger, consolidation, reorganization, or partial or complete liquidation of the Company, such equitable adjustments described in the foregoing sentence may be made as determined to be appropriate and equitable by the Committee to prevent dilution or enlargement of rights of participants. In either case, the decision of the Committee regarding any such adjustment shall be final, binding and conclusive.

7.7. Change in Control

(a) Subject to the terms of the applicable Award Agreement, in the event of a Change in Control, the Board (as constituted prior to such Change in Control) may, in its discretion:

(i) provide that (A) some or all outstanding options and SARs shall become exercisable in full or in part, either immediately or upon a subsequent termination of employment, (B) the Restriction Period applicable to some or all outstanding Restricted Stock Awards and Restricted Stock Unit Awards shall lapse in full or in part, either immediately or upon a subsequent termination of employment, (C) the Performance Period applicable to some or all outstanding Awards shall lapse in full or in part, and (D) the Performance Measures applicable to some or all outstanding Awards shall be deemed to be satisfied at the target or any other level;

(ii) require that shares of stock of the corporation resulting from such Change in Control, or a parent corporation thereof, be substituted for some or all of the Shares subject to an outstanding Award, with an appropriate and equitable adjustment to such Award as shall be determined by the Board in accordance with Section 7.6; and/or

(iii) require outstanding Awards, in whole or in part, to be surrendered to the Company by the holder, and to be immediately cancelled by the Company, and to provide for the holder to receive (A) a cash payment in an amount equal to (1) in the case of an option or an SAR, the aggregate number of Shares then subject to the portion of such option or SAR surrendered multiplied by the excess, if any, of the Fair Market Value of a Share as of the date of the Change in Control, over the purchase price or base price per Share subject to such option or SAR, (2) in the case of a Stock Award or a Performance Award denominated in Shares, the aggregate number of Shares then subject to the portion of such Award surrendered to the extent the Performance Measures applicable to such Award have been satisfied or are deemed satisfied pursuant to Section 7.7(a)(i), multiplied by the Fair Market Value of a Share as of the date of the Change in Control, and (3) in the case of a Performance Award denominated in cash, the value of the Performance Award then subject to the portion of such Award surrendered to the extent the Performance Measures applicable to such Award have been satisfied or are deemed satisfied pursuant to Section 7.7(a)(i); (B) shares of capital stock of the corporation resulting from or succeeding to the business of the Company pursuant to such Change in Control, or a parent corporation thereof, having a fair market value not less than the amount determined under clause (A) above; or (C) a combination of the payment of cash pursuant to clause (A) above and the issuance of shares pursuant to clause (B) above.

(b) For purposes of the Plan, a "Change in Control" means, unless otherwise provided in an Award Agreement, the occurrence of any one of the following events:

(i) when any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act), other than an affiliate of the Company or a Subsidiary or an employee benefit plan established or maintained by the Company, a Subsidiary or any of their respective affiliates, is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act) directly or indirectly, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities (a "Control Person");

(ii) the consummation of (A) a transaction, other than a Non-Control Transaction, pursuant to which the Company is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation, (B) a sale or disposition of all or substantially all of the Company's assets or (C) a plan of liquidation or dissolution of the Company; or

(iii) if during any period of two (2) consecutive years, individuals (the "Continuing Directors") who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof or, following a Non-Control Transaction, a majority of the board of directors of the Surviving Corporation; provided that any individual whose election or nomination for election as a member of the Board (or,

following a Non-Control Transaction, the board of directors of the Surviving Corporation) was approved by a vote of at least two-thirds of the Continuing Directors then in office shall be considered a Continuing Director.

For purposes of this paragraph: (I) the Company will be deemed to have become a subsidiary of another corporation if any other corporation (which term shall include, in addition to a corporation, a limited liability company, partnership, trust, or other organization) owns, directly or indirectly, 50 percent or more of the total combined outstanding voting power of all classes of stock of the Company or any successor to the Company; (II) "Non-Control Transaction" means a transaction in which the Company is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation pursuant to a definitive agreement providing that at least a majority of the directors of the Surviving Corporation immediately after the transaction are persons who were directors of the Company on the day before the first public announcement relating to the transaction; (III) "Surviving Corporation" means (A) in a transaction in which the Company becomes the subsidiary of another corporation, the ultimate parent entity of the Company or the Company's successor, and (B) in any other transaction pursuant to which the Company is merged with or into another corporation, the surviving or resulting corporation in the merger or consolidation.

7.8. **Deferrals**. The Committee may determine that the delivery of Shares or the payment of cash, or a combination thereof, upon the exercise or settlement of all or a portion of any Award (other than Awards of Incentive Stock Options, Nonqualified Stock Options and SARs) made hereunder shall be deferred, or the Committee may, in its sole discretion, approve deferral elections made by holders of Awards. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion, subject to the requirements of Section 409A of the Code.

7.9. **No Right of Participation, Employment or Service**. Unless otherwise set forth in an employment agreement, no person shall have any right to participate in the Plan. Neither the Plan nor any Award made hereunder shall confer upon any person any right to continued employment by or service with the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment or service of any person at any time without liability hereunder.

7.10. **No Fractional Shares**. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

7.11. **Designation of Beneficiary**. To the extent permitted by the Company, a holder of an Award may file with the Company a written designation of one or more persons as such holder's beneficiary or beneficiaries (both primary and contingent) in the event of the holder's death or incapacity. To the extent an outstanding option or SAR granted hereunder is exercisable, such beneficiary or beneficiaries shall be entitled to exercise such option or SAR pursuant to procedures prescribed by the Company. Each beneficiary designation shall become effective only when filed in writing with the Company during the holder's lifetime on a form prescribed by the Company. The spouse of a married holder domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Company of a new beneficiary designation shall cancel all previously filed beneficiary designations. If a holder fails to designate a beneficiary, or if all designated beneficiaries of a holder predecease the holder, then each outstanding Award held by such holder, to the extent vested or exercisable, shall be payable to or may be exercised by such holder's executor, administrator, legal representative or similar person.

7.12. **Governing Law**. This Plan, each Award hereunder and the related Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of New Jersey and construed in accordance therewith without giving effect to principles of conflicts of laws.

7.13. **Foreign Employees**. Without amending the Plan, the Committee may grant Awards to eligible persons who are foreign nationals and/or reside outside the U.S. on such terms and conditions different from those specified in the Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

7.14. Awards Subject to Clawback. The Awards granted under the Plan and any cash payment or Shares delivered pursuant to an Award are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Award Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company has adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

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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, 2020

☐ **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)**
One Penn Plaza	
New York, NY	**10119**
(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	Trading Symbols	Name of exchange on which registered
Common Stock, no par value	VLY	The Nasdaq Stock Market LLC
Non-Cumulative Perpetual Preferred Stock, Series A, no par value	VLYPP	The Nasdaq Stock Market LLC
Non-Cumulative Perpetual Preferred Stock, Series B, no par value	VLYPO	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files.) Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐	Smaller reporting company	☐
Non-accelerated filer	☐		☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐

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 $3.1 billion on June 30, 2020.

There were 405,611,861 shares of Common Stock outstanding at February 25, 2021.

Documents incorporated by reference:

Certain portions of the registrant's Definitive Proxy Statement (the "2021 Proxy Statement") for the 2021 Annual Meeting of Shareholders to be held April 19, 2021 will be incorporated by reference in Part III. The 2021 Proxy Statement will be filed within 120 days of December 31, 2020.

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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 Annual Report on Form 10-K (referred to as 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, 2020, Valley had consolidated total assets of $40.7 billion, total net loans of $31.9 billion, total deposits of $31.9 billion and total shareholders' equity of $4.6 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, State Bancorp Capital Trusts I and II, and Aliant Statutory Trust II at December 31, 2020 through which trust preferred securities were issued. These trusts are not consolidated subsidiaries. See Note 11 to the consolidated financial statements.

Valley advertises and identifies itself under the trade names "Valley Bank" and "Valley".

Valley National Bank is a national banking association chartered in 1927 under the laws of the United States. Currently, the Bank has 226 branches serving northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, Florida and Alabama. The Bank offers a full suite of banking solutions through various commercial, retail, insurance and wealth management financial services products. These products include, but are not limited to, traditional commercial and industrial lending, commercial real estate financing, small business loans, equipment, basic consumer and commercial deposit products, personal financing solutions such as residential mortgages, home equity loans and automobile financing, as well as solutions for homeowners associations and a full service line of cash management solutions. The Bank 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 are available to customers including standby letters of credit, documentary letters of credit and related products, and certain ancillary services such as foreign exchange transactions, documentary collections, foreign wire transfers, as well as transaction accounts for non-resident aliens.

Our primary focus is to build and develop profitable customer relationships across all lines of business and create a convenient and innovative omni-channel customer experience beyond our traditional branch footprint, including through the use and promotion of our mobile and online service offerings, such as our ValleyDirect on-line savings account.

Valley National Bank's 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 insurance agency offering property and casualty, life and health insurance;
- an asset management adviser that is a registered investment adviser with the Securities and Exchange Commission (SEC);
- a title insurance agency in New York which also provides services in New Jersey;
- subsidiaries which hold, maintain and manage investment assets for the Bank;
- 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 and Valley's insurance agency (10% of which is owned by the insurance agency's co-CEOs), 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 its outstanding non-voting preferred stock to individuals, most of whom are current and former 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 several years primarily through bank acquisitions that expanded our branch footprint in New Jersey and Florida. Recent bank transactions are discussed further below.

Oritani Financial Corp. On December 1, 2019, Valley completed its acquisition of Oritani Financial Corp. ("Oritani") and its wholly-owned subsidiary, Oritani Bank. Oritani had approximately $4.3 billion in assets, $3.4 billion in net loans, $2.9 billion in deposits, after purchase accounting adjustments, and a branch network of 26 locations. The acquisition represented a significant addition to Valley's New Jersey franchise, and meaningfully enhanced its presence in the Bergen County market. The common shareholders of Oritani received 1.60 shares of Valley common stock for each Oritani share that they owned prior to the merger. The total consideration for the acquisition was approximately $835 million, consisting of approximately 71.1 million shares of Valley common stock and the outstanding Oritani stock-based awards.

USAmeriBancorp, Inc. On January 1, 2018, Valley completed its acquisition of USAmeriBancorp, Inc. (USAB) headquartered in Clearwater, Florida. USAB, largely through its wholly-owned subsidiary, USAmeriBank, had approximately $5.1 billion in assets, $3.7 billion in net loans and $3.6 billion in deposits, after purchase accounting adjustments, and maintained a branch network of 29 offices. The acquisition represented a significant addition to Valley's Florida presence, primarily in the Tampa Bay market. The acquisition also brought Valley to the Birmingham, Montgomery, and Tallapoosa areas in Alabama, where USAB maintained 15 of its branches. The common shareholders of USAB received 6.1 shares of Valley common stock for each USAB share they owned prior to merger. The total consideration for the acquisition was approximately $737 million, consisting of 64.9 million shares of Valley common stock and the outstanding USAB stock based awards.

Impact of *COVID-19*

Valley's primary market areas within New Jersey, New York, Florida and Alabama have all experienced significant outbreaks and resurgences of the disease caused by the novel coronavirus (COVID-19) and disruptions from the pandemic. The COVID-19 pandemic and any preventative or protective actions that Valley or its customers have taken or may take in response resulted and may continue to result in extended periods of disruption to Valley, its customers, service providers, and third parties. The full extent and duration of the adverse impacts of COVID-19 pandemic on Valley's business, financial position, results of operations, and prospects are currently unknown, but could be significant. As of the date of this report, the banking and financial services industries have been deemed essential businesses in the jurisdictions in which Valley operates. Although our branches are now open, we continue to implement various protocols and practices imposed to safeguard the health and wellness of customers and employees and to comply with applicable government directives. However, the imposition and the extent of any further restrictions on our operations, and compliance therewith could have a material effect on Valley's business. Valley cannot predict whether and to what extent governmental and nongovernmental authorities will continue to implement policy measures or further legislative relief to assist Valley and its customers and the failure to do so could have adverse effects on Valley's business.

The Paycheck Protection Program (PPP) provided for in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as supplemented by the Paycheck Protection Program and Health Care Enhancement Act (Enhancement Act), was designed to aid small- and medium-sized businesses through federally guaranteed loans distributed through banks. These loans were intended to offset payroll and other costs to help those businesses remain viable and allow their workers to pay their bills. Valley National Bank is a certified Small Business Administration (SBA) lender and facilitated approximately 13,000 SBA-approved PPP loans with balances totaling $2.2 billion as of December 31, 2020. While difficult to accurately predict, we expect the majority of these loans to be forgiven in accordance with rules, application and documentation requirements for this program.

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 21 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 $6.9 billion and represented 21.3 percent of the total loan portfolio at December 31, 2020. We make commercial loans to small and middle market

businesses most often located in New Jersey, New York, Florida and Alabama. Loans originated from Florida accounted for approximately 28 percent of total commercial and industrial loans at both, December 31, 2020 and 2019. 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 occur as expected and the collateral securing these loans may fluctuate in value. In the case of loans secured by accounts receivable, the ability of the borrower to collect all amounts due from its customers may be impaired. 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 $2.7 billion (including $2.2 billion of SBA guaranteed PPP loans) at December 31, 2020. In addition, we provide financing to the health care and industrial equipment leasing market through our leasing subsidiary, Highland Capital Corp.

The commercial portfolio also includes approximately $90.6 million and $6.9 million of New York City and Chicago taxi medallion loans at December 31, 2020, respectively. All of these loans are on non-accrual status due to ongoing weakness exhibited in the taxi industry caused by strong competition from alternative ride-sharing services and the economic stress caused by COVID-19. At December 31, 2020, the non-accrual taxi medallion loans totaling $97.5 million had related reserves of $66.4 million, or 68.1 percent of such loans, within the allowance for loan losses. We continue to closely monitor this portfolio and negative trends in the market valuations of the underlying taxi medallion collateral and a decline in borrower cash flows, among other factors, could result in additional charges to increase the reserves associated with this loan portfolio. See the "Non-performing Assets" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) for additional information regarding our taxi medallion loans.

Commercial real estate loans. Commercial real estate and construction loans totaled $18.5 billion and represented 57.3 percent of the total loan portfolio at December 31, 2020. We originate commercial real estate loans that are secured by various diversified property types across the New York metropolitan area (New Jersey, New York and Pennsylvania) along with Florida and our Alabama footprint. Property types in this portfolio range from multi-family residential properties to non-owner occupied commercial, industrial/warehouse and retail. Loans originated from Florida lending represented 26 percent of the total commercial real estate loans at December 31, 2020 as compared to 25 percent of such loans at December 31, 2019. 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 $1.7 billion at December 31, 2020 are generally secured by the real estate to be developed and may also be secured by additional real estate to mitigate the risk. Within our construction portfolio, we have a diverse mix of both residential (for sale and rental) and commercial development projects. 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 $4.2 billion and represented 13.0 percent of the total loan portfolio at December 31, 2020. Our residential mortgage loans include fixed and variable interest rate loans located mostly in New Jersey, New York and Florida. 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 also 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, as well as targeted purchases of loans guaranteed by third parties. 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 through an approved appraisal management company. The appraisal management company adheres to all regulatory requirements. 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 include both fixed rate and adjustable rate mortgage (ARM) products with 10-year to 30-year maturities. The adjustable rate loans have a fixed-rate, fixed payment, introductory period of 5 to 10 years that is selected by the borrower. Additionally, Valley originates jumbo residential mortgage loans, which are mostly fixed-rate with 30-year maturities. At December 31, 2020, fixed and adjustable rate jumbo residential mortgage loans totaled approximately $2.5 billion. Interest-only (i.e., non-amortizing) residential mortgage loans within our jumbo portfolio totaled $39.4 million (or 0.94 percent of the total residential mortgage loan portfolio) at December 31, 2020. The Bank is also a servicer of residential mortgage portfolios, and it is compensated for loan administrative services performed for mortgage servicing rights related primarily to loans originated and sold by the Bank. See Note 5 to the consolidated financial statements for further details.

Other consumer loans. Other consumer loans totaled $2.7 billion and represented 8.4 percent of the total loan portfolio at December 31, 2020. Our other consumer loan portfolio is primarily comprised of direct and indirect automobile loans, loans secured by the cash surrender value of life insurance, home equity loans and lines of credit, 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, Delaware and Alabama 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 its bank acquisitions in Florida since 2014, as auto lending was not a focus of the acquired operations. However, we implemented our indirect auto lending model in Florida in 2015, and in Alabama in 2018 using our New Jersey based underwriting and loan servicing platform. The relatively new Florida auto dealer network generated approximately $85 million and $169 million of auto loans in 2020 and 2019, respectively, while the auto loans originated from Alabama totaled $22 million in 2020 as compared to $39 million in 2019. 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 territories. We generally will not exceed a combined (i.e., first and second mortgage) loan-to-value ratio of 80 percent when originating a home equity loan. Other consumer loans include direct consumer term loans, both secured and unsecured, but are largely comprised of personal lines of credit secured by cash surrender value of life insurance. The product is mainly originated through the Bank's retail branch network and third party financial advisors. Unsecured consumer loans totaled approximately $49.4 million, including $8.8 million of credit card loans, at December 31, 2020.

Wealth Management. Our Wealth Management and Insurance Services Division provides asset management advisory services, trust services, commercial and personal insurance products, and title insurance. 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, 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, 2020, our total investment securities and interest bearing deposits with banks were $3.5 billion and $1.1 billion, respectively. See the "Investment Securities Portfolio" section of the 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, 2020 and 2019, approximately 72 percent and 76 percent, respectively, of Valley's gross loans totaling $32.2 billion and $29.7 billion, respectively, consisted of commercial real estate (including construction loans), residential mortgage, and home equity loans. The remaining 28 percent and 24 percent at December 31, 2020 and 2019, 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 in the New Jersey and New York City Metropolitan area within our loan portfolio primarily through our bank acquisitions and expanded lending teams in Florida since 2014, including our acquisition of USAB on January 1, 2018. Many external factors outlined in Item 1A. Risk Factors, the "Executive Summary" section of Item 7. 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 in Item 7. 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, 2020.

	Percentage of Loan Portfolio Segment:				
	Commercial and Industrial	Commercial Real Estate	Residential	Consumer	% of Total Loans
New Jersey	31 %	27 %	41 %	35 %	30 %
New York	24	38	29	29	33
Florida	28	26	21	17	25
Pennsylvania	1	2	1	7	2
Alabama	2	2	1	2	2
California	1	1	3	1	1
Connecticut	1	*	1	2	1
Other	12	4	3	7	6
Total	100 %	100 %	100 %	100 %	100 %

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

Risk Management

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 full Board regularly engages in discussions of risk management and receives reports on risk factors from our executive management, other Company officers and the chairman of the Risk Committee. The Risk Committee assists the Board by, among other things, establishing an enterprise-wide risk management framework and risk culture that is aligned with Valley's strategic plan and is appropriate for Valley's capital, business activities, size and risk appetite. Management applies the enterprise-wide risk management framework to holistically manage and monitor risks across the organization and to aggregate and manage the risk appetite approved by the board. As part of the risk management framework, the Risk Committee reviews and recommends to the Board appropriate risk tolerances and limits for strategic, credit, interest rate, price, liquidity, compliance, operational (including cyber and information security risk), and reputation risks, oversees that risks are managed within those tolerances, and monitors compliance with applicable laws and regulations. With guidance from and oversight by the Risk Committee, management continually refines and enhances its risk management policies, procedures and monitoring programs to be able to adapt to changing risks.

In May 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") was signed into law. On July 6, 2018, the Board of Governors of the Federal Reserve System (FRB), Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) issued a joint interagency statement regarding the impact of the

EGRRCPA. As a result of this statement and the EGRRCPA, Valley and the Bank are no longer subject to Dodd-Frank Act stress testing requirements. While Valley is no longer required to publish company-run annual stress tests, it continues to internally run stress tests of its capital position that are subject to review by Valley's primary regulators. Additionally, the results of the internal stress tests are considered in combination with other risk management and monitoring practices at Valley to maintain an effective risk management program.

Cyber Security

Information security is a significant operational risk for Valley. Information security includes the risk of losses resulting from cyber-attacks. Valley frequently experiences attempted cyber security attacks against its systems. However, to date, none of these incidents have resulted in material losses, known breaches of customer data or significant disruption of services to our customers. Within the past few years, we have significantly increased the resources dedicated to cyber security. We believe that further increases are likely to be required in the future, in anticipation of increases in the sophistication and persistency of cyber-attacks. We employ personnel dedicated to overseeing the infrastructure and systems necessary to defend against cyber security incidents. Senior management is briefed on information and cyber security matters, preparedness and any incidents requiring a response.

Valley's Board, through its Risk Committee, has primary oversight responsibility for information security and receives regular updates and reporting from management on information and cyber security matters, including information related to any third-party assessments of Valley's cyber program. The Risk Committee periodically approves Valley's information security policies.

We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures and if we experienced a cyber security breach of customer data, to make required notifications to customers and disclosure to government officials. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access is a high priority for us. While we have confidence in our cyber security practices and personnel, we also know we are not immune from a costly and successful attack.

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 appetite. Management reviews and approves these policies and procedures on a regular basis with subsequent approval by the Board of Directors annually. Credit authority relating to a significant dollar percentage of the overall portfolio is centralized and controlled by the Credit Risk Management Division and by a Credit Committee. A reporting system supplements the review process by providing management with frequent reports concerning loan production, loan quality, internal loan classifications, concentrations of credit, loan delinquencies, 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, geographic markets 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. 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 or an affiliated corporate entity 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 commercial real estate underwriting guidelines require 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, refinancings 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, refinancings 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 the 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 collateral-dependent 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 loans." Commercial real estate loans are collateralized by real estate and construction loans are generally secured by the real estate to be developed and may also be secured by additional real estate to mitigate the risk. Residential and home equity loans are collateralized by residential real estate. Collateral values for such loans are typically estimated using individual appraisals performed every 12 months (or 18 months for impaired loans no greater than $1.0 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 to be held in our loan portfolio require either a new appraisal or a new evaluation in accordance with our appraisal policy. 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), except as explained below.

The majority of the concessions made for TDRs involve an extension of the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate, lowering the monthly payments on loans through either a reduction in interest rate below a market 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.

CARES Act Loan Modifications

In response to the COVID-19 pandemic and its economic impact to certain customers, Valley implemented short-term loan modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that were insignificant, when requested by customers. These modifications complied with the CARES Act to provide temporary payment relief to those borrowers directly impacted by the COVID-19 pandemic who were not more than 30 days past due as of December 31, 2019. Generally, the modification terms allow for a deferral of payments for up to 90 days, which Valley may extend for an additional 90 days. Any extensions beyond this period were made in accordance with applicable regulatory guidance. As of December 31, 2020, Valley had approximately $361 million of outstanding loans remaining in their payment deferral period under short-term modifications. Under the CARES Act and the Enhancement Act and other applicable guidance, none of these loans were considered TDRs as of December 31, 2020.

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 prohibits the advancement of additional funds on non-accrual loans, TDRs and CARES Act loan modifications, except under certain workout plans if such extension of credit is intended to mitigate losses.

Allowance for Credit Losses

We maintain an allowance for credit losses (ACL) for financial assets measured at amortized cost. The ACL consists of the allowance for loan losses and unfunded loan commitments (combined the "allowance of credit losses for loans"), and the allowance for credit losses for held to maturity securities. The estimate of expected credit losses under the current expected credit losses (CECL) methodology adopted on January 1, 2020 is based on relevant information about the past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. CECL methodology to estimate the allowance for loan losses has two components: (i) a collective reserve component for estimated lifetime expected credit losses for pools of loans that share common risk characteristics and (ii) an individual reserve component for loans that do not share common risk characteristics. The allowance for unfunded credit commitments mainly consists of undisbursed non-cancellable lines of credit, new loan commitments and commercial letters of credit valued using a similar methodology as used for loans. Management's estimate of expected losses inherent in these off-balance sheet credit exposures also incorporates estimated utilization rate over the commitment's contractual period or an expected pull-through rate for new loan commitments. To measure the expected credit losses on held to maturity debt securities that have loss expectations, Valley estimates the expected credit losses using a discounted cash flow model developed by a third-party. The amount of ACL is based on ongoing, quarterly assessments by management. See Note 1 to the consolidated financial statements for further discussion regarding CECL methodology.

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 the Community Reinvestment Act (CRA), as well as other asset/liability management strategies. Valley purchased approximately $24 million and $35 million of 1-4 family loans, qualifying for CRA purposes during 2020 and 2019, respectively. All 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 and industrial, and 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 loans (including commercial and industrial and commercial real estate loans) and residential mortgage loans totaled approximately $855.5 million and $722.7 million, respectively, at December 31, 2020 representing 3.63 percent, and 17.27 percent of our total commercial and residential mortgage loans, respectively.

At December 31, 2020, 5.66 percent of commercial loans originated by third parties were past due 30 days or more, which represented 0.88 percent of our total commercial loan portfolio, and 9.16 percent of residential mortgage loans originated by third parties were past due 30 days or more which represented 1.36 percent of our total residential mortgage portfolio.

Additionally, Valley has performed credit due diligence on the majority of the loans acquired in our bank acquisitions (disclosed under the "Recent Acquisitions" section above) in determining the estimated cash flows receivable from such loans. See the "Loan Portfolio" section of our MD&A 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, Florida and Alabama. Valley ranked 15th in competitive ranking and market share based on the deposits reported by 180 FDIC-insured financial institutions in the New York, Northern New Jersey and Long Island deposit markets as of June 30, 2020. The FDIC also ranked Valley 6th, 38th, 21st, and 18th in the states of New Jersey, New York, Florida, and Alabama, respectively, based on deposit market share as of June 30, 2020. 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 areas of our 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. Many of these competitors may have fewer regulatory constraints, broader geographic service areas, greater capital, and, in some cases, lower cost structures. 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 and other large financial services providers. The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services which increases efficiency and enables financial institutions to better serve customers and to reduce costs. These competitors provide innovative web-based solutions to traditional retail banking services and products. Fintech companies tend to have stronger operating efficiencies and fewer 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 and are able to offer a large range of products and services at competitive rates and prices. In addition, we face an intense competition among direct banks because online banking provides customers the ability to rapidly deposit and withdraw funds and open and close accounts in favor of products and services offered by competitors. 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 226 branches, an extensive ATM network, and our telephone and on-line banking systems. Our competitive advantage also lies in our strong community presence with over 90 years of service. This longevity is especially appealing to customers seeking a strong, stable and service-oriented bank.

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.

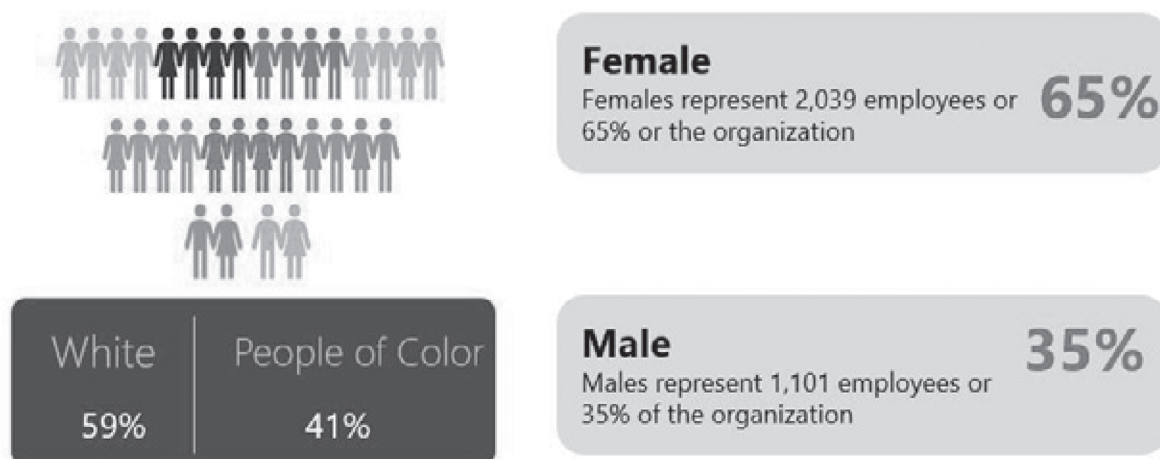
Human Capital

At Valley, our goal is to give people and businesses the power to succeed. We strive to build an inclusive, diverse, and high-performing culture where empowered associates, innovation and collaboration thrive.

Demographics. At December 31, 2020, Valley National Bank and its subsidiaries employed 3,155 full-time equivalent persons across our multi-state footprint. Management considers relations with its employees to be satisfactory. During the year 2020, we hired 384 employees and our voluntary turnover rate was 13 percent. Our average tenure was approximately 8.6 years.

Diversity, Equity and Inclusion. We believe that the diversity of our associates helps us to become stronger. Thus, we strive to foster a strong and inclusive culture that is committed to providing the quality service to our customers, the communities in which we operate and each other.

As of December 31, 2020, the population of our workforce broken down by gender and diversity was as follows:



Total Rewards. We offer market competitive compensation programs to attract, engage, retain, and motivate talent across our footprint. These programs include base wages, performance-based bonus and incentive compensation, stock awards, a 401(k) Plan with a company match, healthcare and insurance benefits, voluntary benefits, commuter benefits, health savings account, flexible spending accounts, tuition reimbursement, paid time off, disability, family leave, wellness and employee assistance programs.

Health and Safety. We are committed to the health, safety and wellbeing of our associates. In 2020, we embraced safety protocols that have become the new way of life in this pandemic era.

Maintaining alignment with state and local COVID-19 mandates and recommendations, Valley implemented remote work, where functional roles allowed, moving approximately 90 percent of our non-retail associates from the office until safety strategies could be implemented. Return to the workplace protocols and tools have allowed us to return critical workers to Valley facilities.

Talent. Within both our Talent Acquisition and Talent Development teams, our goal of attracting, developing, and retaining the most qualified people is crucial to all aspects of Valley's activities and long-term success and is central to our long-term strategy. We actively engage our senior business leaders in reviewing their critical roles in coordination with their strategic talent initiatives. Our annual Talent Review and Succession Planning process has created a broader understanding of our key talent and our flagship Leadership Development programs provide meaningful development and experiences that challenge our high potential associates.

Additional information regarding Valley's human capital management can be found under Item 1: Election of Directors of its 2021 Proxy Statement.

Information about our Executive Officers

Name	Age at December 31, 2020	Executive Officer Since	Office	Principal occupation during last five years other than Valley
Ira Robbins	46	2009	Chairman of the Board, President, and Chief Executive Officer of Valley and Valley National Bank	
Michael D. Hagedorn	54	2019	Senior Executive Vice President, Chief Financial Officer of Valley and Valley National Bank	2015 - 2018 Vice Chairman, UMB Financial Corporation, President and CEO, UMB Bank n.a.
Thomas A. Iadanza	62	2015	Senior Executive Vice President of Valley and Chief Banking Officer of Valley National Bank	
Joseph Chillura	54	2020	Senior Executive Vice President of Valley and Chief Customer Officer of Valley National Bank	
Ronald H. Janis	72	2017	Senior Executive Vice President, General Counsel, and Corporate Secretary of Valley and Valley National Bank	1992 - 2016 Partner, SEC, Banking and Merger & Acquisitions, Day Pitney LLP
Robert J. Bardusch	55	2016	Senior Executive Vice President of Valley and Chief Operating Officer of Valley National Bank	2014 - 2016 Executive Vice President, Chief Information Officer, Head of Technology and Operations, MVB Financial Corp.
Melissa F. Scofield	61	2015	Executive Vice President of Valley and Chief Risk Officer of Valley National Bank	
Yvonne M. Surowiec	60	2017	Senior Executive Vice President of Valley and Chief People Officer of Valley National Bank	2014 - 2016 Executive Vice President and Chief Human Resources Officer, CDK Global
Mark Saeger	56	2018	Executive Vice President of Valley and Chief Credit Officer of Valley National Bank	
Mitchell L. Crandell	50	2007	Executive Vice President, Chief Accounting Officer of Valley and Valley National Bank	

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

Available Information

The SEC maintains a website at www.sec.gov which contains reports and other information filed with the SEC electronically. 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.valley.com without charge as soon as reasonably practicable after filing or furnishing them to the SEC. Also available on our 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 compliance cost for Valley is significant and subject to increase as new governmental regulations are enacted and/or the level of enforcement of those regulators increases. In particular, Valley employs specialists and retains outside advisors to ensure that Valley has sufficient resources to comply with the regulations to which it is subject. Certain of Valley's competitors, including credit unions, fintech companies, and others, are not regulated to the extent that Valley and other banks are, which may place Valley at a competitive disadvantage.

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 five percent or more 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 five percent or more 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 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.

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. With the approval of the OCC, and subject to certain legal requirements, a bank may establish financial subsidiaries which may act as insurance agents, securities brokers and perform other non-banking functions.

Capital Requirements

The FRB and the OCC have rules establishing a comprehensive capital framework for U.S. banking organizations, referred to as the Basel III rules.

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

- 4.5 percent CET1 (common equity Tier 1) 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").

Under Basel III, both Valley and Valley National Bank are required to maintain a 2.5 percent "capital conservation buffer" 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. Basel III also provides for a number of complex deductions from and adjustments to its various capital components.

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.

With respect to Valley National Bank, Basel III also revised the "prompt corrective action" regulations of 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. On January 1, 2019, the capital conservation buffer was fully phased in, and as a result, the capital ratios applicable to depository institutions under Basel III now exceed the ratios to be considered well-capitalized under the prompt corrective action regulations.

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, 2020, under the "prompt corrective action" regulations.

For regulatory capital purposes, in connection with the Federal Reserve Board's final interim rule as of April 3, 2020, 100 percent of the CECL Day 1 impact to shareholders' equity equaling $28.2 million after-tax will be deferred for a two-year period ending January 1, 2022, at which time it will be phased in on a pro-rata basis over a three-year period ending January 1, 2025. Additionally, 25 percent of the reserve build (i.e., provision for credit losses less net charge-offs) for the year ended December 31, 2020 will be phased in over the same time frame.

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

The Dodd-Frank Act significantly changed the bank regulatory landscape and 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 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.

Under the Durbin Amendment contained in the Dodd-Frank Act, the FRB adopted rules applying to banks with more than $10 billion in assets which established a maximum permissible interchange fee equal to no more than 21 cents plus 5 basis points of the transaction value for many types of debit interchange transactions. The FRB also adopted a rule to allow a debit card issuer to recover 1 cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the FRB. The FRB also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product. Because we exceed $10 billion in assets, we are subject to the interchange fee cap.

The Dodd-Frank Act also imposed stress testing on Valley and the Bank. However, the 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") and a joint interagency statement regarding the impact of the EGRRCPA resulted in Valley and the Bank being no longer subject to the stress testing requirements. However, under safety and soundness principles we will continue to conduct stress testing of our own design.

Volcker Rule

The Volcker Rule (contained in the Dodd-Frank Act) prohibits an insured depository institution and its affiliates from: (i) engaging in certain "proprietary trading" and (ii) investing in or sponsoring certain types of funds (Covered Funds). The Rule also effectively prohibits most short-term trading strategies investments and prohibits the use of some hedging strategies. We identified no investments held as of December 31, 2020 that meet the definition of Covered Funds.

Incentive Compensation

The Dodd-Frank Act requires the federal bank regulators and the SEC to maintain guidelines prohibiting incentive-based payment arrangements at specified regulated entities, including us and our Bank, having at least $1 billion in total assets that encourage inappropriate risks by providing an executive officer, employee, director or principal stockholder with excessive compensation, fees, or benefits or that could lead to material financial loss to the entity.

The FRB and the OCC review, as part of their regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as us, that are not "large, complex banking organizations." These reviews are tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements.

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, without consent, 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. In addition, the bank regulatory agencies have the authority to prohibit us from paying dividends if the supervising agency determines that such payment would constitute an unsafe or unsound banking practice. Among other things, consultation with the FRB supervisory staff is required in advance of our declaration or payment of a dividend to our shareholders that exceeds our earnings for the trailing four-quarter period in which the dividend is being paid.

Transactions by the Bank with 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.

Section 22 of the Federal Reserve Act prohibits the Bank from paying to a director, officer, attorney or employee a rate on deposits that is greater than the rate paid to other depositors on similar deposits with the Bank. Regulation W governs and limits transactions between the Bank and Valley.

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 an overall "outstanding" CRA rating in its most recent examination.

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

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 require 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.

Office of Foreign Assets Control Regulation (OFAC)

The U.S. Treasury Department's OFAC administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. We and our Bank are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

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.

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 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.

London Interbank Offered Rate

Central banks around the world, including the FRB, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for the London Interbank Offered Rate (“LIBOR”) based on observable market transactions because of the phase out of LIBOR. Most tenors of LIBOR are expected to cease being published on June 30, 2023 with some tenors expected to cease being published earlier. The FRB has stated that financial institutions should stop writing contacts using LIBOR by the end of 2021 at the latest. This change away from LIBOR and transition to other benchmarks may have an adverse impact on the value of, return on and trading markets for a broad array of financial products, including any LIBOR-based securities, loans and derivatives that are included in our financial assets and liabilities. A transition away from LIBOR also requires extensive changes to the contracts that govern these LIBOR-based products, as well as our systems and processes.

A number of the Bank's commercial loans, certain residential mortgage loans, derivative positions, trust preferred securities issued to our capital trusts, and the reset provisions for our preferred stock issuances are based upon LIBOR. The Bank will also be subject to changes to models and systems that currently use LIBOR reference rates, as well as market and strategic risks that could arise from the use of alternative reference rates. The Bank has established a working group to identify and prepare fall back language and replacement provisions, as well as ensure our systems readiness for a change in reference rate. Regulators have expressed concern about litigation that could arise due to the change from LIBOR to another rate.

Prohibitions Against Tying Arrangements

Banks are subject to the prohibitions of 12 U.S.C. Section 1972 on certain tying arrangements. A depository institution is prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the

consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

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.

Risks Related to the COVID-19 Pandemic

We anticipate that the COVID-19 pandemic will continue to adversely affect us and our customers, counterparties, employees, and third-party service providers. The full extent and duration of the adverse impacts on our business, financial position, results of operations, and prospects are currently unknown and could be significant.

The spread of COVID-19 has created a global public-health crisis that has resulted in widespread volatility and deterioration in business, economic, and market conditions and household incomes, including in the states of New Jersey, New York, Florida and Alabama where we conduct nearly all of our business. The extent of the continuing impact of the COVID-19 pandemic on our capital and liquidity, and on our business, results of operations, financial position and prospects generally will depend on a number of evolving factors, including:

The duration, extent, and severity of the pandemic. COVID-19 has not yet been contained and could affect significantly more households and businesses. The duration and severity of the pandemic, future resurgences of COVID-19 in our primary market areas, the efficacy of new approved vaccines and the timing of the distribution of such vaccines, continue to be impossible to predict. There remains substantial uncertainty surrounding the pace of economic recovery and the return of business and consumer confidence.

The response of governmental and nongovernmental authorities. Many responsive measures have been directed toward curtailing household and business activity to contain COVID-19 while simultaneously deploying fiscal- and monetary-policy measures to partially mitigate the adverse effects on individual households and businesses. These actions are not always coordinated or consistent across jurisdictions but, in general, have rapidly expanded in scope and intensity, contributing to substantial market volatility. We cannot predict whether and to what extent governmental and nongovernmental authorities will continue to implement policy measures to assist us and our customers and the failure to do so could have adverse effects on our business.

The effect on our customers, counterparties, employees, and third-party service providers. COVID-19 and its associated consequences and uncertainties, including increased unemployment rates, are affecting individuals, households, and businesses differently and unevenly and we anticipate will continue to do so. Many, however, have already changed their behavior in response to governmental mandates and advisories to sharply restrain commercial and social interactions and discretionary spending. As a result, our credit, operational, and other risks have generally increased and, for the foreseeable future, are expected to remain elevated or increase further.

The effect on economies and markets. Whether the actions of governmental and nongovernmental authorities will be successful in mitigating the adverse effects of COVID-19 in the future is unclear. National, regional, and local economies (including the local economies in the markets areas which we serve) and markets could suffer disruptions that are lasting. Governmental actions are meaningfully influencing the interest-rate environment and financial-market activity, which could adversely affect our results of operations and financial condition. We can provide no assurance that governmental or non-governmental mitigation efforts will continue or be effective in the future.

In 2020, the most notable impacts to our results of operations were a higher provision expense for credit losses, which we expect to continue. Our provision for credit losses for loans was $125.1 million for 2020 as compared to $24.2 million for 2019. With recent increases in COVID-19 infection rates in our market areas, our forecast of macroeconomic conditions and operating results, including expected lifetime credit losses on our loan portfolio, remains subject to meaningful uncertainty. We have also entered into forbearance agreements (short-term loan modifications) with respect to approximately 600 loans with outstanding balances of approximately $361 million as of December 31, 2020. If these borrowers are unable to resume payments on their loans, our loan charge-offs may increase.

Governments have taken unprecedented steps to partially mitigate the adverse effects of their containment measures. For example, on March 27, 2020, the CARES Act was enacted to inject more than $2 trillion of financial assistance into the U.S. economy. The FRB has taken decisive and sweeping actions as well. Since March 15, 2020, these have included a reduction in the target range for the federal funds rate to 0 to 0.25 percent, a program to purchase an indeterminate amount of Treasury securities and agency mortgage-backed securities, and numerous facilities to support the flow of credit to households and businesses.

While there is evidence that our actions and those of governments and others have assisted our customers, counterparties, and third-party service providers and advanced our business and the economy generally it is uncertain how much, if at all, these actions will be effective in the future. For example, while our short-term loan modifications granted to certain customers impacted by COVID-19 may better position them to resume their regular payments to us in the future and enhance our brand and customer loyalty, these modifications have and may continue to negatively impact our cash flows and results of operations, may produce a higher degree of requests for extensions and rewrites than we have anticipated, and may not be as successful as we expect in managing our credit risk. In addition, while the FRB's monetary policy may benefit us to some degree by supporting economic activity among our customers, this policy and sudden shifts may inhibit our ability to grow or sustain net interest income and effectively manage interest rate risk.

In order to safeguard the health and wellness of our customers and employees, and to comply with applicable government directives, we have modified our business practices, including temporary closure of certain non-branch offices, restricting employee travel and directing employees to work from home whenever possible, and have implemented our business continuity plans to the extent necessary. These measures, and further actions we may take as required by government authorities or that we otherwise determine are in the best interests of our customers and employees, could increase certain risks, including cybersecurity risks, impair our ability to perform critical functions and adversely impact our results of operations.

We are unable to estimate the near-term and ultimate impacts of COVID-19 on our business and operations at this time. The pandemic could cause us to experience higher credit losses in our lending portfolio, additional increases in our allowance for credit losses, impairment of our goodwill and other financial assets, diminished access to capital markets and other funding sources, further reduced demand for our products and services, and other negative impacts on our financial position, results of operations, and prospects. In addition, sustained adverse effects may impair our capital and liquidity positions, require us to take capital actions, prevent us from satisfying our minimum regulatory capital ratios and other supervisory requirements, result in downgrades in our credit ratings, and the reduction or elimination of our common stock dividend in future periods.

As a participating lender in the SBA Paycheck Protection Program, we are subject to additional risks of litigation from our customers or other parties regarding our processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guaranties, which could have a significant adverse impact on our business, financial position, results of operations, and prospects.

The CARES Act included a $349 billion loan program administered through the SBA referred to as the PPP. Under the PPP, small businesses and other entities and individuals can apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. On April 16, 2020, the SBA notified lenders that the original $349 billion of funding under the PPP was exhausted, and on April 24, 2020, Congress allocated an additional $310 billion to the program. The Consolidated Appropriations Act, 2021, which was signed into law on December 27, 2020, provides approximately $900 billion in new COVID-19 stimulus relief partly comprised of additional funding under the PPP. The amendment to the PPP also expands borrowers eligibility to certain second draws under the program. We participated as a lender in each round of the PPP. Since the opening of the PPP, banks have been subject to class action litigation regarding the process and procedures that such banks used in processing applications for the PPP and their refusal to pay agent fees. Class action litigation was filed against us, along with many other banks claiming the banks are obligated to pay agent fees. The litigation against us was dismissed by the plaintiffs without prejudice. Any financial liability, litigation costs or reputational damage caused by PPP-related litigation could have a material adverse impact on our business, financial position, results of operations and prospects.

We may have a credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by us, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by us, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from us, which could adversely impact our business, financial position, results of operations and prospects.

Valley's outstanding PPP loans totaled $2.2 billion as of December 31, 2020.

We may be required to consult with the Federal Reserve Bank (FRB) before declaring cash dividends on our common stock, which ultimately may delay, reduce, or eliminate such dividends and 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. We may reduce or eliminate our common stock cash dividend in the future depending upon our results of operations, financial condition or other metrics which could be adversely impacted by the ultimate impact of the COVID-19 pandemic, which remains unknown.

In July 2020, the FRB updated its supervisory guidance to provide greater clarity regarding the situations in which bank holding companies, like Valley, may expect an expedited consultation in connection with the declaration of dividends that exceed quarterly earnings. To qualify, amongst other criteria, total commercial real estate loan concentrations cannot represent 300 percent or more of total capital and the outstanding balance of the commercial real estate loan portfolio cannot increase by 50 percent or more during the prior 36 months. Currently, we believe that Valley does not meet the standard for expedited consultation and approval of its dividend, should it be required. As a result, Valley could be subject to a lengthier and possibly more burdensome review process by the FRB when considering paying dividends that exceed quarterly earnings. The delay, reduction or elimination of our quarterly dividend could adversely affect the market price of our common stock. See additional information regarding our quarterly cash dividend and the current rate of earnings retention at the "Capital Adequacy" section of the MD&A.

Risks Associated with Our Business Model

Our investments in certain tax-advantaged projects may not generate returns as anticipated and may have an adverse impact on our results of operations.

We invest in certain tax-advantaged investments that support qualified affordable housing projects, community development and, prior to 2019, renewable energy resources. Our investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. Third parties perform diligence on these investments for us on which we rely both at inception and on an on-going basis. We are subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, may fail to meet certain government compliance requirements and may not be able to be realized. The possible inability to realize these tax credits and other tax benefits may have a negative impact on our financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside our control, including changes in the applicable tax code and the ability of the projects to be completed.

We previously invested in mobile solar generators sold and leased back by DC Solar and its affiliates (DC Solar). DC Solar had its assets frozen in December 2018 by the U.S. Department of Justice. DC Solar and related entities are in Chapter 7 bankruptcy. A group of investors who purchased mobile solar generators from, and leased them back to, DC Solar, including us received tax credits for making these renewable resource investments. During the fourth quarter 2019, several of the co-conspirators pleaded guilty to fraud in the on-going federal investigation. Based upon this new information, Valley deemed that its tax positions related to the DC Solar funds did not meet the more likely than not recognition threshold in Valley's tax reserve assessment at December 31, 2019. As a result, our net income for the year ended December 31, 2019 included an increase to our provision for income taxes of $31.1 million, reflecting the reserve for uncertain tax liability positions related to tax credits and other tax benefits previously recognized from the investments in the DC Solar funds plus interest. The principals pled guilty to fraud in early 2020.

While we believe that Valley was fully reserved for the tax positions related to DC Solar at December 31, 2020, we continue to evaluate all our existing tax positions each quarter under U.S. GAAP.

We recently implemented new deposit services for businesses in the state licensed marijuana industry which could expose us to additional liabilities and regulatory compliance costs.

In 2020, we implemented specialized deposit services intended for a limited number of state licensed medical-use marijuana business customers. Medical use marijuana, as well as recreational use businesses are legal in numerous states and the District of Columbia, including our primary markets of New Jersey, New York, and Florida. However, such businesses are not legal at the federal level and cannabis remains a Schedule I drug under the Controlled Substances Act of 1970. In 2014, the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) published guidelines for financial institutions servicing state legal cannabis businesses. We have implemented a comprehensive control framework that includes written policies and procedures related to the on-boarding of such businesses and the monitoring and maintenance of such business accounts that comports with the FinCEN guidance. Additionally, our policies call for due diligence review of the cannabis business before the business is on-boarded, including confirmation that the business is properly licensed and maintains

the license in good standing in the applicable state. Throughout the relationship, our policies call for continued monitoring of the business, including site visits, to determine if the business continues to meet our requirements, including maintenance of required licenses and calls for undertaking periodic financial reviews of the business. The Bank's program originally was limited to offering depository products to medical marijuana businesses. Deposit transactions are monitored for compliance with the applicable state medical program rules and other regulations before approval and acceptance by the Bank's BSA/AML Department. More recently, the Bank has agreed to limited lending on real estate and expanded to licensed recreational dispensaries. The Bank may offer additional banking products and services to such customers in the future.

While we believe our policies and procedures will allow us to operate in compliance with the FinCEN guidelines, there can be no assurance that compliance with the FinCEN guidelines will protect us from federal prosecution or other regulatory sanctions. Federal prosecutors have significant discretion and there can be no assurance that the federal prosecutors will not choose to strictly enforce the federal laws governing cannabis. Any change in the federal government's enforcement position, could potentially subject us to criminal prosecution and other regulatory sanctions. While we also believe our BSA/AML policies and programs for this new business are sufficient, the medical and recreational marijuana business is considered high-risk, thus increasing the risk of a regulatory action against our BSA/AML program that has adverse consequences, including but not limited to, preventing us from undertaking mergers, acquisitions and other expansion activities.

The loss of or decrease in lower-cost funding sources within our deposit base, including our inability to achieve deposit retention targets under our branch transformation strategy, 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 trade-off. Additionally, our customers largely bank with us because of our local customer service and convenience. For certain customers, this convenience could be negatively impacted by recent branch consolidation activity undergone as part of our branch transformation strategy. 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.

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, 2020, approximately 72 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 unpredictable long-term impact and path of the economic recovery from the COVID-19 pandemic, 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 those which are provided for in our allowance for loan losses. In that event, our earnings could be adversely affected.

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 2020 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. 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, 2020, our goodwill totaled $1.4 billion. See Note 8 to the consolidated financial statements for additional information.

Our market share and income may be adversely affected by our inability to successfully compete against larger and more diverse financial service providers, digital fintech start-up firms and other financial services providers which have advanced technological capabilities.

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. Many of these competitors may have fewer regulatory constraints, broader geographic service areas, greater capital, and, in some cases, lower cost structures. 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 and other large financial services providers. The financial services industry is continually undergoing rapid technological change with frequent introductions of new, technology-driven products and services which increases efficiency and enables financial institutions to better serve customers and to reduce costs. These competitors provide innovative web-based solutions to traditional retail banking services and products. Fintech companies tend to have stronger operating efficiencies and fewer regulatory burdens than their traditional bank counterparts, including Valley.

Regulatory changes may continue to allow new entrants into the markets in which we operate. The result of these regulatory changes will likely cause other non-traditional financial services companies to compete directly with Valley. Many of the companies have stronger operating efficiencies and fewer regulatory burdens than their traditional bank counterparts, including Valley.

Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new, technology-driven products and services or be successful in marketing these products and services to our customers and service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. 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.

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 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, while typically retaining the loan servicing. 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 aggregate principal balances of residential mortgage loans serviced by the Bank for others approximated $3.5 billion and $3.4 billion at December 31, 2020 and 2019, respectively. 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 two and four loan repurchases in 2020 and 2019, respectively). None of the loan repurchases resulted in a material loss. As of December 31, 2020, 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.

Net gains on sales of residential mortgage loans are a significant component of our non-interest income and could fluctuate in future periods.

Net gains on sales of residential mortgage loans represented approximately 23 percent and 9 percent of our non-interest income for the years ended December 31, 2020 and 2019, respectively. 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. Our ability or decision to sell a portion of our mortgage loan production in the secondary market is dependent upon, amongst other factors, the levels of market interest rates, consumer demand marketable loans, our sales and pricing strategies, the economy and our need to maintain the appropriate level of interest rate risk on our balance sheet. A change in one or more of these or other factors could significantly impact our ability to sell mortgage loans in the future and adversely impact the level of our non-interest income and financial results.

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.

Climate change and severe weather 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, Florida and Alabama in which our branches operate are subject to severe flooding from time to time and significant disruptions related to the weather 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.

Risks Related to Our Industry

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 and sanctions on us. In addition, our business and reputation could suffer if customers use our banking network for money laundering or illegal or improper purposes.

Changes in 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 interest rates driven by such factors 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). The FRB has acted to decrease targeted short-term interest rates to 0%-.25%, and it is anticipated that short-term interest rates could remain at these low rates for an extended time period. A period of extended low interest rates could have a negative impact on Valley's net interest income, and any substantial or unexpected change in market interest rates could have a material adverse effect on Valley's financial condition and results of operations. See additional information in the "Net Interest Income" and "Interest Rate Sensitivity" sections of our MD&A.

The replacement of the LIBOR benchmark interest rate may have an impact on Valley's business, financial condition or results of operations.

Certain loans made by us and financing extended to us are made at variable rates that use LIBOR as a benchmark for establishing the interest rate. In addition, we also have investments, interest rate derivatives and borrowings that reference LIBOR. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Subsequently, on November 30, 2020, the ICE Benchmark Administration announced its plan to extend the date most U.S. dollar LIBOR values would cease being computed to June 30, 2023. On the same date, the FRB. FDIC and OCC issued a joint statement instructing banks to cease entering into new LIBOR-based loan agreements by no later than December 31, 2021. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates are ongoing, and the Alternative Reference Rate Committee (ARRC) has recommended the use of a Secured Overnight Funding Rate (SOFR). SOFR is different from LIBOR in that it is a backward looking secured rate rather than a forward looking unsecured rate. These differences could lead to a greater disconnect between the Bank's costs to raise funds for SOFR as compared to LIBOR. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may incur significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established or the establishment of multiple alternative reference rates. These consequences cannot be entirely predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us.

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

The process for determining the amount of the allowance for credit losses 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 credit losses may not be sufficient to cover the lifetime credit losses inherent in our loan and held to maturity debt securities portfolios, as well as unfunded credit commitments. 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 credit losses in addition to the increase in our loan allowance in 2020 due to the effects of the COVID-19 pandemic. 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 internal classification on certain loans, which may require us to increase our provision for credit 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 credit losses. Any increase in our allowance for credit 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.

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.

Non-performing assets (including non-accrual loans, other real estate owned, and other repossessed assets) totaled $194.6 million at December 31, 2020. Our non-accrual loans increased from 0.22 percent of total loans at December 31, 2016 to 0.58 percent of total loans at December 31, 2020 largely due to a significant increase in non-accrual taxi medallion loans within our commercial and industrial loan portfolio. Due to continued negative trends in estimated fair valuations of the underlying taxi medallion collateral, a weak operating environment for ride services and uncertain borrower performance, the remainder of our previously accruing taxi medallion loans were placed on non-accrual status during the first quarter 2020. At December 31, 2020, the non-accrual taxi medallion loans totaling $97.5 million had related reserves of $66.4 million, or 68.1 percent of such loans, within the allowance for loan losses.

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. Potential further declines in the market valuation of taxi medallions and the stressed operating environment within both New York City and Chicago due to the COVID-19 pandemic could also negatively impact the future performance of this portfolio. 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.

General Commercial, Operational and Financial and Regulatory Risks

Our controls and procedures may fail or be circumvented, which may result in a material adverse effect on our business, results of operations and financial condition.

Management periodically reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies. 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 the 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 rely on our systems of controls and procedures, 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.

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

Financial institutions can be affected by changing conditions in the real estate and financial markets. Weak economic conditions could result in financial stress on our borrowers that would adversely affect our financial condition and results of operations. Volatility in the housing markets, real estate values and unemployment levels could result in significant write-downs of asset values by financial institutions. The majority of Valley's lending is in northern and central New Jersey, the New York City metropolitan area, Florida and Alabama. 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 adversely affect our profitability.

Our business, financial condition and results of operations could be adversely affected by the outbreak of pandemic disease, acts of terrorism, and other external events.

The emergence of widespread health emergencies or pandemics, such as COVID-19, could lead to additional quarantines, business shutdowns, labor shortages, disruptions to supply chains, and overall economic instability. 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.

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. 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 intense, 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.

The future impact of changes to the Internal Revenue Code is uncertain and may adversely affect our business.

The U.S. Congress passed significant reform of the Internal Revenue Code, known as the Tax Cuts and Jobs Act of 2017 (Tax Act) at the end of 2017. While the decline in the federal corporate tax rate from 35 percent to 21 percent lowered Valley's income tax expense as a percentage of its taxable income in 2018 and subsequent years, other provisions of the Tax Act negatively impacted Valley's consolidated financial statements and it may adversely affect Valley in the future. For example, under the provisions of the Tax Act, the $3.3 million and $2.5 million of the Bank's total FDIC insurance assessment for the years ended December 31, 2020 and 2019, respectively, was non-tax deductible based upon the asset size of the Bank. If Valley's total assets were to exceed $50 billion at any year-end, its entire FDIC insurance assessment would be non-tax deductible in that fiscal year. The future impact of the Tax Act or subsequent amendments to the tax rates and laws on our business may be adverse.

The new Biden presidential administration has indicated an intention to increase corporate taxes which would reduce our net income.

Our adoption of the CECL model for determining our allowance for credit losses has added volatility, could add additional volatility, to our provision for credit losses and earnings.

Effective January 1, 2020, Valley adopted the FASB's new accounting guidance on the impairment of financial instruments, commonly known as the current expected credit loss (CECL) model. The CECL model requires the allowance for credit losses for certain financial assets, including loans, held to maturity securities and certain off-balance sheet credit exposures, to be calculated based on current expected credit losses over the lives of the assets rather than incurred losses as of a point in time.

Our estimation process is subject to risks and uncertainties, including a reliance on historical loss and trend information that may not be representative of current conditions and indicative of future performance. Changes in such estimates could significantly impact our allowance and provision for credit losses. Accordingly, our actual allowance for credit losses may be materially different than the amounts reported due to the inherent uncertainty in the estimation process, including future loss estimates based upon our reasonable and supportable economic forecasts. Also, future amount could differ materially from

those estimates due to changes in values and circumstances after the balance sheet date. See Note 1 to the consolidated financial statements for additional information regarding the impact of the adoption of the CECL model.

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 on 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, such as the FHLB and certain brokered deposit channels established by the Bank.

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.

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

Valley regularly collects, processes, transmits and stores confidential information regarding its customers, employees and others for whom it services loans. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on Valley's behalf. Information security risks have increased because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. 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, denial-of-service, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means. Although Valley frequently experiences attempted cybersecurity attacks against its systems, to date, none of these incidents have resulted in material losses, known breaches of customer data or significant disruption of services to Valley's customers. However, there can be no assurance that Valley will not incur such issues in the future, exposing us to significant on-going operational costs and reputational harm.

Additionally, risk exposure to cyber security matters will 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.

In managing our cyber risks, when entering a new vendor relationship, we review and gauge the cyber security risk of such third-party service providers. A successful attack on one of our third-party service providers could adversely affect our business and result in the disclosure or misuse of our confidential information.

While we believe we are taking reasonable, risk-based precautions to manage the risk of cyber-attacks against third-party service providers, there can be no assurance that our third-party service providers will not suffer a cyber-attack that exposes us to significant operational costs and damages. While we believe we have risk based technology reasonably capable of discovering cyber-attacks, and personnel who are qualified to monitor our technology and systems to detect cyber-attacks, we can offer no assurance that we will be able to identify and prevent cyber-attacks when they occur. Significant damage may occur if Valley fails to identify, or there is a delay in identifying, a cyber-attack on our systems, or those of our third-party service providers.

Extensive regulation and supervision have a negative impact on our ability to compete in a cost-effective manner and may 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.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties also may challenge an institution's performance under fair lending laws in litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

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 credit losses, 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 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.

Claims and litigation could result in significant expenses, 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 current 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 could have a material adverse effect on Valley's financial condition and results of operations. Any reputation damage could have a material adverse effect on Valley's business.

Risks Related to an Investment in our Securities

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 reduction or elimination of our dividend could adversely affect the market price of our common stock.

If our subsidiaries are unable to pay dividends or make 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.

Future acquisitions may dilute shareholder value, especially tangible book value per share.

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 per common share may occur in connection with any future acquisitions.

Future offerings of common stock, preferred 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. 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. 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. See Note 18 to the consolidated financial statements for more details on our common and preferred stock.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We conduct our business at 226 retail banking centers locations in northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, Florida and Alabama. We own 98 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 in each state:

	Number of banking centers	% of Total
New Jersey		
Northern	106	46.9
Central	25	11.1
Total New Jersey	131	58.0
New York		
Manhattan	12	5.3
Long Island	12	5.3
Brooklyn	9	4.0
Queens	5	2.2
Total New York	38	16.8
Florida	41	18.1
Alabama	16	7.1
Total	226	100.0 %

Our principal executive office is located at One Penn Plaza in Manhattan, New York. Many of our bank operations are located in Wayne, New Jersey, where we own five office buildings. Our New York City corporate headquarters are primarily used as a central hub for New York based lending activities of senior executives and other commercial lenders. We also lease six non-bank office facilities in Florida, used for operational, executive and lending purposes.

On December 1, 2019, the acquisition of Oritani added 26 banking centers mostly located in northern New Jersey. During 2020, we closed and consolidated 11 of the 26 acquired branches into nearby legacy Valley branches. See the "Executive Summary" section of Item 7. MD&A for details on other planned changes to our branch network in 2021.

The total net book value of our premises and equipment (including land, buildings, leasehold improvements and furniture and equipment) was $319.8 million at December 31, 2020. 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.

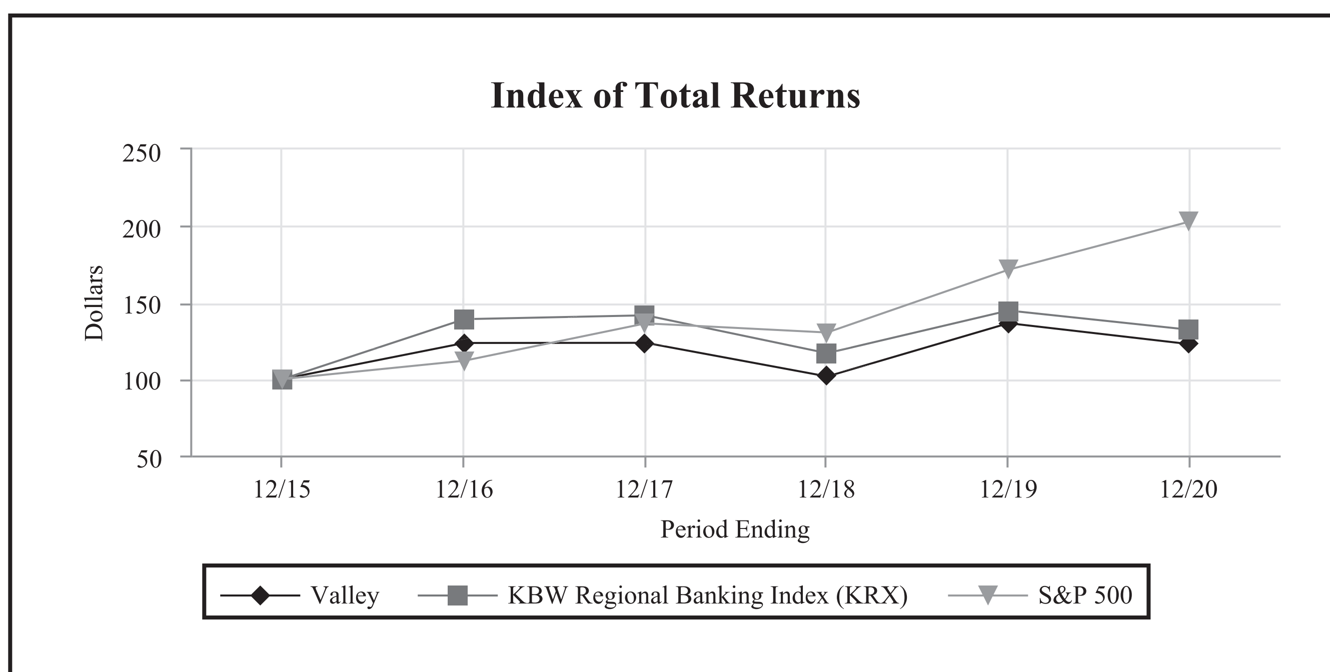
PART II

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

Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol "VLY". There were 7,638 shareholders of record as of December 31, 2020.

Performance Graph

The following graph compares the cumulative total return on a hypothetical $100 investment made on December 31, 2015 in: (a) Valley's common stock; (b) the KBW Regional Banking Index (KRX) and (c) 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.



	12/15	12/16	12/17	12/18	12/19	12/20
Valley	$ 100.00	$ 123.55	$ 123.65	$ 101.66	$ 136.48	$ 122.76
KBW Regional Banking Index (KRX)	100.00	139.12	141.63	116.86	144.76	132.18
S&P 500	100.00	111.95	136.38	130.39	171.44	202.96

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, 2020:

Period	Total Number of Shares Purchased [(1)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans[(2)]	Maximum Number of Shares that May Yet Be Purchased Under the Plans [(2)]
October 1, 2020 to October 31, 2020	2,322	$ 6.85	—	4,112,465
November 1, 2020 to November 30, 2020	9,571	7.71	—	4,112,465
December 1, 2020 to December 31, 2020	31,301	9.98	—	4,112,465
Total	43,194		—	

(1) Represents repurchases made in connection with the vesting of employee stock awards.

[2] 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, 2020.

Item 6. *Selected Financial Data*

Not applicable.

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 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. For comparison of our results of operations for the years ended December 31, 2019 and 2018, please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of our Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 10, 2020.

Cautionary Statement Concerning Forward-Looking Statements

This report, both in MD&A and elsewhere, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about management's confidence and strategies and management's expectations about our business, new and existing programs and products, acquisitions, relationships, opportunities, taxation, technology, market conditions and economic expectations. These statements may be identified by such forward-looking terminology as "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:

- the impact of COVID-19 on the U.S. and global economies, including business disruptions, reductions in employment and an increase in business failures, specifically among our clients;
- the impact of COVID-19 on our employees and our ability to provide services to our customers and respond to their needs as more cases of COVID-19 may arise in our primary markets;
- potential judgments, claims, damages, penalties, fines and reputational damage resulting from pending or future litigation and regulatory and government actions, including as a result of our participation in and execution of government programs related to the COVID-19 pandemic or as a result of our actions in response to, or failure to implement or effectively implement, federal, state and local laws, rules or executive orders requiring that we grant forbearances or not act to collect our loans;
- the impact of forbearances or deferrals we are required or agree to as a result of customer requests and/or government actions, including, but not limited to our potential inability to recover fully deferred payments from the borrower or the collateral;
- damage verdicts or settlements or restrictions related to existing or potential class action litigation or individual litigation arising from claims of violations of laws or regulations, contractual claims, breach of fiduciary responsibility, negligence, fraud, environmental laws, patent or trademark infringement, employment related claims, and other matters;
- a prolonged downturn in the economy, mainly in New Jersey, New York, Florida and Alabama, as well as an unexpected decline in commercial real estate values within our market areas;
- higher or lower than expected income tax expense or tax rates, including increases or decreases resulting from changes in uncertain tax position liabilities, tax laws, regulations and case law;
- the inability to grow customer deposits to keep pace with loan growth;
- a material change in our allowance for credit losses under CECL due to forecasted economic conditions and/or unexpected credit deterioration in our loan and investment portfolios;
- the need to supplement debt or equity capital to maintain or exceed internal capital thresholds;
- greater than expected technology related costs due to, among other factors, prolonged or failed implementations, additional project staffing and obsolescence caused by continuous and rapid market innovations;

- the loss of or decrease in lower-cost funding sources within our deposit base, including our inability to achieve deposit retention targets under Valley's branch transformation strategy;
- 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 Office of the Comptroller of the Currency (OCC), the Federal Reserve Bank (FRB), the Consumer Financial Protection Bureau (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, reimburse customers, change the way we do business, or limit or eliminate certain other banking activities;
- our inability or determination not to pay dividends at current levels, or at all, because of inadequate earnings, regulatory restrictions or limitations, changes in our capital requirements or a decision to increase capital by retaining more earnings;
- unanticipated loan delinquencies, loss of collateral, decreased service revenues, and other potential negative effects on our business caused by severe weather, the COVID-19 pandemic 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; and
- the failure of other financial institutions with whom we have trading, clearing, counterparty and other financial relationships.

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 credit losses, 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 credit losses in future periods, and the inability to collect on outstanding loans could result in increased loan losses.

Allowance for Credit Losses. Determining the allowance for credit losses for loans has historically been identified as a critical accounting estimate. On January 1, 2020, we adopted new accounting guidance which requires entities to estimate and recognize an allowance for lifetime expected credit losses for loans, unfunded credit commitments and held to maturity debt securities measured at amortized cost. Previously, an allowance for credit losses for loans was recognized based on probable incurred losses. See Notes 1, 4 and 5 to the consolidated financial statements for further discussion of our accounting policies and methodologies for establishing the allowance for credit losses.

The accounting estimates relating to the allowance for credit losses is a "critical accounting estimate" for the following reasons:

- Changes in the provision for credit losses can materially affect our financial results;
- Estimates relating to the allowance for credit losses require us to project future borrower performance, delinquencies and charge-offs, along with, when applicable, collateral values, based on a reasonable and supportable forecast period utilizing forward-looking economic scenarios in order to estimate probability of default and loss given default;
- The allowance for credit losses is influenced by factors outside of our control such as industry and business trends, geopolitical events and the effects of laws and regulations as well as economic conditions such as trends in housing prices, interest rates, gross domestic product (GDP), inflation, energy prices and unemployment; and

- Judgment is required to determine whether the models used to generate the allowance for credit losses produce an estimate that is sufficient to encompass the current view of lifetime expected credit losses.

Our estimation process is subject to risks and uncertainties, including a reliance on historical loss and trend information that may not be representative of current conditions and indicative of future performance. Changes in such estimates could significantly impact our allowance and provision for credit losses. Accordingly, our actual credit loss experience may not be in line with our expectations.

Changes in Our Allowance for Credit Losses for Loans

Valley considers it difficult to quantify the impact of changes in forecast on its allowance for credit losses. However, management believes the following discussion may enable investors to better understand the variables that drive the allowance for credit losses for loans, which amounted to $340.2 million at December 31, 2020.

As discussed further in the "Allowance for Credit Losses" section in this MD&A, we incorporated a multi-scenario economic forecast for estimating lifetime expected credit losses at December 31, 2020. As a result of the deterioration in economic conditions caused by the COVID-19 pandemic during 2020 and the related increase in economic uncertainty, we increased our probability weighting for the most severe economic scenario as compared to those at January 1, 2020. As a result, approximately $50.2 million of the $87.2 million increase in our allowance for credit losses for loans from January 1, 2020 reflected the impact of the adverse economic forecast within Valley's lifetime expected credit loss estimate, as well as other qualitative factors. Specific reserves, largely based upon management's valuation of collateral for collateral dependent loans and the present value of expected cash flows for certain troubled debt restructured loans, and quantitative reserves, based upon expected and actual transitions in the credit quality of our loan portfolio, represented $20.9 million and $16.1 million, respectively, of the remaining increase in reserves at December 31, 2020.

In addition, the valuation of certain collateral dependent loans (including New York City taxi medallion loan valuations based on the estimated value of the underlying medallions) could be adversely impacted by illiquidity or dislocation in certain markets, resulting in depressed market valuations of the underlying collateral, thus leading to additional provisions for loan losses.

Goodwill and Other Intangible Assets. We have significant goodwill and other intangible assets related to our acquisitions totaling $1.4 billion and $70.4 million at December 31, 2020, respectively. We record all assets, liabilities, and non-controlling interests in the target 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.” 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. Goodwill is subject to annual tests for impairment or more often, if events or circumstances indicate it may be impaired. Our determination of whether or not goodwill is impaired requires us to make significant judgments and to use significant estimates and assumptions regarding estimated future cash flows. If we change our strategy or if market conditions shift, our judgments may change, which may result in adjustments to the recorded goodwill balance. Other intangible assets 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.

On January 1, 2020, we adopted ASU No. 2017-04 intended to simplify the goodwill impairment test by eliminating a second step which required an entity to determine the implied fair value of the reporting unit’s goodwill. Instead, an impairment loss is now recognized if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill recorded.

We perform our annual goodwill impairment test in the second quarter of each year, or more often if events or circumstances warrant. In addition to the annual impairment test, we assessed the impact of the COVID-19 pandemic on macroeconomic variables and economic forecasts and how those might impact the fair value of our reporting units each quarter end. After consideration of these variables and other possible triggering events or circumstances, as well as our operating results, we determined it was more-likely-than-not that the fair values of our four reporting units, wealth management, consumer lending, commercial lending, and investment management, were in excess of their carrying values during 2020. Therefore, we concluded there were no triggering events that would require additional goodwill impairment test of the reporting units during 2020.

Based upon Valley’s 2020 annual goodwill impairment testing, the fair values of its four reporting units were in excess of their carrying values. In 2021, we will continue to monitor and evaluate the impact of COVID-19 and its impact on our market capitalization, overall economic conditions, and any triggering events that may indicate a possible impairment of goodwill allocated to our reporting units. While not expected at this time, we may be required to record a charge to earnings should there

be a deficiency in our estimated fair value of one or more of our reporting units during our subsequent annual (or more frequent) impairment tests. See the "Business Segments" section for more information regarding our business segments/ reporting units.

Fair value is determined using certain discounted cash flow and market multiple methods. 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, impact of the COVID-19 pandemic on macroeconomic variables and economic forecasts, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates, growth rate, 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, 2020, the impact of a five percent impairment charge on these intangible assets would result in a reduction in pre-tax income of approximately $72.6 million. See Note 8 to the 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 incorporate 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. Management determined it is more likely than not that Valley will realize its net deferred tax assets, except for immaterial valuation allowances, as of December 31, 2020 and 2019.

We also maintain 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. During 2020 and 2019, our income tax expense reflected $1.5 million and $31.1 million increases to our tax provision related to reserve for uncertain tax liability positions and/or accrued interest related to such positions at December 31, 2020 and 2019, respectively, as compared to a $3.3 million net state tax benefit in 2018 related to the reduction of reserves at December 31, 2018 caused by the expiration of the statute of limitations for certain tax positions.

See Notes 1 and 13 to the consolidated financial statements and the "Executive Summary" and "Income Taxes" sections 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, 2020, Valley had consolidated total assets of $40.7 billion, total net loans of $31.9 billion, total deposits of $31.9 billion and total shareholders' equity of $4.6 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, Florida and Alabama. Of our current 226 branch network, 58 percent, 17 percent, 18 percent and 7 percent of the branches are located in New Jersey, New York, Florida and Alabama, respectively. Despite targeted branch consolidation activity, we have significantly grown both in asset size and locations over the past several years primarily through bank acquisitions, including our acquisition of Oritani Financial Corp. (Oritani) and its wholly-owned subsidiary, Oritani Bank on December 1, 2019. See Note 2 to the consolidated financial statements for more information regarding the Oritani acquisition.

Impact of COVID-19. The spread of COVID-19 has created a global public health crisis that has resulted in unprecedented uncertainty, volatility and disruption in financial markets and in governmental, commercial and consumer activity in the United States and globally, including the markets that we serve. While the overall level of economic activity has improved in the second half of 2020 following the steep economic downturn in second quarter 2020, certain industries and businesses continue to be adversely impacted with a significant loss of their normal revenue streams and continue to experience business interruptions. Our outlook, which remains unchanged from the end of the third quarter 2020 indicates continued macroeconomic deterioration with higher levels of credit stress related to borrowers impacted by COVID-19 and lower valuations of collateral securing our non-performing taxi medallion loan portfolio. Uncertainties and disruptions resulting from the COVID-19 pandemic slowed our traditional new commercial loan volumes and the loan balances for residential and many consumer loan products saw moderate declines in the second half of 2020, primarily as a result of the higher level of residential mortgage loans originated for sale due to our current interest rate risk management strategies. Any sustained economic downturn due to COVID-19 and other factors, or other long-term changes in consumer and business behaviors from COVID-19 may adversely impact the value of assets that serve as collateral for our loans.

The Paycheck Protection Program (PPP) provided for in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as supplemented by the Paycheck Protection Program and Health Care Enhancement Act (Enhancement Act), was designed to aid small- and medium-sized businesses through federally guaranteed loans distributed through banks. These loans are intended to guarantee 8 to 24 weeks of payroll and other costs to help those businesses remain viable and allow their workers to pay their bills. Valley National Bank is a certified Small Business Administration (SBA) lender and facilitated approximately 13,000 SBA-approved PPP loans with balances totaling $2.2 billion as of December 31, 2020. While difficult to accurately predict, we expect the majority of these loans to be forgiven in accordance with rules, application and documentation requirements for this program.

The Consolidated Appropriations Act, 2021, which was signed into law on December 27, 2020 (Appropriations Act), provides approximately $900 billion in new COVID-19 stimulus relief partly comprised of additional funding under the PPP. The Appropriations Act also expanded borrower eligibility under the PPP to certain second draws under the program. During the first quarter 2021, Valley has approved PPP loan applications totaling approximately $534 million within its pipeline, and originated $499 million of such loans through February 19, 2021. Our future PPP loan originations may ultimately be less than the approved loan application pipeline due to normal underwriting contingencies.

We have reopened all bank branches in our network that were either temporarily closed or had reduced lobby services due to COVID-19. However, we continue to act with an abundance of caution in order to safeguard the health and wellness of our customers and employees and may limit capacity in our branch locations and/or require scheduled appointments in the future. We continue to closely monitor local conditions in the areas we serve and will take actions as circumstances warrant, which may necessitate certain branch or other office closures and reduced lobby services. Our business continuity plan continues to remain in effect with many of our non-customer facing employees continuing to work remotely as we monitor the level of the health crisis in our primary markets.

In response to the COVID-19 pandemic and its economic impact on certain customers and in accordance with provisions set forth by the CARES Act, Valley implemented short-term loan modifications, such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant, when requested by customers. Generally, the modification terms allow for a deferral of payments for up to 90 days, which Valley may extend for an additional 90 days. Any extensions beyond this period were made in accordance with applicable regulatory guidance. As of December 31, 2020, Valley had $361 million of outstanding loans remaining in their payment deferral period under short-term modifications. The $361 million of loans in deferral represented approximately 1.1 percent of our total loan portfolio at December 31, 2020, having decreased significantly from approximately $1.1 billion, or 3.3 percent of total loans, near the start of the third quarter 2020.

Significant uncertainties persist as to the impact of future economic conditions and stress on our customers. The severe adverse economic pressures, coupled with the implementation of an expected loss methodology for determining our provision for credit losses as required by CECL, contributed to a sharply increased provision for credit losses for the year ended December 31, 2020, following our initial adoption of CECL on January 1, 2020. We continue to monitor the impact of COVID-19 closely, as well as any effects that may result from the CARES Act, Enhancement Act and other government stimulus or Federal Reserve actions. However, the extent to which the COVID-19 pandemic will impact our operations and financial results during the first quarter 2021 and beyond is highly uncertain. See the "Operating Environment" section of MD&A for more details.

Branch Transformation. As previously disclosed, Valley has embarked on a strategy to continuously overhaul its retail network. Approximately two years ago we established the foundation of what the transformation of our branch network would look like in coming years. At that time, we identified 74 branches that did not meet certain internal performance measures, including 20 branches that were closed and consolidated by the end of the first quarter 2019. For the remaining 54 branches, we

implemented tailored action plans focused on improving profitability and deposit levels, as well as upgrades in staffing and training, within a defined timeline. During 2020, we permanently closed an additional 16 branches located in New Jersey, including the consolidation of 11 acquired Oritani branches into nearby legacy Valley branches, and 2 Florida branches. We also permanently closed one New Jersey branch in the first quarter 2021. For the overall branch network, we continue to monitor the operating performance of each branch and implement tailored action plans focused on improving profitability and deposit levels for those branches that underperform.

Annual Results. Net income totaled $390.6 million, or $0.93 per diluted common share, for the year ended December 31, 2020 compared to $309.8 million in 2019, or $0.87 per diluted common share. The increase in net income compared to 2019 was largely due to:

- a $220.9 million, or 24.6 percent, increase in our net interest income driven primarily by a $5.6 billion increase in average loan balances and a sharp reduction in interest rates of 85 basis points on the cost of total interest bearing liabilities resulting from the low interest environment, partially offset by loan yields that were 53 basis points lower and interest expense related to a $3.9 billion increase in average interest bearing liabilities; and
- a $7.5 million decrease in income tax expense largely due to a $31.1 million addition to our reserves for uncertain tax positions in 2019, partially offset by increased income taxes mostly caused by higher 2020 pre-tax income; partially offset by
- a $101.5 million increase in our provision for credit losses for loans due to the CECL adoption and the impact of the COVID-19 pandemic on the model results;
- a $31.5 million decrease in non-interest income, due in large part to a $78.5 million gain on the sale (and leaseback) of certain Bank properties recognized in 2019, partially offset by a $23.3 million increase in the gain on sale of residential mortgage loans, as well as swap fee income which increased $25.6 million to $59.0 million for 2020; and
- a $14.6 million increase in non-interest expense largely due to higher levels of expense related to our expanded franchise following the Oritani acquisition on December 1, 2019 and the COVID-19 pandemic, partially offset by a $20.0 million decrease in the loss on extinguishment of debt and a $7.1 million decrease in the amortization of tax credit investments.

See the “Net Interest Income,” “Non-Interest Income,” “Non-Interest Expense,” and “Income Taxes” sections below for more details on the items above and other infrequent items, including merger expenses and the loss on extinguishment of debt, impacting our 2020 annual results.

Operating Environment. During 2020, real gross domestic product declined 3.5 percent compared to an increase of 2.2 percent in 2019. The decline in growth was driven by decreases in household consumption, exports, restocking of inventories, business fixed investment and state and local government spending. These decreases were partially offset by increases in residential fixed investment and federal government spending, particularly from non-defense spending, which supported economic activity.

To support economic activity, the Federal Reserve reduced the target range for the federal funds rate in the first half of 2020 and began purchasing Treasury securities and agency residential and commercial mortgage-backed securities. As of the dated of this report, the target range for the federal funds rate is between zero and 0.25 percent. The Federal Reserve indicated at its recent meeting that the current stance of monetary policy is appropriate to support a return to sustained expansion of economic activity.

The 10-year U.S. Treasury note yield ended 2020 at 0.93 percent, or 99 basis points lower as compared to December 31, 2019. The spread between the 2- and 10-year U.S. Treasury note yields ended the year at 0.80 percent, or 46 basis points higher, compared to the end of 2019.

For all commercial banks in the U.S., loans and leases grew approximately 3.5 percent from December 31, 2019 to December 31, 2020. For the industry, banks reported that demand for most commercial loan products had declined sharply compared to the end of 2019. The decline was broad-based across commercial real estate lending and loans to middle market firms. However, banks reported sharply higher demand for residential mortgage loans, particularly those related to jumbo products. Additionally, the industry reported that underwriting standards had generally tightened significantly for both commercial and residential loans. Valley’s commercial and industrial originations in 2020 were primarily driven by loans associated with PPP. In addition, Valley continued to see solid demand for residential mortgage loans across its geographies during most of 2020. However, the path of economic activity is highly contingent on the progress made in combating COVID-19. Should health conditions warrant more widespread restrictions to business activity, spending and investment would

be adversely impacted. Therefore, if conditions remain subdued it could weigh on the Bank's future financial results, as highlighted below in the MD&A.

Loans. Total loans increased by $2.5 billion to $32.2 billion at December 31, 2020 from December 31, 2019 largely due to $2.2 billion of SBA PPP loans classified as commercial and industrial loans, as well as growth in commercial mortgage loans (including construction loans) which increased $827.1 million, or 4.7 percent during the year ended December 31, 2020. The residential mortgage category and most consumer loan categories experienced moderate declines during the year ended December 31, 2020 due to the impact of COVID-19 pandemic and a higher level of residential mortgage loans originated for sale. During the year ended December 31, 2020, we originated $1.2 billion of residential mortgage loans for sale rather than held for investment. Loans held for sale totaled $301.4 million and $76.1 million at December 31, 2020 and 2019, respectively.

Asset Quality. Prior to our adoption of the CECL standard on January 1, 2020, our past due loans and non-accrual loans which are discussed further below, excluded those loans which were classified as purchased credit impaired (PCI) loans. Under the new standard, Valley's former PCI loans are accounted for as purchased credit deteriorated (PCD) loans and, if applicable, are reported in our past due and non-accrual categories at December 31, 2020.

Total non-performing assets (NPAs), consisting of non-accrual loans, other real estate owned (OREO), other repossessed assets and non-accrual debt security increased $90.1 million, or 86.3 percent to $194.6 million at December 31, 2020 as compared to December 31, 2019. This increase was largely due to non-accrual PCD loans totaling approximately $45 million reported at December 31, 2020 and higher non-accrual taxi medallion loans within the commercial and industrial category. Non-accrual loans totaled $185.3 million, or 0.58 percent of our entire loan portfolio of $32.2 billion, at December 31, 2020 as compared to $93.1 million, or 0.31 percent of total loans, at December 31, 2019.

Total accruing past due loans (i.e., loans past due 30 days or more and still accruing interest) increased $30.8 million to $99.0 million, or 0.31 percent of total loans at December 31, 2020 as compared to $68.2 million, or 0.23 percent of total loans, at December 31, 2019. The increase was largely due to an increase in early stage delinquencies in commercial real estate category as well as approximately $11 million of accruing past due loans PCD loans reported at December 31, 2020.

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 downturn in economic conditions impacted by the COVID-19 pandemic and a number of our borrowers performing under short-term forbearance agreements, management cannot provide assurance that our non-performing assets will not increase substantially from the levels reported at December 31, 2020. See the "Non-performing Assets" section below for further analysis of our asset quality.

Deposits and Other Borrowings. Our mix of total deposits at December 31, 2020 as compared to December 31, 2019 reflects the shift in customer preference for deposits without stated maturities resulting from the uncertainties stemming from the COVID-19 pandemic and the low interest rates offered on our time deposits. Additionally, PPP loan originations were deposited into customers' checking accounts which increased the proportion of non-interest bearing deposits in our overall deposit mix. Average non-interest bearing deposits represented approximately 27 percent of total average deposits for the year ended December 31, 2020, whereas savings, NOW and money market accounts were 47 percent and time deposits were 26 percent of total average deposits for the year ended December 31, 2020. Average non-interest bearing deposits, savings, NOW and money market accounts, and time deposits were 25 percent, 45 percent, and 30 percent, respectively, for the year ended December 31, 2019. Average total deposits for the year ended December 31, 2020 as compared to 2019 increased by $5.4 billion due, in large part, to the aforementioned PPP loan proceeds, as well as our continuous efforts to encourage new and existing loan borrowers to maintain deposit accounts at Valley, including government deposits. Ending balances of brokered deposits (consisting of both time and money market deposit accounts) were $3.1 billion and $4.1 billion at December 31, 2020 and 2019, respectively.

While we believe the current operating environment will likely continue to be favorable for Valley's deposit gathering initiatives, we cannot guarantee that we will be able to maintain deposit levels at or near those reported at December 31, 2020. Additionally, the vast majority of the PPP loan customers that are Valley depositors are expected to continue to use PPP funds for qualifying payroll and other costs over an 8 to 24 week total period to obtain loan forgiveness. The resulting outflow of funds for such expenditures may contribute to lower levels of deposit balances in 2021.

Average short-term borrowings decreased $448.7 million to $1.6 billion for 2020 as compared to 2019 largely due to the success of our retail and government deposit gathering efforts and a moderate shift into long-term borrowings.

Average long-term borrowings increased $899.0 million to approximately $2.9 billion for 2020 as compared to 2019 largely due to new FHLB borrowings and our $115.0 million, 5.25 percent fixed-to-floating subordinated notes issued in June

2020. For further discussion of our average interest bearing liabilities see the "Net Interest Income" section below, and for further discussion of our borrowed funds, see Note 10 to the consolidated financial statements.

Selected Performance Indicators. The following table presents our annualized performance ratios for the three years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Return on average assets	0.96 %	0.93 %	0.86 %
Return on average assets, as adjusted	0.99	0.98	0.93
Return on average shareholders' equity	8.68	8.71	7.91
Return on average shareholders' equity, as adjusted	8.93	9.19	8.55
Return on average tangible shareholders' equity (ROATE)	12.82	13.05	12.21
ROATE, as adjusted	13.19	13.77	13.20

Adjusted return on average assets, adjusted return on average shareholders' equity, ROATE and adjusted ROATE included in the table above are non-GAAP measures. Management believes these measures provide information useful to management and investors in understanding our underlying operational performance, business and performance trends, and that these measures facilitate comparisons of our prior performance 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. These non-GAAP financial measures may also be calculated differently from similar measures disclosed by other companies. The non-GAAP measure reconciliations are presented below.

Adjusted net income for the three years ended December 31, 2020, 2019 and 2018 was computed as follows:

	2020	2019	2018
		(in thousands)	
Net income, as reported	$ 390,606	$ 309,793	$ 261,428
Add: Loss on extinguishment of debt (net of tax)	8,649	22,992	—
Add: Net impairment losses on securities (net of tax)	—	2,104	—
Add: (Gains) losses on securities transactions (net of tax)	(377)	108	1,677
Add: Severance expense (net of tax) [(1)]	1,489	3,477	1,907
Add: Tax credit investment impairment (net of tax) [(2)]	—	1,746	—
Add: Branch related asset impairment (net of tax)	—	—	1,304
Add: Legal expenses (litigation reserve impact only, net of tax)	—	—	8,726
Add: Merger related expenses (net of tax) [(3)]	1,371	11,929	12,494
Add: Income tax expense (benefit) [(4)]	—	31,123	(274)
Less: Gain on sale-leaseback transaction (net of tax) [(5)]	—	(56,414)	—
Less: Gain on sale of Visa Class B shares (net of tax) [(6)]	—	—	(4,677)
Net income, as adjusted	$ 401,738	$ 326,858	$ 282,585

(1) Severance expense is included in salary and employee benefits expense.

(2) Impairment is included in the amortization of tax credit investments.

(3) Merger related expenses are primarily within salary and employee benefits expense, professional and legal fees, and other non-interest expenses.

(4) Income tax expense related to reserves for uncertain tax positions in 2019, and a net income tax benefit related to the Tax Cuts and Jobs Act and the USAB acquisition in 2018.

(5) The gain on sale leaseback transactions is included in net gains on the sales of assets within other non-interest income.

(6) The gain from the sale of non-marketable securities is included in other non-interest.

In addition to the items used to calculate net income, as adjusted, in the tables above, our net income is, from time to time, impacted by fluctuations in the level of net gains on sales of loans and swap fees recognized from commercial loan customer transactions. These amounts can vary widely from period to period due to, among other factors, the amount of residential mortgage loans originated for sale, bulk loan portfolio sales and commercial loan customer demand for certain products. See the "Non-Interest Income" section below for more details.

Adjusted annualized return on average assets for the three years ended December 31, 2020, 2019 and 2018 was computed by dividing adjusted net income by average assets, as follows:

	2020	2019	2018
		($ in thousands)	
Net income, as adjusted	$ 401,738	$ 326,858	$ 282,585
Average assets	40,557,326	33,442,738	30,229,276
Return on average assets, as adjusted	0.99 %	0.98 %	0.93 %

Adjusted annualized return on average shareholders' equity for the three years ended December 31, 2020, 2019 and 2018 was computed by dividing adjusted net income by average shareholders' equity, as follows:

	2020	2019	2018
		($ in thousands)	
Net income, as adjusted	$ 401,738	$ 326,858	$ 282,585
Average shareholders' equity	4,500,067	3,555,483	3,304,531
Return on average shareholders' equity, as adjusted	8.93 %	9.19 %	8.55 %

ROATE and adjusted ROATE for the three years ended December 31, 2020, 2019 and 2018 were computed by dividing net income and adjusted net income, respectively, by average shareholders' equity less average goodwill and average other intangible assets, as follows:

	2020	2019	2018
		($ in thousands)	
Net income	$ 390,606	$ 309,793	$ 261,428
Net income, as adjusted	$ 401,738	$ 326,858	$ 282,585
Average shareholders' equity	$ 4,500,067	$ 3,555,483	$ 3,304,531
Less: Average goodwill and other intangible assets	1,454,349	1,182,140	1,163,398
Average tangible shareholders' equity	$ 3,045,718	$ 2,373,343	$ 2,141,133
ROATE	12.82 %	13.05 %	12.21 %
ROATE, as adjusted	13.19 %	13.77 %	13.20 %

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 2020. Net interest income on a tax equivalent basis increased by $220.2 million to $1.1 billion for 2020 as compared to 2019. The increase was mainly driven by interest income related to a $5.6 billion increase in average loan balances, including the impact of $3.4 billion of loans acquired from Oritani on December 1, 2019, and an 85 basis point reduction in the cost of our total interest bearing liabilities due to the lower interest rate environment in 2020. The changes in our average interest earning assets and interest bearing liabilities are discussed further below.

The net interest margin on a tax equivalent basis was 3.03 percent for the year ended December 31, 2020 and increased 8 basis points as compared to 2019. However, the yield on average interest earning assets decreased 59 basis points mainly attributable to decreased yield on average loans and average taxable investments. The yield on average loans decreased 53 basis points to 4.04 percent for 2020 as compared to 4.57 percent in 2019 largely due to new and refinanced loan originations at lower market interest rates, loan prepayments, and interest rates resetting on adjustable rate loans throughout 2020. Our average taxable investment portfolio yield decreased 54 basis points during 2020 as compared to the prior year due to the combination of principal repayments on higher yielding residential mortgage-backed securities, a $10.2 million increase in net premium amortization and lower yielding new investments purchased in 2020. More than offsetting the decrease in the yield on average interest earning assets, the cost of average interest bearing liabilities decreased 85 basis points to 0.99 percent for 2020 as compared to the prior year. The decrease in the overall cost as compared to 2019 was mainly due to significantly lower rates paid on our deposits products and a customer shift from higher cost maturing time deposits to deposits without stated maturities, as well as lower rates on short-term borrowings following the onset of the COVID-19 pandemic. The cost of funds was largely influenced by decreases which occurred in March 2020 totaling 150 basis points in the daily effective federal funds rate to a

target range of between zero and 0.25 percent for the remainder of 2020. The average daily effective federal funds rate was 2.16 percent in 2019.

Average interest earning assets totaling $37.0 billion for the year ended December 31, 2020 increased $6.4 billion, or 21.0 percent, as compared to 2019. Average loan balances increased $5.6 billion to $31.8 billion in 2020 and was the major driver in the $62.1 million increase in interest income on a tax equivalent basis for loans as compared to 2019. The growth in average loans during 2020 was due, in large part, to the $3.4 billion in loans acquired from Oritani, SBA PPP loans with average balances of $1.5 billion during the year ended December 31, 2020 and strong loan demand for commercial loans. These items were partially offset by principal repayments that outpaced new loan originations held for investment in the residential mortgage and consumer loan categories. The new commercial loan production in 2020 came from a blend of new and existing customer relationships with significant geographic and product diversification across our primary markets.

Average interest bearing liabilities increased $3.9 billion to $26.9 billion for the year ended December 31, 2020 from the same period in 2019 mainly due to $2.9 billion of deposits assumed in the Oritani acquisition and higher retail and government deposit balances within our branch network. The average non-interest bearing deposits and savings, NOW and money market account balances increased by $1.9 billion and $2.9 billion, respectively, largely due to deposits from PPP loan customers, higher savings rates amongst our customers and increased customer preference for deposits without stated maturities driven by the combination of the uncertainties of the pandemic and the low rates offered on our time deposit products. Average time deposits increased $604.5 million to $8.1 billion for 2020 as compared to 2019 mainly due to $1.2 billion of time deposits acquired from Oritani, partially offset by the normal run off of maturing retail CDs. Average balances for retail CDs increased by $424.6 million to $4.7 billion for the year ended December 31, 2020 as compared to the prior year. Average short-term and long-term borrowings decreased $448.7 million and increased $899.0 million in 2020, respectively, as compared to 2019 due, in part, to our ability to lock in lower rates on long-term FHLB advances to fund new loan activities. See the "Fourth Quarter 2020" section below for more information regarding changes in our interest bearing liabilities during 2020.

Fourth Quarter 2020. Net interest income on a tax equivalent basis totaling $288.8 million for the fourth quarter 2020 increased $4.7 million and $49.2 million as compared to the third quarter 2020 and fourth quarter 2019, respectively. The increase compared to the third quarter 2020 was mainly due to lower rates on our deposit products combined with a shift in customer preference towards deposits without stated maturities, as well as a reduction in average short-term and long-term borrowings funded by excess liquidity. Interest expense of $46.1 million for the three months ended December 31, 2020 decreased $8.1 million as compared to the third quarter 2020. Overall, average interest-bearing liabilities decreased $354.6 million and average non-interest bearing deposits increased $323.1 million in the fourth quarter 2020 as compared to the third quarter 2020. Interest income on a tax equivalent basis decreased $3.4 million to $335.0 million for the fourth quarter 2020 as compared to the third quarter 2020 mainly due to a 3 basis point decrease in the yield on average loans, as well as a moderate decline in interest and dividends from investment securities. The decrease was mostly attributable to principal repayments on securities, and a decline in our reinvestment activity within the available for sale investment securities portfolio largely due to the low interest rate environment.

The net interest margin on a tax equivalent basis of 3.06 percent for the fourth quarter 2020 increased 5 basis points as compared to 3.01 percent for the third quarter 2020, and increased 10 basis points from 2.96 percent for the fourth quarter 2019. The yield on average interest earning assets decreased by 4 basis points on a linked quarter basis mostly due to the impact of the lower interest rate environment. The yield on average loans decreased to 3.86 percent for the fourth quarter 2020 from 3.89 percent for the third quarter 2020 largely due to the continued repayment of higher yielding loans, partially offset by a $2.2 million increase in interest and fees from PPP loans. The increase in interest and fees on PPP loans was mostly caused by a moderate level of loan forgiveness activity and acceleration of net unamortized deferred loan fees during the fourth quarter 2020. The overall cost of average interest-bearing liabilities decreased by 11 basis points to 0.69 percent for the fourth quarter 2020 as compared to the linked third quarter 2020 due to the lower rates offered on deposit products and the shift to lower cost deposits as well as lower average short- and long-term borrowing balances with repayments funded by excess liquidity. This includes our prepayment of $534 million in higher cost long-term borrowings during December 2020 that is expected to positively impact our average cost of funds in the first quarter 2021. Our cost of total average deposits was 0.33 percent for the fourth quarter 2020 as compared to 0.41 percent for the third quarter 2020.

Looking forward, we expect ongoing interest rate pressures on the level of our net interest margin for the first quarter 2021 and beyond due to lower market rate driven yields on our overall mix of new and refinanced loan originations. However, we are encouraged by the opportunity to reprice stated maturity deposits and borrowings maturing over the 12-month period. We have over $4 billion of retail CDs maturing at an average cost of approximately 80 basis points during the first nine months of 2021.

The following table reflects the components of net interest income for each of the three years ended December 31, 2020, 2019 and 2018:

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

	2020			2019			2018		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
					($ in thousands)				
Assets									
Interest earning assets:									
Loans [(1)(2)]	$ 31,785,859	$1,284,807	4.04 %	$ 26,235,253	$ 1,198,908	4.57 %	$ 23,340,330	$1,033,996	4.43 %
Taxable investments [(3)]	3,446,670	81,893	2.38	3,394,397	98,949	2.92	3,409,687	100,515	2.95
Tax-exempt investments [(1)(3)]	549,204	18,434	3.36	647,178	22,051	3.41	733,956	27,220	3.71
Interest bearing deposits with banks	1,229,200	2,556	0.21	298,702	5,723	1.92	218,938	3,236	1.48
Total interest earning assets	37,010,933	1,387,690	3.75	30,575,530	1,325,631	4.34	27,702,911	1,164,967	4.21
Allowance for loan losses	(295,131)			(157,562)			(136,775)		
Cash and due from banks	309,539			275,619			278,181		
Other assets	3,495,464			2,762,478			2,431,537		
Unrealized losses on securities available for sale, net	36,521			(13,327)			(46,578)		
Total assets	$ 40,557,326			$ 33,442,738			$ 30,229,276		
Liabilities and Shareholders' Equity									
Interest bearing liabilities:									
Savings, NOW and money market deposits	$ 14,280,137	$ 76,169	0.53 %	$ 11,406,073	$ 145,177	1.27 %	$ 11,093,136	$ 108,394	0.98 %
Time deposits	8,125,869	106,067	1.31	7,521,338	166,693	2.22	5,131,167	81,959	1.60
Total interest bearing deposits	22,406,006	182,236	0.81	18,927,411	311,870	1.65	16,224,303	190,353	1.17
Short-term borrowings	1,621,581	11,372	0.70	2,070,258	47,862	2.31	2,187,998	45,930	2.10
Long-term borrowings [(4)]	2,850,213	71,207	2.50	1,951,203	63,220	3.24	2,116,619	65,762	3.11
Total interest bearing liabilities	26,877,800	264,815	0.99	22,948,872	422,952	1.84	20,528,920	302,045	1.47
Non-interest bearing deposits	8,284,376			6,364,986			6,193,839		
Other liabilities	895,083			573,397			201,986		
Shareholders' equity	4,500,067			3,555,483			3,304,531		
Total liabilities and shareholders' equity	$ 40,557,326			$ 33,442,738			$ 30,229,276		
Net interest income/interest rate spread [(5)]		1,122,875	2.76 %		902,679	2.50 %		862,922	2.74 %
Tax equivalent adjustment		(3,971)			(4,631)			(5,719)	
Net interest income, as reported		$1,118,904			$ 898,048			$ 857,203	
Net interest margin [(6)]			3.02 %			2.94 %			3.09 %
Tax equivalent effect			0.01			0.01			0.02 %
Net interest margin on a fully tax equivalent basis [(6)]			3.03 %			2.95 %			3.11 %

(1) Interest income is presented on a tax equivalent basis using a 21 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

	2020 Compared to 2019			2019 Compared to 2018		
	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*	$ 234,704	$ (148,805)	$ 85,899	$ 131,473	$ 33,439	$ 164,912
Taxable investments	1,502	(18,558)	(17,056)	(449)	(1,117)	(1,566)
Tax-exempt investments*	(3,293)	(324)	(3,617)	(3,063)	(2,106)	(5,169)
Federal funds sold and other interest bearing deposits	5,471	(8,638)	(3,167)	1,372	1,115	2,487
Total increase (decrease) in interest income	238,384	(176,325)	62,059	129,333	31,331	160,664
Interest expense:						
Savings, NOW and money market deposits	30,152	(99,160)	(69,008)	3,137	33,646	36,783
Time deposits	12,497	(73,123)	(60,626)	46,254	38,480	84,734
Short-term borrowings	(8,658)	(27,832)	(36,490)	(2,558)	4,490	1,932
Long-term borrowings and junior subordinated debentures	24,674	(16,687)	7,987	(5,282)	2,740	(2,542)
Total increase (decrease) in interest expense	58,665	(216,802)	(158,137)	41,551	79,356	120,907
Increase (decrease) in net interest income	$ 179,719	$ 40,477	$ 220,196	$ 87,782	$ (48,025)	$ 39,757

* Interest income is presented on a tax equivalent basis using a 21 percent federal tax rate.

Non-Interest Income

Non-interest income represented 11.7 percent and 14.0 percent of total interest income plus non-interest income for 2020 and 2019, respectively. For the year ended December 31, 2020, non-interest income decreased $31.5 million as compared to the year ended December 31, 2019 largely due to the gain on the sale of several Valley properties recognized in 2019. See further details below.

The following table presents the components of non-interest income for the years ended December 31, 2020, 2019, and 2018:

	2020	2019	2018
		(in thousands)	
Trust and investment services	$ 12,415	$ 12,646	$ 12,633
Insurance commissions	7,398	10,409	15,213
Service charges on deposit accounts	18,257	23,636	26,817
Gains (losses) on securities transactions, net	524	(150)	(2,342)
Net impairment losses on securities recognized in earnings	—	(2,928)	—
Fees from loan servicing	10,352	9,794	9,319
Gains on sales of loans, net	42,251	18,914	20,515
(Losses) gains on sales of assets, net	(1,891)	78,333	(2,401)
Bank owned life insurance	10,083	8,232	8,691
Other	83,643	55,634	45,607
Total non-interest income	$ 183,032	$ 214,520	$ 134,052

Insurance commissions decreased $3.0 million for the year ended December 31, 2020 from $10.4 million in 2019 mainly due to lower volumes of business generated by the Bank's insurance agency subsidiary.

Service charges on deposit accounts decreased $5.4 million for the year ended December 31, 2020 as compared to 2019 mostly due to waived fees related to COVID-19 customer relief efforts in 2020.

Net impairment losses on securities totaling $2.9 million for the year ended December 31, 2019 relate to one special revenue bond in default of its contractual payments. See the “Investment Securities Portfolio” section of this MD&A and Note 4 to the consolidated financial statements for further details on our investment securities impairment analysis.

Fees from loan servicing increased $558 thousand for the year ended December 31, 2020 from $9.8 million in 2019 mainly due to additional fees from mortgage servicing rights of loans originated and sold by us during the year ended December 31, 2020. The aggregate principal balances of residential mortgage loans serviced by us for others increased approximately $123 million to $3.5 billion, at December 31, 2020 from $3.4 billion at December 31, 2019.

Net gains on sales of loans increased $23.3 million for the year ended December 31, 2020 as compared to 2019 largely due to higher spreads (or margins) on individual loan sales despite a slightly higher volume of residential mortgage loans sold during 2020. During 2020, we sold $1.0 billion of residential mortgages as compared to $935 million of residential mortgage loans sold during 2019, including $30 million and $436 million of pre-existing loans sold from our residential mortgage loan portfolio, respectively. 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 gains in the fair value of loans held for sale totaled $13.5 million and $1.0 million in 2020 and 2019, respectively. Residential mortgage loan originations (including both new and refinanced loans) increased 22.3 percent to $1.9 billion for the year ended December 31, 2020 as compared to $1.6 billion in 2019. See further discussions of our residential mortgage loan origination activity under “Loans” in the "Executive Summary" section of this MD&A above and Note 3 to the consolidated financial statements for details about the fair value methodology.

Net gains on sales of assets decreased $80.2 million for the year ended December 31, 2020 as compared to 2019 primarily due to a $78.5 million gain on the sale (and leaseback) of 26 bank properties recognized during the first quarter 2019.

Other non-interest income increased $28.0 million for the year ended December 31, 2020 as compared to 2019 mainly due to a $25.6 million increase in fee income related to derivative interest rate swaps executed with commercial lending customers. Swap fee income totaled $59.0 million and $33.4 million for the years ended December 31, 2020 and 2019, respectively. A decline in commercial loan activity in 2021, as well as several other factors, could have a significant negative impact on our ability to generate swap fee income at or near the fees realized in 2020.

Non-Interest Expense

Non-interest expense increased $14.6 million to $646.1 million for the year ended December 31, 2020 as compared to 2019. The following table presents the components of non-interest expense for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in thousands)	
Salary and employee benefits expense	$ 333,221	$ 327,431	$ 333,816
Net occupancy and equipment expense	129,002	118,191	108,763
FDIC insurance assessment	18,949	21,710	28,266
Amortization of other intangible assets	24,645	18,080	18,416
Professional and legal fees	32,348	20,810	34,141
Loss on extinguishment of debt	12,036	31,995	—
Amortization of tax credit investments	13,335	20,392	24,200
Telecommunication expense	10,737	9,883	12,102
Other	71,875	63,063	69,357
Total non-interest expense	$ 646,148	$ 631,555	$ 629,061

Salary and employee benefits expense increased $5.8 million for the year ended December 31, 2020 as compared to 2019. The increase was largely due to additional salaries related to Bank branch and other operational staff retained from the Oritani acquisition, higher cash incentive compensation (including $2.2 million of special bonuses paid to hourly and part-time employees to reward them for their efforts and contributions during the COVID-19 pandemic) and increased medical expenses. These additional expenses were partially offset by cost reductions from our ongoing branch transformation efforts and other operational improvements during the year ended December 31, 2020 and lower merger related charges. Change in control, severance and retention expenses related to bank acquisitions was $13.9 million for the year ended December 31, 2019. Severance costs related to operational restructuring efforts and our branch transformation strategy totaled $2.1 million and $4.8 million for the years ended December 31, 2020 and 2019, respectively.

Net occupancy and equipment expenses increased $10.8 million for the year ended December 31, 2020 as compared to 2019 largely due to higher rental expenses resulting from a sale leaseback transaction completed near the end of the first quarter 2019 and higher depreciation expense related to computer equipment and new data centers placed into service in fourth quarter 2019. In addition, during 2020, we incurred higher equipment and certain other COVID-19 pandemic related expenses which included additional cleaning services for facilities to maintain employee and customer safety. During 2020, we also incurred additional costs associated with branches and other facilities acquired from Oritani, which were partially offset by costs savings from branch closures during 2020 as compared to 2019.

The FDIC insurance assessment decreased in 2020 largely due to the Bank's improved capital position following the Oritani acquisition and retained earnings resulting from a stronger 2020 performance.

Amortization of other intangibles increased $6.6 million to $24.6 million at December 31, 2020 as compared to 2019 largely due to higher amortization expense of loan servicing rights and core deposit intangible, as well as $818 thousand of net impairment charges of loan servicing rights for the year ended December 31, 2020 as compared to net recoveries of impairment charges totaling $36 thousand in 2019. The increase in amortization of core deposits intangibles was primarily due to intangibles generated in the Oritani acquisition. See Note 8 to the consolidated financial statements for additional information.

Professional and legal fees increased $11.5 million for the year ended December 31, 2020 as compared to 2019. The increase was mainly due to higher costs from technology transformation consulting services, as well as remote work readiness costs largely incurred in the second quarter 2020.

Loss on extinguishment of debt totaling $12.0 million for the year ended December 31, 2020 reflects prepayment penalties related to the prepayments of $584.3 million of long-term borrowings primarily consisting of FHLB advances prepaid in the fourth quarter. These debt prepayments were funded by excess cash liquidity. See Note 10 to the consolidated financial statements for additional information.

Amortization of tax credit investments decreased $7.1 million for the year ended December 31, 2020 as compared to 2019 partly due to a decline in impairment. The year ended December 31, 2019 included a $2.4 million impairment charge related to investments in three federal renewable energy tax credit funds sponsored by DC Solar (See Note 14 to the consolidated financial statements for additional information). The remainder of the variance from 2019 was mainly due to

differences in the timing and amount of such investments and recognition of the related tax credits. 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.

Other non-interest expense increased $8.8 million for the year ended December 31, 2020 as compared to 2019. This increase was largely due to higher data processing costs, certain PPP loan and other COVID-19 related costs, as well as incrementally higher operating expenses in several categories due to the expansion of our operations both organically and through the acquisition of Oritani in the fourth quarter 2019. Net gains on the sale of OREO properties included in other non-interest expense decreased $674 thousand for the year ended December 31, 2020 as compared to 2019. The negative impact of these times was partially offset by moderate decreases in several other significant components of other expense, such as travel, entertainment and business meals expense during 2020 as compared to 2019.

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 primarily by the amortization of tax credit investments, as well as infrequent charges within non-interest income and expense, including, but not limited to the loss on extinguishment of debt, merger expenses and the net gain on sale-leaseback transactions.

The following table presents our efficiency ratio and a reconciliation of the efficiency ratio adjusted for such items during the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		($ in thousands)	
Total non-interest expense, as reported	$ 646,148	$ 631,555	$ 629,061
Less: Loss on extinguishment of debt (pre-tax)	12,036	31,995	—
Less: Amortization of tax credit investments (pre-tax)	13,335	20,392	24,200
Less: Merger related expenses (pre-tax)(1)	1,907	16,579	17,445
Less: Severance expense (mainly branch transformation, pre-tax)(2)	2,072	4,838	2,662
Less: Legal expenses (litigation reserve impact only, pre-tax)	—	—	12,184
Total non-interest expense, as adjusted	616,798	557,751	572,570
Net interest income	1,118,904	898,048	857,203
Total non-interest income, as reported	183,032	214,520	134,052
Add: Net impairment losses on securities (pre-tax)	—	2,928	—
Add: Branch related asset impairment (pre-tax)(3)	—	—	1,821
Add: Losses on securities transactions, net (pre-tax)	(524)	150	2,342
Less: Gain on the sale of Visa Class B shares (pre-tax)(4)	—	—	6,530
Less: Gain on sale leaseback transaction (pre-tax)(5)	—	78,505	—
Total non-interest income, as adjusted	$ 182,508	$ 139,093	$ 131,685
Gross operating income, as adjusted	$ 1,301,412	$ 1,037,141	$ 988,888
Efficiency ratio	49.63 %	56.77 %	63.46 %
Efficiency ratio, adjusted	47.39 %	53.78 %	57.90 %

(1) Merger related expenses are primarily within salary and employee benefits expense, professional and legal fees, and other expense.
(2) Severance expenses are included in salary and employee benefits.
(3) Branch related asset impairment is included in net losses on sale of assets within non-interest income.
(4) The gain from the sale of non-marketable securities is included in other non-interest income.
(5) The gain on sale leaseback transactions is included in gains on the sales of assets within other non-interest income.

Management continuously monitors its expenses in an effort to optimize Valley's performance. Based upon these efforts and our revenue goals, we achieved an adjusted efficiency ratio (as shown in the table above) of 47.39 percent for 2020 that exceeded our previously announced goal of 51 percent or lower for the year. We can provide no assurance that our adjusted efficiency ratio will remain at the level reported for 2020.

Income Taxes

Income tax expense was $139.5 million for the year ended December 31, 2020, reflecting an effective tax rate of 26.3 percent, as compared to $147.0 million for the year ended 2019, reflecting an effective tax rate of 32.2 percent. The decline in the effective tax rate in 2020 as compared to 2019 was mainly due to a $31.1 million increase in the provision for income taxes related to uncertain tax liability positions during 2019. However, income tax expense declined by only $7.5 million as compared to 2019 largely due to an increase in taxable income for the year ended December 31, 2020. At December 31, 2020 and 2019, our uncertain tax liability positions relate to renewable energy tax credits and other tax benefits previously recognized from our investments in mobile generators sold and leased back by DC Solar and its affiliates.

The CARES Act did not have a material impact on our reported income tax expense for the year ended December 31, 2020.

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.

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 the 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 transfer pricing methodology, which involves the allocation of operating and funding costs based on each segment's respective mix of average earning assets and/or liabilities 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.

Consumer lending. The consumer lending segment represented 21.4 percent of the total loan portfolio at December 31, 2020, and was mainly comprised of residential mortgage loans and automobile loans, and to a lesser extent, home equity loans, secured personal lines of credit and other consumer loans (including credit card loans). The duration of the residential mortgage loan portfolio (which represented 13.0 percent of our total loan portfolio at December 31, 2020) is subject to movements in the market level of interest rates and forecasted prepayment speeds. The weighted average life of the automobile loans portfolio (representing 4.2 percent of total loans at December 31, 2020) 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 and Insurance Services Division, comprised of trust, asset management, and insurance services.

Average interest earning assets in this segment increased $269.3 million to $7.2 billion for the year ended December 31, 2020 as compared to 2019. The increase was largely due to $255 million of loans acquired from Oritani on December 1, 2019, loan growth from residential mortgage loan originations for investment during the first quarter 2020 (prior to the economic slowdown caused by the COVID-19 pandemic).

Income before income taxes generated by the consumer lending segment increased $46.6 million to $124.1 million for the year ended December 31, 2020 as compared to $77.5 million for the year ended December 31, 2019 largely due to increases of $28.5 million and $23.5 million in net interest income and non-interest income, respectively. The increase in net interest income was mostly driven by the lower cost of funding and increase in average loans, partially offset by lower yields on loans in the consumer segment. The increase in non-interest income was primarily attributable to higher net gains on sales of residential mortgage loans for the year ended December 31, 2020 as compared to 2019. The positive impact of the aforementioned items

was partially offset by increases of $4.8 million and $1.5 million in the provision for loan losses and non-interest expense, respectively. The increase in the provision for loan losses for the year ended December 31, 2020 as compared to 2019 was mainly due to the adverse economic forecast caused by COVID-19 pandemic included in our estimate of lifetime expected credit losses for this segment, as well as additional qualitative management adjustments to reflect the potential for higher levels of credit stress related to borrowers impacted by COVID-19 pandemic. See further details in the "Allowance for Credit Losses" section of this MD&A.

The net interest margin on the consumer lending portfolio increased 29 basis points to 2.92 percent for the year ended 2020 as compared to 2019 due to a 66 basis point decrease in the costs associated with our funding sources, partially offset by a 37 basis point decrease in the yield on average loans. The decrease in our funding costs was mainly due to both deposits and borrowings continuing to reprice at lower interest rates and the prepayment of the $635 million high cost FHLB advances in December 2019. The 37 basis point decrease in loan yield was largely due to lower yielding new loan volumes. See the "Executive Summary" and the "Net Interest Income" sections above for more details on our loans, deposits and other borrowings.

The return on average interest earning assets before income taxes for the consumer lending segment was 1.73 percent for 2020 compared to 1.12 percent for 2019.

Commercial lending. The commercial lending segment is mainly comprised of floating rate and adjustable rate commercial and industrial loans and construction 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 $6.9 billion and represented 21.3 percent of the total loan portfolio at December 31, 2020. Commercial real estate loans and construction loans totaled $18.5 billion and represented 57.3 percent of the total loan portfolio at December 31, 2020.

Average interest earning assets in this segment increased $5.3 billion to $24.6 billion for the year ended December 31, 2020 as compared to 2019. The increase was primarily due to organic loan growth from $2.2 billion of PPP loans originated in 2020, as well as $3.1 billion of commercial loans acquired from Oritani on December 1, 2019.

For the year ended December 31, 2020, income before income taxes for the commercial lending segment increased $79.4 million to $448.6 million as compared to 2019. Net interest income increased $195.1 million to $863.7 million for the year ended December 31, 2020 as compared to 2019 mainly due to the combined effect of a $101.5 million increase in interest income driven by higher average loans balances and a $93.6 million decrease in interest expense caused by the reduction in our cost of funds. Non-interest income increased $23.6 million for the year ended December 31, 2020 as compared to 2019 primarily due to fee income related to derivative interest rate swaps executed with commercial loan customers which totaled $59.0 million for the year ended December 31, 2020 as compared to $33.4 million in 2019. The positive impact of the aforementioned items was partially offset by a $96.1 million increase in the provision for credit losses to $113.6 million for the year ended December 31, 2020 as compared to 2019. The increase in the provision for loan losses for the year ended December 31, 2020 as compared to 2019 was mainly due to the adverse economic forecast lifetime expected credit losses during 2020, higher specific reserves for tax medallion loans and qualitative adjustments for potential credit stress related to borrowers impacted by the COVID-19 pandemic. See the "Allowance for Credit Losses" section below for further details. Internal transfer expense increased $46.5 million to $267.6 million for the year ended December 31, 2020 as compared to 2019.

The net interest margin for this segment increased 4 basis points to 3.5 percent during 2020 as compared to 2019 due to a 66 basis point decrease in the cost of our funding sources, mostly offset by a 62 basis point decrease in the yield on average loans.

The return on average interest earning assets before income taxes for this segment was 1.82 percent for 2020 compared to 1.91 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 $884.8 million to $5.2 billion for the year ended December 31, 2020 as compared to 2019 primarily due to a $930.5 million increase in average interest bearing deposits with banks, partially offset by a $45.7 million decline in average investment securities. The increase in average overnight interest bearing deposits with banks

was mainly due to our higher levels of excess liquidity levels that were maintained in the 2020 period in response to the uncertainties created by the COVID-19 pandemic. The decrease in average investment securities was mainly driven by principal repayments on securities with slower reinvestment activity caused by the low interest rate environment.

For the year ended December 31, 2020, income before income taxes for the investment management segment decreased $7.4 million to $19.6 million as compared to 2019 mainly due to increases in internal transfer expense and provision for credit losses for debt securities held to maturity totaling $7.1 million and $635 thousand, respectively.

The net interest margin for this segment decreased 29 basis points to 1.30 percent during the year ended December 31, 2020 as compared to 2019 due to a 95 basis point decrease in the yield on average investments, partially offset by a 66 basis point decrease in costs associated with our funding sources. The decrease in the yield on average investments during 2020 as compared to one year ago was largely driven by repayment and prepayment of higher yield residential mortgage-backed securities, as well as calls and maturities of state and municipal bonds. Additionally, we have recorded a higher premium amortization expense related to the increased prepayment of mortgage-backed securities and purchased lower yielding investment securities during 2020. The increase in average overnight investments with banks at low yields also contributed to the decline in the net interest margin for the investment management segment.

The return on average interest earning assets before income taxes for this segment was 0.37 percent for 2020 compared to 0.62 percent for 2019.

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, interest expense related to subordinated notes, amortization and impairment of tax credit investments, as well as non-core items, including the loss on extinguishment of debt and merger expenses.

The pre-tax net loss for the corporate segment totaled $62.2 million for the year ended December 31, 2020 as compared to $17.0 million in 2019. The negative change of $45.2 million was mainly due to a decrease in non-interest income coupled with an increase in non-interest expense, partially offset by higher internal transfer income.

Non-interest income decreased $79.9 million to $26.7 million for the year ended December 31, 2020 from 2019 primarily due to a $78.5 million net gain on the sale (and leaseback) of several bank locations recognized during 2019. Non-interest expense increased $16.2 million to $468.7 million for the year ended December 31, 2020 as compared to 2019 largely due to increases in net occupancy and equipment expense, salaries and employee benefits expenses, loss on extinguishment of debt, and professional and legal fees. See further details in the "Non-Interest Expense" section in this MD&A. Internal transfer income increased $52.7 million to $402.2 million for the year ended December 31, 2020 as compared to the prior year largely due to general increases related to our growth.

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 12-month and 24-month period. The model is based on the actual maturity and re-pricing characteristics of rate sensitive assets and liabilities. The model incorporates certain assumptions which management believes to be reasonable regarding the impact of changing interest rates and the prepayment assumptions of certain assets and liabilities as of December 31, 2020. 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, 2020. The impact of interest rate derivatives, such as interest rate swaps, 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, 2020. Although the size of Valley's balance sheet is forecasted to remain static as of December 31, 2020, 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 2020. The model utilizes an immediate parallel shift in the market interest rates at December 31, 2020.

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 below. 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 considering 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	$ 39,132	3.47 %
+100	21,769	1.93
- 100	(36,059)	(3.19)
- 200	(39,083)	(3.46)

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-month period by 1.93 percent as compared to December 31, 2019 (which projected an increase of 0.81 percent in net interest income over a 12-month period). Management believes the interest rate sensitivity remains within an acceptable tolerance range at December 31, 2020. However, the level of net interest income sensitivity may increase or decrease in the future as a result of several factors, including, but not limited to potential changes in secondary mortgage loan sales, deposit and borrowings strategies, the slope of the yield curve and projected cash flows.

The following table sets forth the amounts of interest earning assets and interest bearing liabilities that were outstanding at December 31, 2020 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	2021	2022	2023	2024	2025	Thereafter	Total Balance	Fair Value
					($ in thousands)				
Interest sensitive assets:									
Interest bearing deposits with banks	0.10 %	$ 1,071,360	$ —	$ —	$ —	$ —	$ —	$ 1,071,360	$ 1,071,360
Equity securities	2.79	29,378	—	—	—	—	—	29,378	29,378
Investment securities available for sale	2.26	427,937	301,174	146,051	93,599	93,774	276,938	1,339,473	1,339,473
Investment securities held to maturity	2.25	411,734	417,771	309,740	164,189	145,511	724,066	2,173,011	2,227,612
Loans held for sale, at fair value	3.07	301,427	—	—	—	—	—	301,427	301,427
Loans	3.81	8,778,292	5,403,499	3,303,992	2,296,397	1,676,110	10,758,822	32,217,112	31,635,060
Total interest sensitive assets	3.55 %	$ 11,020,128	$ 6,122,444	$ 3,759,783	$ 2,554,185	$ 1,915,395	$11,759,826	$ 37,131,761	$ 36,604,310
Interest sensitive liabilities:									
Deposits:									
Savings, NOW and money market	0.15 %	$ 16,015,658	$ —	$ —	$ —	$ —	$ —	$ 16,015,658	$ 16,015,658
Time	0.75	5,877,581	502,743	167,077	59,719	38,229	69,329	6,714,678	6,639,022
Short-term borrowings	0.39	1,147,958	—	—	—	—	—	1,147,958	1,151,478
Long-term borrowings	2.75	860,124	29,377	553,164	300,000	378,000	175,000	2,295,665	2,405,345
Junior subordinated debentures	2.68	—	—	—	—	—	56,065	56,065	57,779
Total interest sensitive liabilities	0.55 %	$ 23,901,321	$ 532,120	$ 720,241	$ 359,719	$ 416,229	$ 300,394	$ 26,230,024	$ 26,269,282
Interest sensitivity gap		$(12,881,193)	$ 5,590,324	$ 3,039,542	$ 2,194,466	$ 1,499,166	$11,459,432	$ 10,901,737	$ 10,335,028
Ratio of interest sensitive assets to interest sensitive liabilities		0.46:1	11.51:1	5.22:1	7.10:2	4.60:1	39.15:1	1.42:1	1.39:1

The above table provides an approximation of the projected re-pricing of assets and liabilities at December 31, 2020 based on the 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. While all non-maturity deposit liabilities are reflected in the 2021 column in the table above, management controls the re-pricing of the vast majority of the interest-bearing instruments within these liabilities.

Our cash flow derivatives are designed to protect us from upward movement in interest rates on certain deposits and other borrowings. 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 to the consolidated financial statements for further discussion of fair value measurements.

The total gap re-pricing within one year as of December 31, 2020 was a negative $12.9 billion, representing a ratio of interest sensitive assets to interest sensitive liabilities of 0.46:1. 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, 2020. 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, 2020 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 and Cash Requirements

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 carefully performed and reported by our Treasury Department to two Board committees. Among other actions, Treasury reviews 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 requires that we may not have a ratio of loans to deposits in excess of 110 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, 2020.

At December 31, 2020, the Bank had various contractual obligations totaling $7.9 billion and $10.1 billion of maturing liabilities due in 12 months or less and greater than 1 year, respectively.

The following table summarized maturities of contractual obligations of the Bank at December 31, 2020:

	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
			(in thousands)		
Time deposits	$ 5,877,581	$ 669,820	$ 97,948	$ 69,329	$ 6,714,678
Short-term borrowings	1,147,958	—	—	—	1,147,958
Long-term borrowings	852,519	457,540	579,635	—	1,889,694
Lease obligations	35,944	62,856	55,027	122,848	276,675
Capital expenditures	22,744	—	—	—	22,744
Other purchase obligations	39,793	1,657	712	—	42,162
Total	$ 7,976,539	$ 1,191,873	$ 733,322	$ 192,177	$10,093,911

In the ordinary course of operations, the Bank 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. We enter 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 Bank's commitments to fund the loans, as well as on its portfolio of mortgage loans held for sale. Commitments to extend credit and standby letters of credit are subject to change 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. At December 31, 2020 our off-balance sheet commitments totaled $7.8 billion, inclusive of commitments of $2.9 billion due in 12 months or less. See Note 16 to the consolidated financial statements for further details.

Management believes the Bank has the ability to generate and obtain adequate amounts of cash to meet its short-term and long-term obligations as they come due by utilizing various cash resources described below.

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 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. Liquid assets totaled approximately $3.1 billion, representing 8.3 percent of earning assets, at December 31, 2020 and $2.2 billion, representing 6.4 percent of earning assets, at December 31, 2019. Of the $3.1 billion of liquid assets at December 31, 2020, approximately $789.0 million of various investment securities were pledged to counterparties to support our earning asset funding strategies. We anticipate the receipt of approximately $926.0 million in principal from securities in the total investment portfolio over the next 12-month period 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, 2020) are projected to be approximately $8.9 billion over the next 12-month period. 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. Average core deposits totaled approximately $25.8 billion and $20.4 billion for the years ended December 31, 2020 and 2019, respectively, representing 69.8 percent and 66.8 percent of average earning assets at December 31, 2020 and 2019, 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 $250 thousand and over at December 31, 2020:

	2020
	(in thousands)
Less than three months	$ 602,581
Three to six months	382,060
Six to twelve months	272,531
More than twelve months	138,114
Total	$ 1,395,286

Additional funding may be provided through deposit gathering networks and in the form of federal funds purchased obtained through our well established relationships with several correspondent banks. While these lending lines are uncommitted, management believes that we could borrow approximately $1.5 billion 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. Additionally, Valley's collateral pledged to the FHLB may be used to obtain Municipal Letters of Credit (MULOC) to collateralize certain municipal deposits held by Valley. At December 31, 2020, Valley had $700 million of MULOCs outstanding for this purpose. Furthermore, we are able to obtain overnight borrowings from the Federal Reserve Bank of New York via the discount window as a contingency for additional liquidity. At December 31, 2020, our borrowing capacity (excluding added capacity available to us by pledging PPP loans), under the Federal Reserve Bank's discount window was approximately $1.6 billion.

We also have access to other short-term and long-term borrowing sources to support our asset base, such as repos (i.e., securities sold under agreements to repurchase). Short-term borrowings (consisting of FHLB advances, repos, and from time to time, federal funds purchased) increased $55.0 million to $1.1 billion at December 31, 2020 from December 31, 2019 largely due to an increase of $60 million in FHLB advances.

Average short-term FHLB advances exceeded 30 percent of total shareholders' equity at December 31, 2019. The following table sets forth information regarding Valley’s short-term FHLB advances at the date and for the year ended December 31, 2019:

	2019
	($ in thousands)
FHLB advances:	
Average balance outstanding	$ 1,681,844
Maximum outstanding at any month-end during the period	2,510,000
Balance outstanding at end of period	940,000
Weighted average interest rate during the period	1.88 %
Weighted average interest rate at the end of the period	1.85

Corporation Liquidity. Valley's long-term cash requirements included obligations under subordinated debt and junior subordinated debentures issued to capital trust totaling $400 million and $60.8 million at December 31, 2020, respectively. Valley's recurring cash requirements primarily consist of dividends to preferred and common shareholders and interest expense 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, 2020, our investment portfolio was comprised of equity securities (mainly consisting of a money market mutual fund and investments in public and private Community Reinvestment Act funds), U.S. Treasury securities, U.S. government agency securities, taxable and tax-exempt issues of states and political subdivisions, residential mortgage-backed securities, single-issuer trust preferred securities principally issued by bank holding companies and high quality corporate bonds. Among other securities, our available for sale debt securities such as bank issued and other corporate bonds, as well as municipal special revenue bonds, that 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.

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 and Fannie Mae. Certain 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.

Investment securities at December 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
		(in thousands)	
Equity securities	$ 29,378	$ 41,410	$ —
Available for sale debt securities			
U.S. Treasury securities	51,393	50,943	49,306
U.S. government agency securities	26,157	29,243	36,277
Obligations of states and political subdivisions:			
Obligations of states and state agencies	41,799	78,573	97,113
Municipal bonds	38,151	91,478	99,979
Total obligations of states and political subdivisions	79,950	170,051	197,092
Residential mortgage-backed securities	1,090,022	1,254,786	1,429,782
Corporate and other debt securities	91,951	61,778	37,087
Total available for sale debt securities	1,339,473	1,566,801	1,749,544
Total investment securities (fair value)	$ 1,368,851	$ 1,608,211	$ 1,749,544
Held to maturity debt securities			
U.S. Treasury securities	$ 68,126	$ 138,352	$ 138,517
U.S. government agency securities	6,222	7,345	8,721
Obligations of states and political subdivisions:			
Obligations of states and state agencies	262,762	297,454	341,702
Municipal bonds	207,497	203,251	243,954
Total obligations of states and political subdivisions	470,259	500,705	585,656
Residential mortgage-backed securities	1,550,306	1,620,119	1,266,770
Trust preferred securities	37,348	37,324	37,332
Corporate and other debt securities	40,750	32,250	31,250
Total investment securities held to maturity (amortized cost)	$ 2,173,011	$ 2,336,095	$ 2,068,246
Total investment securities	$ 3,541,862	$ 3,944,306	$ 3,817,790

As of December 31, 2020, total investments decreased $402.4 million or 10.2 percent as compared to 2019 largely due to (i) a combined net decrease of $234.6 million in residential mortgage-backed securities within both the held to maturity and available for sale categories mainly driven by a higher level of prepayments during 2020, (ii) a combined $120.5 million decrease in obligations of states and state agencies within both the held to maturity and available for sale categories mainly due to normal maturities, sales, calls, and paydowns, and (iii) a $70.2 million decrease in held to maturity U.S. Treasury securities.

At December 31, 2020, we had $1.6 billion and $1.1 billion of residential mortgage-backed securities classified as held to maturity and available for sale, respectively. Approximately 66 percent and 56 percent of these residential mortgage-backed securities, respectively, were issued and guaranteed by Ginnie Mae. The remainder of our outstanding residential mortgage-backed security balances at December 31, 2020 were issued by either Fannie Mae or Freddie Mac.

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, 2020:

	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)									
Available for sale debt securities										
U.S. Treasury securities	$ —	— %	$ 51,393	2.01 %	$ —	— %	$ —	— %	$ 51,393	2.01 %
U.S. government agency securities	28	3.08	2,030	2.79	—		24,099	2.72	26,157	2.73
Obligations of states and political subdivisions: (3)										
Obligations of states and state agencies	1,245	2.46	4,606	4.44	12,716	6.97	23,232	4.12	41,799	4.97
Municipal bonds	13,282	0.99	7,379	3.17	9,732	5.21	7,758	4.59	38,151	3.22
Total obligations of states and political subdivisions	14,527	1.12	11,985	3.66	22,448	6.21	30,990	4.23	79,950	4.14
Residential mortgage-backed securities (4)	1,335	0.18	17,236	2.00	90,303	2.50	981,148	1.94	1,090,022	1.99
Corporate and other debt securities	—	—	19,771	3.41	72,180	4.66	—		91,951	4.39
Total	$ 15,890	1.04 %	$102,415	2.49 %	$ 184,931	3.79 %	$1,036,237	2.03 %	$ 1,339,473	2.29 %
Held to maturity debt securities										
U.S. Treasury securities	$ —	— %	$ 68,126	3.74 %	$ —	— %	$ —	— %	$ 68,126	3.74 %
U.S. government agency securities	—		—		—		6,222	2.54	6,222	2.54
Obligations of states and political subdivisions: (3)										
Obligations of states and state agencies	3,035	3.37	43,449	4.49	105,985	5.19	110,293	3.65	262,762	4.41
Municipal bonds	23,140	3.34	97,067	3.53	30,521	3.97	56,769	4.24	207,497	3.77
Total obligations of states and political subdivisions	26,175	3.34	140,516	3.83	136,506	4.92	167,062	3.85	470,259	4.13
Residential mortgage-backed securities (4)	—		13,477	3.04	5,796	2.82	1,531,033	1.69	1,550,306	1.71
Trust preferred securities	—		—		1,353	8.23	35,995	2.30	37,348	2.51
Corporate and other debt securities	2,000	3.06	25,750	3.64	13,000	4.49	—		40,750	3.88
Total	$ 28,175	3.32 %	$247,869	3.74 %	$ 156,655	4.83 %	$1,740,312	1.91 %	$ 2,173,011	2.35 %

(1) Held to maturity debt securities 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 21 percent.
(4) Residential mortgage-backed securities are shown using stated final maturity.

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.

Allowance for Credit Losses and Impairment Analysis

Effective January 1, 2020, Valley adopted ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which requires an estimate of lifetime expected credit losses for held to maturity debt securities established as an allowance for credit losses and replaces the other-than-temporarily impaired model for available for sale debt securities.

Available for sale debt securities. The new guidance in ASC Topic 326-30 requires credit losses to be presented as an allowance, rather than as a write-down if management does not intend to sell an available for sale debt security before recovery of its amortized cost basis. Available for sale debt securities in unrealized loss positions are evaluated for impairment related to

credit losses at least quarterly. In assessing whether a credit loss exists, we compare the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis for the security, a credit loss exists and an allowance for credit losses is recorded, limited to the amount the fair value is less than amortized cost basis. Declines in fair value that have not been recorded through an allowance for credit losses, such as declines due to changes in market interest rates, are recorded through other comprehensive income, net of applicable taxes.

We have evaluated all available for sale debt securities that are in an unrealized loss position as of December 31, 2020 and determined that the declines in fair value are mainly attributable to changes in market volatility, due to factors such as interest rates and spread factors, but not attributable to credit quality or other factors. Based on a comparison of the present value of expected cash flows to the amortized cost, management recognized no impairment charges during the year ended December 31, 2020 and, as a result, there was no allowance for credit losses for available for sale debt securities at December 31, 2020.

During 2019, Valley recognized a $2.9 million impairment charge under the other-than-temporary impairment model on one special revenue bond classified as available for sale included in obligations of states and state agencies category. At December 31, 2020, the impaired security had an adjusted amortized cost and fair value of $680 thousand and $815 thousand, respectively. There was no impairment recognized in earnings during the year ended December 31, 2018.

Held to maturity debt securities. As discussed further in Note 4 to the consolidated financial statements, Valley has a zero loss expectation for certain securities within the held to maturity portfolio, including, U.S. Treasury securities, U.S. agency securities, residential mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, and collateralized municipal bonds. To measure the expected credit losses on held to maturity debt securities that have loss expectations, Valley estimates the expected credit losses using a discounted cash flow model developed by a third party. Assumptions used in the model for pools of securities with common risk characteristics include the historical lifetime probability of default and severity of loss in the event of default, with the model incorporating several economic cycles of loss history data to calculate expected credit losses given default at the individual security level. At December 31, 2020, held to maturity debt securities were carried net of allowance for credit losses totaling $1.4 million. The provision totaled $635 thousand for the year ended December 31, 2020 driven mainly by our negative economic forecast incorporated within the allowance model since the onset of the COVID-19 pandemic. There were no net charge-offs of debt securities during 2020.

Investment grades. 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 debt investment securities portfolios by investment grades at December 31, 2020.

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available for sale investment grades:*				
AAA Rated	$ 1,152,291	$ 43,476	$ (786)	$ 1,194,981
AA Rated	26,640	672	(32)	27,280
A Rated	7,558	206	—	7,764
BBB Rated	31,047	840	(18)	31,869
Non-investment grade	11,839	19	(69)	11,789
Not rated	64,131	1,673	(14)	65,790
Total debt securities available for sale	$ 1,293,506	$ 46,886	$ (919)	$ 1,339,473
Held to maturity investment grades:*				
AAA Rated	$ 1,821,431	$ 54,035	$ (254)	$ 1,875,212
AA Rated	183,391	6,537	—	189,928
A Rated	14,527	429	—	14,956
BBB Rated	5,000	512	—	5,512
Non-investment grade	5,650	—	(105)	5,545
Not rated	143,012	813	(7,366)	136,459
Total debt securities held to maturity	$ 2,173,011	$ 62,326	$ (7,725)	$ 2,227,612

* Rated using external rating agencies. 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 debt securities held to maturity portfolio included $143.0 million in investments not rated by the rating agencies with aggregate unrealized losses of $7.4 million at December 31, 2020 related to four single-issuer bank trust preferred issuances with a combined amortized cost of $36.0 million.

See Note 4 to the consolidated financial statements for additional information regarding our investment securities portfolio.

Loan Portfolio

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

	At December 31,				
	2020	2019	2018	2017	2016
			($ in thousands)		
Commercial and industrial	$ 4,709,569	$ 4,825,997	$ 4,331,032	$ 2,741,425	$ 2,638,195
Commercial and industrial PPP loans	2,152,139	—	—	—	—
Total Commercial and industrial	6,861,708	4,825,997	4,331,032	2,741,425	2,638,195
Commercial real estate:					
Commercial real estate	16,724,998	15,996,741	12,407,275	9,496,777	8,719,667
Construction	1,745,825	1,647,018	1,488,132	851,105	824,946
Total commercial real estate	18,470,823	17,643,759	13,895,407	10,347,882	9,544,613
Residential mortgage	4,183,743	4,377,111	4,111,400	2,859,035	2,867,918
Consumer:					
Home equity	431,553	487,272	517,089	446,280	469,009
Automobile	1,355,955	1,451,623	1,319,571	1,208,902	1,139,227
Other consumer	913,330	913,446	860,970	728,056	577,141
Total consumer loans	2,700,838	2,852,341	2,697,630	2,383,238	2,185,377
Total loans *	$ 32,217,112	$ 29,699,208	$ 25,035,469	$ 18,331,580	$ 17,236,103
As a percent of total loans:					
Commercial and industrial	21.3 %	16.2 %	17.3 %	15.0 %	15.3 %
Commercial real estate	57.3	59.5	55.5	56.4	55.4
Residential mortgage	13.0	14.7	16.4	15.6	16.6
Consumer loans	8.4	9.6	10.8	13.0	12.7
Total	100 %	100 %	100 %	100 %	100 %

* Includes net unearned discount and deferred loan fees of $95.8 million at December 31, 2020, and net unearned premiums and deferred loan fees of $12.6 million, $21.5 million, $22.2 million, and $15.3 million at December 31, 2019, 2018, 2017, and 2016, respectively. Net unearned discounts and deferred loans fees at December 31, 2020 include the non-credit discount on purchased credit deteriorated (PCD) loans and $43.2 million of net unearned fees related to PPP loans.

Total loans increased by $2.5 billion, or 8.5 percent to $32.2 billion at December 31, 2020 from December 31, 2019 mainly due to approximately $2.2 billion of SBA PPP loans within commercial and industrial loans, as well as continued annual growth in our commercial real estate loan portfolio. Upon our adoption of the CECL standard on January 1, 2020, we recorded a $61.6 million gross-up for PCD loans (mainly commercial and industrial and commercial real estate loans) that increased the amortized cost basis of loans with a corresponding increase to the allowance for credit losses. During 2020, Valley also originated $1.2 billion of residential mortgage loans for sale rather than investment. Loans held for sale totaled $301.4 million and $76.1 million at December 31, 2020 and 2019, respectively. See additional information regarding our residential mortgage loan activities below.

Commercial and industrial loans totaled $6.9 billion at December 31, 2020 and increased $2.0 billion from December 31, 2019 mainly due to PPP loan originations. Excluding the PPP loans, commercial and industrial loans decreased $116.4 million largely due to our selective underwriting and tempered loan demand caused by the COVID-19 pandemic, particularly in the New Jersey and New York markets during the fourth quarter 2020, and our existing small to middle market lending relationships becoming more strategic with new capital expenditures due to the economic uncertainty. Commercial and industrial loans included PPP loans of approximately $2.2 billion, net of unearned net deferred fees totaling $43.2 million at December 31, 2020. Valley expects the majority of these borrowers to qualify for loan forgiveness under the guidelines of the SBA program. During 2021, PPP loan forgiveness and the unknown full impact of the COVID-19 pandemic could likely weigh on Valley's ability to grow the commercial and industrial loan portfolio.

Commercial real estate loans (excluding construction loans) increased $728.3 million to $16.7 billion at December 31, 2020 from December 31, 2019. The increase was mainly due to strong loan volumes within our loan commitment pipeline, including many pre-existing, longstanding borrowers, an active refinance market driven by low interest rates as well as some slower repayment activity caused by the COVID-19 pandemic. Construction loans totaled $1.7 billion at December 31, 2020 and increased $98.8 million from December 31, 2019, mainly driven by loan advances on new and existing construction

projects, partially offset by the run-off of completed existing projects, and, to a lesser extent, migration of such completed projects to permanent financing during 2020. Construction demand in our Florida markets, which have mostly reopened during the current COVID-19 pandemic, remains robust as compared to the Northeast and we intend to be strategically competitive for the strongest borrowers and projects in that market.

Residential mortgage loans totaled $4.2 billion at December 31, 2020 and decreased by $193.4 million from December 31, 2019 largely due to loan principal repayment and refinance activity and higher levels of residential mortgage loans originated for sale due to current interest rate risk management strategies. Our new and refinanced residential mortgage loan originations increased 22.3 percent to $1.9 billion for the year ended December 31, 2020 as compared to $1.6 billion in 2019. Of the $1.9 billion in total originations, $367 million represented Florida residential mortgage loans. During 2020, we sold $1.0 billion of residential mortgages as compared to $934.5 million of residential mortgage loans sold during 2019, including $30 million and $436 million of pre-existing loans sold from our residential mortgage loan portfolio, respectively. 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. Purchased residential mortgage loans are generally selected using Valley's normal underwriting criteria at the time of purchase and are sometimes partially or fully guaranteed by third parties or insured by government agencies such as the Federal Housing Administration. Valley purchased approximately $24.3 million and $35 million of 1-4 family loans, qualifying for CRA purposes during 2020 and 2019, respectively. We may continue to sell a large portion of our new fixed rate residential mortgage loan originations during 2021 based upon normal management of the interest rate risk and mix of the interest earning assets on our balance sheet.

Consumer loans totaled $2.7 billion at December 31, 2020 and decreased $151.5 million from December 31, 2019 mainly due to decreases in automobile and home equity loan portfolios. Automobile loans decreased $95.7 million or 6.6 percent to $1.4 billion at December 31, 2020 from December 31, 2019 as our new indirect auto loan volumes did not keep pace with the normal portfolio repayment and refinance activity during 2020. New loan originations have declined since the beginning of the second quarter 2020 mostly due to a combination of tightening our underwriting policies and impact of the COVID-19 pandemic. During 2020, our Florida dealership network contributed $84.6 million in auto loan originations, representing approximately 17 percent of Valley's total new auto loan production for 2020 as compared to $169 million, or 23 percent, of total originations in 2019. Home equity loans decreased $55.7 million in 2020 from $487.3 million at December 31, 2019. New home equity loan volumes and customer usage of existing home equity lines of credit continue to be modest and outpaced by repayment activity, despite the favorable low interest rate environment. Other consumer loans totaled $913.3 million at December 31, 2020 and remained relatively unchanged as compared to 2019 mainly due to both tempered usage and demand within our collateralized personal lines of credit portfolio.

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 primarily from other neighboring states of New Jersey, which could present a geographic and credit risk due to the recent economic downturn within these regions caused by the COVID-19 pandemic and the uncertain path forward to restart the U.S. economy. To mitigate our geographic risks, we make 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.

For 2021, we remain cautiously optimistic about overall loan growth, exclusive of PPP loans. In the early stages of the first quarter 2021, our loan origination pipelines remain robust and organic growth opportunities, especially in Florida, appear to have returned to closer to pre-pandemic levels. However, there can be no assurance that those positive trends will continue, or balances will not decline from December 31, 2020 given the potential for unforeseen changes in consumer confidence, the economy, and other market conditions. In addition, while difficult to accurately predict, we believe that many of our SBA PPP loans will become eligible for forgiveness in 2021 in accordance with the rules of this program and is highly likely to result in a large reduction in these loan balances.

The following table reflects the contractual maturity distribution of the commercial and industrial and construction loans within our loan portfolio as of December 31, 2020:

	One Year or Less	One to Five Years	Over Five Years	Total
		(in thousands)		
Commercial and industrial—fixed-rate	$ 1,884,762	$ 629,218	$ 1,030,907	$ 3,544,887
Commercial and industrial—adjustable-rate	626,965	1,591,237	1,098,619	3,316,821
Construction—fixed-rate	217,919	147,489	86,750	452,158
Construction—adjustable-rate	839,709	348,675	105,283	1,293,667
	$ 3,569,355	$ 2,716,619	$ 2,321,559	$ 8,607,533

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.

Non-performing Assets

Prior to our adoption of the CECL standard on January 1, 2020, our past due loans and non-accrual loans discussed further below excluded those loans which were classified as purchased credit impaired (PCI) loans. Under previous U.S. GAAP, the PCI loans (acquired at a discount that is due, in part, to credit quality) were accounted for on a pool basis and were not subject to delinquency classification in the same manner as loans originated by Valley. Under the CECL standard, Valley's former PCI loan pools are accounted for as PCD loans on a loan level basis and, if applicable, are reported in our past due and non-accrual loans at December 31, 2020.

Non-performing assets (NPAs) include non-accrual loans, other real estate owned (OREO), other repossessed assets (which consist of automobiles and taxi medallions) and non-accrual debt securities at December 31, 2020. 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. Non-performing assets totaling $194.6 million at December 31, 2020 increased $90.1 million, or 86.3 percent, from December 31, 2019 (as shown in the table below) mainly due to higher non-accrual loans in most loan categories, including approximately $45 million of non-accrual PCD loans (largely in the commercial loan categories) reported at December 31, 2020. The increase in non-accruals within non-PCD loans was mainly due to the negative impact of the COVID-19 pandemic. NPAs as a percentage of total loans and NPAs totaled 0.60 percent and 0.35 percent at December 31, 2020 and 2019, respectively. We believe our total NPAs has remained relatively low as a percentage of the total loan portfolio over the past five years, despite the uptick in 2020 related to non-accrual PCD loans (not required to be reported as non-performing in prior periods) and borrowers impacted by COVID-19. The level of NPAs is reflective of our consistent approach to the loan underwriting criteria for both Valley originated loans and loans purchased from third parties. For additional details, see the "Credit quality indicators" section in Note 5 to the consolidated financial statements.

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 uncertain economic recovery from the COVID -19 pandemic recession, lack of, or inadequate additional federal stimulus and a number of our borrowers that are performing under short-term forbearance agreements, management cannot provide assurance that our non-performing assets will not increase substantially from the levels reported at December 31, 2020.

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,				
	2020	2019	2018	2017	2016
	($ in thousands)				
Accruing past due loans*					
30 to 59 days past due					
Commercial and industrial	$ 6,393	$ 11,700	$ 13,085	$ 3,650	$ 6,705
Commercial real estate	35,030	2,560	9,521	11,223	5,894
Construction	315	1,486	2,829	12,949	6,077
Residential mortgage	17,717	17,143	16,576	12,669	12,005
Total Consumer	10,257	13,704	9,740	8,409	4,197
Total 30 to 59 days past due	69,712	46,593	51,751	48,900	34,878
60 to 89 days past due					
Commercial and industrial	2,252	2,227	3,768	544	5,010
Commercial real estate	1,326	4,026	530	—	8,642
Construction	—	1,343	—	18,845	—
Residential mortgage	10,351	4,192	2,458	7,903	3,564
Total Consumer	1,823	2,527	1,386	1,199	1,147
Total 60 to 89 days past due	15,752	14,315	8,142	28,491	18,363
90 or more days past due					
Commercial and industrial	9,107	3,986	6,156	—	142
Commercial real estate	993	579	27	27	474
Construction	—	—	—	—	1,106
Residential mortgage	3,170	2,042	1,288	2,779	1,541
Total Consumer	271	711	341	284	209
Total 90 or more days past due	13,541	7,318	7,812	3,090	3,472
Total accruing past due loans	$ 99,005	$ 68,226	$ 67,705	$ 80,481	$ 56,713
Non-accrual loans*					
Commercial and industrial	$ 106,693	$ 68,636	$ 70,096	$ 20,890	$ 8,465
Commercial real estate	46,879	9,004	2,372	11,328	15,079
Construction	84	356	356	732	715
Residential mortgage	25,817	12,858	12,917	12,405	12,075
Total Consumer	5,809	2,204	2,655	1,870	1,174
Total non-accrual loans	185,282	93,058	88,396	47,225	37,508
Other real estate owned (OREO)	5,118	9,414	9,491	9,795	9,612
Other repossessed assets	3,342	1,276	744	441	384
Non-accrual debt securities	815	680	—	—	1,935
Total non-performing assets (NPAs)	$ 194,557	$ 104,428	$ 98,631	$ 57,461	$ 49,439
Performing troubled debt restructured loans	$ 57,367	$ 73,012	$ 77,216	$ 117,176	$ 85,166
Total non-accrual loans as a % of loans	0.58 %	0.31 %	0.35 %	0.26 %	0.22 %
Total NPAs as a % of loans and NPAs	0.60	0.35	0.39	0.31	0.29
Total accruing past due and non-accrual loans as a % of loans	0.88	0.54	0.62	0.70	0.55
Allowance for loan losses as a % of non-accrual loans	183.64	173.83	171.79	255.92	305.05

* Past due loans and non-accrual loans presented at December 31, 2019, 2018, 2017, and 2016, respectively, exclude PCI loans. Prior to January 1, 2020, PCI loans were accounted for on a pool basis under U.S. GAAP and were not subject to delinquency classification.

Loans past due 30 to 59 days increased $23.1 million to $69.7 million at December 31, 2020 as compared to $46.6 million at December 31, 2019 partially due to a $12.3 million matured commercial real estate loan and two commercial real estate loan relationships with a combined total of $16.8 million reported in this delinquency category at December 31, 2020. While one of these loans is internally classified as substandard, management believes it is well secured and in the process of collection.

Loans past due 60 to 89 days increased $1.4 million to $15.8 million at December 31, 2020 as compared to December 31, 2019 mostly due to higher residential mortgage loan delinquencies caused by a few larger borrowers.

Loans 90 days or more past due and still accruing increased $6.2 million to $13.5 million at December 31, 2020 as compared to December 31, 2019 mainly due to higher commercial and industrial loan delinquencies. Residential mortgage loan delinquencies increased $1.1 million as compared to 2019 primarily due to one large loan included in this category at December 31, 2020. All 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 increased $92.2 million to $185.3 million at December 31, 2020 as compared to December 31, 2019. Commercial and industrial non-accrual loans increased $38.1 million mainly due to the reclassification of $34.2 million of previously accruing taxi medallion loans to non-accrual status during the first quarter of 2020 and $12.7 million of non-accrual PCD loans included at December 31, 2020. See further discussion of our taxi medallion loan portfolio below. The $37.9 million increase in non-accrual commercial real estate loans was largely due to six loan relationships totaling $20.8 million and $22.1 of non-accrual PCD included at December 31, 2020.

Although the timing of collection is uncertain, management believes that most of the non-accrual loans at December 31, 2020, are well secured and largely collectible based on, in part, our quarterly review of collateral dependent loans and the valuation of the underlying collateral, if applicable. If interest on non-accrual loans had been accrued in accordance with the original contractual terms, such interest income would have amounted to approximately $6.2 million, $2.5 million and $3.6 million for the years ended December 31, 2020, 2019 and 2018, respectively; none of these amounts were included in interest income during these periods.

During 2020, we continued to closely monitor the performance of our New York City and Chicago taxi medallion loans totaling $90.6 million and $6.9 million, respectively, within the commercial and industrial loan portfolio at December 31, 2020. Due to continued negative trends in estimated fair valuations of the underlying taxi medallion collateral, a weak operating environment for ride services and uncertain borrower performance, the remainder of our previously accruing taxi medallion loans were placed on non-accrual status during the first quarter 2020. At December 31, 2020, non-accrual taxi medallion loans totaling $97.5 million had related reserves of $66.4 million, or 68.1 percent of such loans, within the allowance for loan losses as compared to $63.3 million with related reserves of $25.0 million December 31, 2019.

Valley's historical taxi medallion lending criteria was conservative in regard to capping the loan amounts in relation to the prevailing market valuations, as well as obtaining personal guarantees and other collateral in certain instances. However, the severe decline in the market valuation of taxi medallions over the last several years has adversely affected the estimated fair valuation of these loans and, as a result, increased the level of our allowance for loan losses at December 31, 2020 (See the "Allowance for Credit Losses" section below). Potential further declines in the market valuation of taxi medallions and the stressed operating environment within both New York City and Chicago due to the COVID-19 pandemic could also negatively impact the future performance of this portfolio. For example, a 25 percent further decline in our current estimated market value of the taxi medallions would require additional allocated reserves of $5.5 million within the allowance for loan losses based upon taxi medallion loan balances at December 31, 2020.

OREO (which consisted of 25 commercial and residential properties) decreased to $5.1 million at December 31, 2020 as compared to $9.4 million at December 31, 2019. During 2020, we transferred 14 properties totaling $4.0 million and sold 19 properties for total proceeds of $9.0 million. The sales of OREO properties resulted in net gains of $674 thousand for the year ended December 31, 2020 as compared to net gains of $1.3 million for the year ended December 31, 2019. See Notes 1 and 3 to the consolidated financial statements for additional information regarding OREO and other repossessed assets, including our foreclosed asset activity.

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) decreased $15.6 million to $57.4 million at December 31, 2020 as compared to $73.0 million at December 31, 2019 mainly due to paydowns of several commercial and industrial loans during 2020. Performing TDRs consisted of 87 loans and 119 loans (primarily in the commercial and industrial loan and commercial real estate portfolios) at December 31, 2020 and 2019, respectively. On an aggregate basis, the $57.4 million in performing TDRs at December 31, 2020 had a modified weighted

average interest rate of approximately 4.68 percent as compared to a pre-modification weighted average interest rate of 4.94 percent. See Note 5 to the consolidated financial statements for additional disclosures regarding our TDRs.

Loan Forbearance. In response to the COVID-19 pandemic and its economic impact to certain customers, Valley implemented short-term loan modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant, when requested by customers. Generally, the modification terms allow for a deferral of payments for up to 90 days, which Valley may extend for an additional 90 days. Any extensions beyond this period were done in accordance with applicable regulatory guidance.

The following table presents the outstanding loan balances and number of loans in an active payment deferral period under short-term modifications as of December 31, 2020:

	December 31, 2020	
	Amount	Number of loans
	($ in thousands)	
Commercial and industrial	$ 12,835	53
Commercial real estate	299,874	55
Residential mortgage	38,615	95
Consumer	9,937	407
Total	$ 361,261	610

During the fourth quarter 2020, active loan forbearances decreased from approximately 1,400 loans with total outstanding balances of $1.1 billion remaining as of September 30, 2020.

Higher Risk COVID-19 Credit Exposures. Valley has identified certain borrower industries as being potentially exposed to the effects of economic shutdowns related to the COVID-19 pandemic. The following table presents non-PPP loans and active deferrals in the COVID-19 exposure industries at December 31, 2020:

	December 31, 2020			
	Non-PPP loan balance	% of non-PPP loans	Active deferrals	% of total industry loans
	($ in thousands)			
Doctors and surgery	$ 510,772	1.7 %	$ 4,609	0.9 %
Retail trade	596,015	2.0	15,974	2.7
Hotels and hospitality	504,571	1.7	—	—
Restaurants and food service	328,838	1.1	25,973	7.9
Entertainment and recreation	215,695	0.7	3,564	1.7
Total	$ 2,155,891	7.2 %	$ 50,120	2.3 %

As of December 31, 2020, Valley had approximately $2.2 billion, or 7.2 percent of total loans (excluding PPP loans), that were made to borrowers in these industries. Active deferrals in this category totaled approximately $50 million, or 2.3 percent of total loans in COVID-19 exposed industries at December 31, 2020, as compared to $158 million, or 7.1 percent of total loans at September 30, 2020. Approximately 90 percent of total loan balances within the higher risk industries were pass-rated under Valley's internal risk rating system as of December 31, 2020.

Potential Problem Loans

Although we believe that substantially all risk elements at December 31, 2020 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 $258.8 million and $91.7 million in potential problem loans at December 31, 2020 and 2019, respectively. The increase from 2019 was mainly due to many of the risk rating downgrades resulting from the adverse impacts of the COVID-19 pandemic had on borrowers, as well as inclusion of PCD loans, which were previously excluded and were accounted for under ASC Subtopic 310-30. Potential problem loans 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 rather that management recognizes potential problem loans carry a higher probability of default. At December 31, 2020, the potential problem loans consisted of various types of performing commercial loan

credits, including industries highlighted in the "Higher Risk COVID-19 Credit Exposures" table above, that are 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, 2020.

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 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 represent approximately 72 percent of total loans at December 31, 2020. 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 impacted by COVID-19 pandemic. See Item 1A. Risk Factors -"*Risks Related to the COVID-19 Pandemic"*.

Consumer loans are comprised of residential mortgage loans, home equity loans, automobile loans and other consumer loans. Residential mortgage loans are secured by 1-4 family properties mostly located in New Jersey, New York and Florida. We do provide mortgage loans secured by homes beyond this primary geographic area; however, lending outside this primary area has generally consisted of loans made in support of existing customer relationships, as well as targeted purchases of certain loans guaranteed by third parties. Our mortgage loan originations are comprised of both jumbo (i.e., loans with balances above conventional conforming loan limits) and conventional loans based on underwriting standards that generally comply with Fannie Mae and/or Freddie Mac requirements. The weighted average loan-to-value ratio of all residential mortgage originations in 2020 was 68 percent while FICO® (independent objective criteria measuring the creditworthiness of a borrower) scores averaged 757. 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 lifetime expected credit losses inherent in the portfolio.

Allowance for Credit Losses

The allowance for credit losses (ACL) includes the allowance for loan losses and the reserve for unfunded commercial letters of credit. Effective January 1, 2020, we adopted the new CECL standard, which is based on lifetime expected credit losses rather than incurred losses. Periods prior to 2020 have been reported in accordance with previously applicable GAAP, which followed the incurred credit losses methodology. See the table below and Notes 1 and 5 to the consolidated financial statements for further details on the impact of the Day 1 CECL adoption and the incurred credit losses methodology.

Under CECL, our methodology to establish the allowance for loan losses has two basic components: (1) a collective reserve component for estimated expected credit losses for pools of loans that share common risk characteristics and (2) an individual reserve component for loans that do not share risk characteristics, consisting of collateral dependent, TDR, and expected TDR loans. Valley also maintains a separate allowance for unfunded credit commitments mainly consisting of undisbursed non-cancellable lines of credit, new loan commitments and commercial letters of credit.

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

losses. The expected lifetime loss rate is the life of loan loss percentage from the transition matrix model plus the impact of the adjustments for qualitative factors. The expected credit losses are the product of multiplying the model's expected lifetime loss rate by the exposure at default at period end on an undiscounted basis.

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

During the fourth quarter 2020, we continued to incorporate a probability weighted three-scenario economic forecast, including Moody's Baseline, S-3 and S-4 scenarios. At December 31, 2020, Valley maintained a higher combined weighting on the S-3 and S-4 alternative downside scenarios as compared to the Moody's Baseline scenario to reflect downside risk factors, including, but not limited to the unknown effect of the latest federal economic stimulus to promote a strong economic recovery, loan customers with payment deferrals, increasing COVID-19 infection rates in many locales and the efficacy of COVID-19 vaccines and the timing of the vaccine distribution across the U.S. Each of these risk factors may affect the performance of Valley's loan portfolio over time.

The S-4 forecast is the most severe economic scenario and included the following assumptions at December 31, 2020:

- The COVID-19 pandemic will persist and meaningfully impact the economy;
- The national unemployment rate will remain elevated throughout 2021 and 2022, with a peak at 11.5 percent in the third quarter 2022;
- An overall decline in spending on a wide range of products and services;
- A prolonged economic downturn will persist until the fourth quarter 2021 with real GDP growth resuming by mid-year 2022; and
- The target federal funds interest rate will remain at or near zero for the foreseeable future.

The allowance for credit losses for loans methodology and accounting policy are fully described in Note 1 to the consolidated financial statements.

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,				
	2020	2019	2018	2017	2016
	($ in thousands)				
Average loans outstanding	$ 31,785,859	$ 26,235,253	$ 23,340,330	$ 17,819,003	$ 16,400,745
Beginning balance—Allowance for credit losses for loans	$ 164,604	$ 156,295	$ 124,452	$ 116,604	$ 108,367
Impact of ASU No. 2016-13 adoption on January 1, 2020 [(1)]	37,989	—	—	—	—
Allowance for purchased credit deteriorated (PCD) loans [(1)]	61,643	—	—	—	—
Beginning balance, adjusted	264,236	156,295	124,452	116,604	108,367
Loans charged-off: [(2)]					
Commercial and industrial	(34,630)	(13,260)	(2,515)	(5,421)	(5,990)
Commercial real estate	(767)	(158)	(348)	(559)	(650)
Residential mortgage	(598)	(126)	(223)	(530)	(866)
Total Consumer	(9,294)	(8,671)	(4,977)	(4,564)	(3,463)
Total charge-offs	(45,289)	(22,215)	(8,063)	(11,074)	(10,969)
Charged-off loans recovered:					
Commercial and industrial	1,956	2,397	4,623	4,736	2,852
Commercial real estate	1,054	1,237	417	552	2,047
Construction	452	—	—	873	10
Residential mortgage	670	66	272	1,016	774
Total Consumer	3,188	2,606	2,093	1,803	1,654
Total recoveries	7,320	6,306	7,405	8,980	7,337
Net charge-offs	(37,969)	(15,909)	(658)	(2,094)	(3,632)
Provision charged for credit losses	125,087	24,218	32,501	9,942	11,869
Ending balance—Allowance for credit losses for loans	$ 351,354	$ 164,604	$ 156,295	$ 124,452	$ 116,604
Components of allowance for credit losses for loans:					
Allowance for loan losses	$ 340,243	$ 161,759	$ 151,859	$ 120,856	$ 114,419
Allowance for unfunded credit commitments	11,111	2,845	4,436	3,596	2,185
Allowance for credit losses for loans	$ 351,354	$ 164,604	$ 156,295	$ 124,452	$ 116,604
Components of provision for credit losses for loans:					
Provision for credit losses for loans	$ 123,922	$ 25,809	$ 31,661	$ 8,531	$ 11,873
Provision for unfunded credit commitments [(3)]	1,165	(1,591)	840	1,411	(4)
Provision for credit losses for loans	$ 125,087	$ 24,218	$ 32,501	$ 9,942	$ 11,869
Annualized ratio of net charge-offs during the period to average loans outstanding	0.12 %	0.06 %	0.00 %	0.01 %	0.02 %

(1) The adjustment represents an increase in the allowance for credit losses for loans as a result of the adoption of ASU 2016-13 effective January 1, 2020.

(2) Charge-offs and recoveries presented for periods prior to January 1, 2020 exclude loans formerly accounting for as PCI loans.

(3) Periods prior to January 1, 2020 represent the allowance and provision for unfunded letters of credit only.

Our net loan charge-offs increased $22.1 million to $38.0 million in 2020 as compared to $15.9 million in 2019 mainly due to higher gross charge-offs in the commercial and industrial loan category. The higher level of commercial and industrial loan charge-offs in 2020 was largely driven by taxi medallion partial loan charge-offs totaling $12.5 million for the year ended

December 31, 2020 (as compared to $6.5 million for 2019) and the partial and full charge-offs of two loans totaling $7.8 million and $6.0 million, respectively.

While net charge-offs increased largely due to borrowers impacted by the COVID-19 pandemic during 2020, they have remained within management's expectations for the credit quality of Valley's loan portfolio and its underwriting standards. During the five-year period ended December 31, 2020, our net charge-offs were at a high of 0.12 percent of average loans during 2020 and near zero during 2018. While we have a positive outlook for the future performance of the loan portfolio, there can be no assurance that our levels of net charge-offs will not deteriorate in 2021, especially given the uncertain course of the economic recovery, labor markets and the number of our COVID-19 impacted borrowers that remained in active deferral of contractual payments at December 31, 2020.

The following table summarizes the allocation of the allowance for credit losses to specific loan portfolio categories for the past five years ended December 31,:

	2020		2019		2018		2017		2016	
	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	$ 131,070	21.3 %	$ 104,059	16.2 %	$ 90,956	17.3 %	$ 57,232	15.0 %	$ 50,820	15.3 %
Commercial real estate:										
Commercial real estate	146,009	51.9	20,019	53.9	26,482	49.6	36,293	51.8	36,405	50.6
Construction	18,104	5.4	25,654	5.6	23,168	5.9	18,661	4.6	19,446	4.8
Total commercial real estate	164,113	57.3	45,673	59.5	49,650	55.5	54,954	56.4	55,851	55.4
Residential mortgage	28,873	13.0	5,060	14.7	5,041	16.4	3,605	15.6	3,702	16.6
Total Consumer	16,187	8.4	6,967	9.6	6,212	10.8	5,065	13.0	4,046	12.7
Total allowance for loan losses	340,243	100.0 %	161,759	100.0 %	151,859	100.0 %	120,856	100.0 %	114,419	100.0 %
Allowance for unfunded credit commitments	11,111		2,845		4,436		3,596		2,185	
Total allowance for credit losses for loans	$ 351,354		$ 164,604		$ 156,295		$ 124,452		$ 116,604	

* CECL was adopted January 1, 2020. Prior periods reflect the allowance for credit losses for loans under the incurred loss model.

The allowance for credit losses for loans, comprised of our allowance for loan losses and unfunded credit commitments (including letters of credit), as a percentage of total loans was 1.09 percent at December 31, 2020 and 0.55 percent at December 31, 2019. The allowance for credit losses for loans increased $186.8 million at December 31, 2020 as compared to December 31, 2019 largely due to Valley's Day 1 CECL adoption adjustment of $99.6 million recorded on January 1, 2020 and the reserve build under CECL during 2020. The reserve build in 2020 reflected several factors, including deterioration in Valley's macroeconomic outlook since the onset of the COVID-19 pandemic, additional qualitative management adjustments to reflect the potential for higher levels of credit stress related to borrowers negatively impacted by the pandemic, the impact of lower valuations of collateral securing our non-performing taxi medallion loan portfolio and additional quantitative reserves, based upon expected and actual transitions in the credit quality of our loan portfolio. As a result, the provision for credit losses increased $100.9 million to $125.1 million in 2020 as compared to 2019.

Loan Repurchase Contingencies

We engage in the origination of residential mortgages for sale into the secondary market. Our loan sales totaled approximately $1.0 billion, $935 million and $676 million for 2020, 2019 and 2018, respectively. During 2020 and 2019, loan sales increased significantly from 2018 as new loan originations and refinance activity strengthened due to a favorably low interest rate environment complemented, from time to time, by sales from the held for investment portfolio.

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, only a few of which have actually resulted in repurchases by Valley (only two loan repurchases in 2020 and four loan repurchases in 2019). 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, 2020 and 2019. 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 report for additional information.

Capital Adequacy

A significant measure of the strength of a financial institution is its shareholders' equity. At December 31, 2020 and 2019, shareholders' equity totaled approximately $4.6 billion and $4.4 billion, or 11.3 percent and 11.7 percent of total assets, respectively. During 2020, total shareholders' equity increased by $207.9 million primarily due to (i) net income of $390.6 million, (ii) an increase in other comprehensive income of $24.5 million, and (iii) a $13.0 million increase attributable to the effect of share issuances under our stock incentive plan. These positive changes were partially offset by (i) cash dividends declared on common and preferred stock totaling a combined $192.0 million and (ii) a $28.2 million net cumulative effect adjustment to retained earnings for the adoption of new accounting guidance as of January 1, 2020.

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.

We are required to maintain 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, plus a 2.5 percent capital conservation buffer added to the minimum requirements for capital adequacy purposes. As of December 31, 2020 and 2019, Valley and Valley National Bank exceeded all capital adequacy requirements. See Note 17 to the consolidated financial statements for Valley's and Valley National Bank's regulatory capital positions and capital ratios at December 31, 2020 and 2019.

For regulatory capital purposes, in connection with the Federal Reserve Board's final interim rule as of April 3, 2020, 100 percent of the CECL Day 1 impact to shareholders' equity equaling $28.2 million after-tax will be deferred for a two-year period ending January 1, 2022, at which time it will be phased in on a pro-rata basis over a three-year period ending January 1, 2025. Additionally, 25 percent of the reserve build (i.e., provision for credit losses less net charge-offs) for the year ended December 31, 2020 will be phased in over the same time frame.

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 shareholders) per common share. Our retention ratio was 52.7 percent and 49.4 percent for the years ended December 31, 2020 and 2019, respectively.

Cash dividends declared amounted to $0.44 per common share for both years ended December 31, 2020 and 2019. 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. 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 considering 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. However, the FRB recently reiterated its long-standing guidance that banking organizations should consult them before declaring dividends in excess of earnings for the corresponding quarter. The renewed guidance was largely due to the increased risk of the COVID-19 pandemic negatively impacting the future level of bank earnings. See Item 1A. Risk Factors of this report for additional information.

Valley maintains an effective shelf registration statement with the SEC that allows us to periodically offer and sell in one or more offerings, individually or in any combination, our 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 and 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 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 strength 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 preferred stock issuances.

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

Information regarding Quantitative and Qualitative Disclosures About Market Risk is discussed in the "Interest Rate Sensitivity" section contained in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and it is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data***

VALLEY NATIONAL BANCORP

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2020	December 31, 2019
	(in thousands except for share data)	
Assets		
Cash and due from banks	$ 257,845	$ 256,264
Interest bearing deposits with banks	1,071,360	178,423
Investment securities:		
Equity securities	29,378	41,410
Available for sale debt securities	1,339,473	1,566,801
Held to maturity debt securities (net of allowance for credit losses of $1,428 at December 31, 2020)	2,171,583	2,336,095
Total investment securities	3,540,434	3,944,306
Loans held for sale, at fair value	301,427	76,113
Loans	32,217,112	29,699,208
Less: Allowance for loan losses	(340,243)	(161,759)
Net loans	31,876,869	29,537,449
Premises and equipment, net	319,797	334,533
Lease right of use assets	252,053	285,129
Bank owned life insurance	535,209	540,169
Accrued interest receivable	106,230	105,637
Goodwill	1,382,442	1,373,625
Other intangible assets, net	70,449	86,772
Other assets	971,961	717,600
Total Assets	$ 40,686,076	$ 37,436,020
Liabilities		
Deposits:		
Non-interest bearing	$ 9,205,266	$ 6,710,408
Interest bearing:		
Savings, NOW and money market	16,015,658	12,757,484
Time	6,714,678	9,717,945
Total deposits	31,935,602	29,185,837
Short-term borrowings	1,147,958	1,093,280
Long-term borrowings	2,295,665	2,122,426
Junior subordinated debentures issued to capital trusts	56,065	55,718
Lease liabilities	276,675	309,849
Accrued expenses and other liabilities	381,991	284,722
Total Liabilities	36,093,956	33,051,832
Shareholders' Equity		
Preferred stock, no par value; authorized 50,000,000 shares:		
Series A (4,600,000 shares issued at December 31, 2020 and December 31, 2019)	111,590	111,590
Series B (4,000,000 shares issued at December 31, 2020 and December 31, 2019)	98,101	98,101
Common stock (no par value, authorized 650,000,000 shares; issued 403,881,488 shares at December 31, 2020 and 403,322,773 shares at December 31, 2019)	141,746	141,423
Surplus	3,637,468	3,622,208
Retained earnings	611,158	443,559
Accumulated other comprehensive loss	(7,718)	(32,214)
Treasury stock, at cost (22,490 common shares at December 31, 2020 and 44,383 common shares at December 31, 2019)	(225)	(479)
Total Shareholders' Equity	4,592,120	4,384,188
Total Liabilities and Shareholders' Equity	$ 40,686,076	$ 37,436,020

See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2020	2019	2018
	(in thousands, except for share data)		
Interest Income			
Interest and fees on loans	$ 1,284,707	$ 1,198,908	$ 1,033,993
Interest and dividends on investment securities:			
Taxable	70,249	86,926	87,306
Tax-exempt	14,563	17,420	21,504
Dividends	11,644	12,023	13,209
Interest on federal funds sold and other short-term investments	2,556	5,723	3,236
Total interest income	1,383,719	1,321,000	1,159,248
Interest Expense			
Interest on deposits:			
Savings, NOW and money market	76,169	145,177	108,394
Time	106,067	166,693	81,959
Interest on short-term borrowings	11,372	47,862	45,930
Interest on long-term borrowings and junior subordinated debentures	71,207	63,220	65,762
Total interest expense	264,815	422,952	302,045
Net Interest Income	1,118,904	898,048	857,203
Provision for credit losses for held to maturity securities	635	—	—
Provision for credit losses for loans	125,087	24,218	32,501
Net Interest Income After Provision for Credit Losses	993,182	873,830	824,702
Non-Interest Income			
Trust and investment services	12,415	12,646	12,633
Insurance commissions	7,398	10,409	15,213
Service charges on deposit accounts	18,257	23,636	26,817
Gains (losses) on securities transactions, net	524	(150)	(2,342)
Other-than-temporary impairment losses on securities	—	(2,928)	—
Fees from loan servicing	10,352	9,794	9,319
Gains on sales of loans, net	42,251	18,914	20,515
(Losses) gains on sales of assets, net	(1,891)	78,333	(2,401)
Bank owned life insurance	10,083	8,232	8,691
Other	83,643	55,634	45,607
Total non-interest income	183,032	214,520	134,052
Non-Interest Expense			
Salary and employee benefits expense	333,221	327,431	333,816
Net occupancy and equipment expense	129,002	118,191	108,763
FDIC insurance assessment	18,949	21,710	28,266
Amortization of other intangible assets	24,645	18,080	18,416
Professional and legal fees	32,348	20,810	34,141
Loss on extinguishment of debt	12,036	31,995	—
Amortization of tax credit investments	13,335	20,392	24,200
Telecommunication expenses	10,737	9,883	12,102
Other	71,875	63,063	69,357
Total non-interest expense	646,148	631,555	629,061
Income Before Income Taxes	530,066	456,795	329,693
Income tax expense	139,460	147,002	68,265
Net Income	390,606	309,793	261,428
Dividends on preferred stock	12,688	12,688	12,688
Net Income Available to Common Shareholders	$ 377,918	$ 297,105	$ 248,740

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF INCOME—(Continued)

	Years Ended December 31,		
	2020	2019	2018
	(in thousands, except for share data)		
Earnings Per Common Share:			
Basic	$ 0.94	$ 0.88	$ 0.75
Diluted	0.93	0.87	0.75
Cash Dividends Declared Per Common Share	0.44	0.44	0.44
Weighted Average Number of Common Shares Outstanding:			
Basic	403,754,356	337,792,270	331,258,964
Diluted	405,046,207	340,117,808	332,693,718

See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Net income	$ 390,606	$ 309,793	$ 261,428
Other comprehensive income (loss), net of tax:			
Unrealized gains and losses on debt securities available for sale			
Net gains (losses) arising during the period	27,845	39,262	(22,932)
Less reclassification adjustment for net (gains) losses included in net income	(377)	119	2,237
Total	27,468	39,381	(20,695)
Unrealized gains and losses on derivatives (cash flow hedges)			
Net (losses) gains on derivatives arising during the period	(2,251)	(989)	1,874
Less reclassification adjustment for net losses included in net income	2,074	1,291	2,494
Total	(177)	302	4,368
Defined benefit pension plan			
Net losses arising during the period	(3,418)	(2,561)	(7,151)
Amortization of prior service (credit) cost	(98)	(93)	146
Amortization of actuarial net loss	721	188	447
Total	(2,795)	(2,466)	(6,558)
Total other comprehensive income (loss)	24,496	37,217	(22,885)
Total comprehensive income	$ 415,102	$ 347,010	$ 238,543

See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP
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, 2017	$ 209,691	264,469	$ 92,727	$ 2,060,356	$ 216,733	$ (46,005)	$ (337)	$ 2,533,165
Reclassification due to the adoption of ASU No. 2016-01	—	—	—	—	480	(480)	—	—
Reclassification due to the adoption of ASU No. 2017-12	—	—	—	—	61	(61)	—	—
Adjustment due to the adoption of ASU No. 2016-16	—	—	—	—	(17,611)	—	—	(17,611)
Balance - January 1, 2018	209,691	264,469	92,727	2,060,356	199,663	(46,546)	(337)	2,515,554
Net income	—	—	—	—	261,428	—	—	261,428
Other comprehensive loss, net of tax	—	—	—	—	—	(22,885)	—	(22,885)
Cash dividends declared:								
Preferred stock, Series A, $1.56 per share	—	—	—	—	(7,188)	—	—	(7,188)
Preferred stock, Series B, $1.38 per share	—	—	—	—	(5,500)	—	—	(5,500)
Common Stock, $0.44 per share	—	—	—	—	(146,346)	—	—	(146,346)
Effect of stock incentive plan, net	—	1,955	771	21,022	(2,415)	—	(2,198)	17,180
Common stock issued	—	65,007	22,742	715,121	—	—	348	738,211
Balance - December 31, 2018	$ 209,691	331,431	$ 116,240	$ 2,796,499	$ 299,642	$ (69,431)	$ (2,187)	$ 3,350,454
Adjustment due to the adoption of ASU No. 2016-02	—	—	—	—	4,414	—	—	4,414
Adjustment due to the adoption of ASU No. 2017-08	—	—	—	—	(1,446)	—	—	(1,446)
Balance - January 1, 2019	209,691	331,431	116,240	2,796,499	302,610	(69,431)	(2,187)	3,353,422
Net income	—	—	—	—	309,793	—	—	309,793
Other comprehensive income, net of tax	—	—	—	—	—	37,217	—	37,217
Cash dividends declared:								
Preferred stock, Series A, $1.56 per share	—	—	—	—	(7,188)	—	—	(7,188)
Preferred stock, Series B, $1.38 per share	—	—	—	—	(5,500)	—	—	(5,500)
Common Stock, $0.44 per share	—	—	—	—	(154,689)	—	—	(154,689)
Effect of stock incentive plan, net	—	726	291	15,346	(1,467)	—	1,708	15,878
Common stock issued	—	71,121	24,892	810,363	—	—	—	835,255
Balance - December 31, 2019	$ 209,691	403,278	$ 141,423	$ 3,622,208	$ 443,559	$ (32,214)	$ (479)	$ 4,384,188

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY—(Continued)

	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, 2019	$ 209,691	403,278	$ 141,423	$ 3,622,208	$ 443,559	$ (32,214)	$ (479)	$ 4,384,188
Adjustment due to the adoption of ASU No. 2016-13	—	—	—	—	(28,187)	—	—	(28,187)
Balance - January 1, 2020	209,691	403,278	141,423	3,622,208	415,372	(32,214)	(479)	4,356,001
Net income	—	—	—	—	390,606	—	—	390,606
Other comprehensive income, net of tax	—	—	—	—	—	24,496	—	24,496
Cash dividends declared:								
Preferred stock, Series A, $1.56 per share	—	—	—	—	(7,188)	—	—	(7,188)
Preferred stock, Series B, $1.38 per share	—	—	—	—	(5,500)	—	—	(5,500)
Common Stock, $0.44 per share	—	—	—	—	(179,277)	—	—	(179,277)
Effect of stock incentive plan, net	—	581	323	15,260	(2,855)	—	254	12,982
Balance - December 31, 2020	$ 209,691	403,859	$ 141,746	$ 3,637,468	$ 611,158	$ (7,718)	$ (225)	$ 4,592,120

See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 390,606	$ 309,793	$ 261,428
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	57,615	53,317	27,554
Stock-based compensation	16,154	14,726	19,472
Provision for credit losses	125,722	24,218	32,501
Net amortization of premiums and accretion of discounts on securities and borrowings	38,315	29,512	38,454
Amortization of other intangible assets	24,645	18,080	18,416
(Gains) losses on securities transactions, net	(524)	150	2,342
Proceeds from sales of loans held for sale	1,019,841	509,448	398,350
Gains on sales of loans, net	(42,251)	(18,914)	(20,515)
Net impairment losses on securities recognized in earnings	—	2,928	—
Originations of loans held for sale	(1,211,227)	(537,985)	(406,087)
Losses (gains) on sales of assets, net	1,891	(78,333)	2,401
Net deferred income tax (benefit) expense	(5,060)	15,228	(11,780)
Net change in:			
Cash surrender value of bank owned life insurance	(10,083)	(8,232)	(8,691)
Accrued interest receivable	(593)	1,440	(9,183)
Other assets	(311,760)	(163,330)	(33,144)
Accrued expenses and other liabilities	58,234	57,882	(7,562)
Net cash provided by operating activities	151,525	229,928	303,956
Cash flows from investing activities:			
Net loan originations and purchases	(2,490,937)	(2,538,909)	(3,257,939)
Equity securities:			
Purchases	(8,337)	(14,776)	—
Sales	28,439	24,748	—
Held to maturity debt securities:			
Purchases	(682,509)	(701,879)	(264,721)
Maturities, calls and principal repayments	824,477	424,475	241,077
Available for sale debt securities:			
Purchases	(333,971)	(30,392)	(289,554)
Sales	30,020	271,901	44,377
Maturities, calls and principal repayments	555,589	316,024	255,031
Death benefit proceeds from bank owned life insurance	15,043	9,560	4,220
Proceeds from sales of real estate property and equipment	19,111	109,043	7,786
Proceeds from sales of loans held for investments	30,020	1,234,022	289,633
Purchases of real estate property and equipment	(24,607)	(23,375)	(26,440)
Cash and cash equivalents acquired in acquisitions	—	22,239	156,612
Net cash used in investing activities	$ (2,037,662)	$ (897,319)	$ (2,839,918)

VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Cash flows from financing activities:			
Net change in deposits	$ 2,749,765	$ 1,808,148	$ 2,734,669
Net change in short-term borrowings	54,678	(1,036,134)	720,307
Proceeds from issuance of long-term borrowings, net	838,388	950,000	—
Repayments of long-term borrowings	(667,739)	(890,000)	(750,682)
Cash dividends paid to preferred shareholders	(12,688)	(12,688)	(15,859)
Cash dividends paid to common shareholders	(177,965)	(146,537)	(138,857)
Purchase of common shares to treasury	(5,374)	(1,805)	(3,801)
Common stock issued, net	2,202	2,957	2,704
Other, net	(612)	(492)	—
Net cash provided by financing activities	2,780,655	673,449	2,548,481
Net change in cash and cash equivalents	894,518	6,058	12,519
Cash and cash equivalents at beginning of year	434,687	428,629	416,110
Cash and cash equivalents at end of year	$ 1,329,205	$ 434,687	$ 428,629
Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest on deposits and borrowings	$ 279,042	$ 415,649	$ 290,444
Federal and state income taxes	148,383	106,336	53,587
Supplemental schedule of non-cash investing activities:			
Transfer of loans to other real estate owned	$ 4,040	$ 5,100	$ 743
Loans transferred to loans held for sale	30,020	1,234,022	289,633
Lease right of use assets obtained in exchange for operating lease liabilities	16,062	312,143	—
Acquisition:			
Non-cash assets acquired:			
Equity securities	$ —	$ 51,382	$ —
Investment securities available for sale	—	335,894	308,385
Investment securities held to maturity	—	4,877	214,217
Loans	—	3,378,358	3,736,984
Premises and equipment	—	23,585	62,066
Bank owned life insurance	—	101,896	49,052
Accrued interest receivable	—	11,781	12,123
Goodwill	—	297,777	394,028
Other intangible assets	—	20,690	45,906
Other assets	—	50,873	100,059
Total non-cash assets acquired	$ —	$ 4,277,113	$ 4,922,820
Liabilities assumed:			
Deposits	$ —	$ 2,924,716	$ 3,564,843
Short-term borrowings	—	10,500	649,979
Long-term borrowings	—	430,130	87,283
Junior subordinated debentures issued to capital trusts	—	—	13,249
Accrued expenses and other liabilities	—	98,751	26,848
Total liabilities assumed	$ —	$ 3,464,097	$ 4,342,202
Net non-cash assets acquired	$ —	$ 813,016	$ 580,618
Net cash and cash equivalents acquired in acquisition	$ —	$ 22,239	$ 156,612
Common stock issued in acquisition	$ —	$ 835,255	$ 737,230

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, Florida and Alabama. The Bank is subject to intense competition from other financial service providers 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 insurance agency offering property and casualty, life and health insurance;
- an asset management adviser that is a registered investment adviser with the Securities and Exchange Commission (SEC);
- a title insurance agency in New York, which also provides services in New Jersey;
- subsidiaries which hold, maintain and manage investment assets for the Bank;
- 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 and its insurance agency (10% of which is owned by the insurance agency's co-CEOs), 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 current and former 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.

Significant Estimates. 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 require application of management's most difficult, subjective or complex judgment and are particularly susceptible to change include: the allowance for credit losses, the evaluation of goodwill and other intangible assets for impairment, 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. Actual results may differ from those estimates. Also, future amounts and values could differ materially from those estimates due to changes in values and circumstances after the balance sheet date.

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 $896.1 million and $114.4 million at December 31, 2020 and 2019, respectively.

Investment Securities

Debt securities are classified at the time of purchase based on management's intention, as securities available-for-sale or securities held-to-maturity. Investment securities classified as held-to-maturity are those that management has the positive intent and ability to hold until maturity. Investment securities held-to-maturity are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts using the level-yield method over the contractual term of the securities, adjusted for actual prepayments, or to call date if the security was purchased at premium. Investment securities classified as available-for-sale are 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 available-for-sale securities are recognized by the specific identification method and are included in net gains and losses on securities transactions. Equity securities are stated at fair value with any unrealized and realized gains and losses reported in non-interest income. Investments in Federal Home Loan Bank and Federal Reserve Bank stock, which have limited marketability, are carried at cost in other assets. Security transactions are recorded on a trade-date basis.

Interest income on investments includes amortization of purchase premiums and discounts. 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.

Allowance for Credit Losses for Held to Maturity Debt Securities

On January 1, 2020, Valley adopted Accounting Standards Update (ASU) No. 2016-13, which requires us to estimate and recognize an allowance for credit losses for held to maturity debt securities using the current expected credit loss methodology (CECL).

Valley's CECL model includes a zero loss expectation for certain securities within the held to maturity portfolio, and therefore Valley is not required to estimate an allowance for credit losses related to these securities. After an evaluation of qualitative factors, Valley identified the following securities types which it believes qualify for this exclusion: U.S. Treasury securities, U.S. agency securities, residential mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, and collateralized municipal bonds commonly referred to as Tax Exempt Mortgage Securities (TEMS).

To measure the expected credit losses on held to maturity debt securities that have loss expectations, Valley estimates the expected credit losses using a discounted cash flow model developed by a third-party. Assumptions used in the model for pools of securities with common risk characteristics include the historical lifetime probability of default and severity of loss in the event of default, with the model incorporating several economic cycles of loss history data to calculate expected credit losses given default at the individual security level. The model is adjusted for a probability weighted multi-scenario economic forecast to estimate future credit losses. Valley uses a two-year reasonable and supportable forecast period, followed by a one-year period over which estimated losses revert to historical loss experience for the remaining life of the investment security. The economic forecast methodology and governance for debt securities is aligned with Valley's economic forecast used for the loan portfolio. Accrued interest receivable is excluded from the estimate of credit losses.

See the "New Authoritative Accounting Guidance" section below and Note 4 for more details regarding our adoption of ASU No. 2016-13 and the allowance for credit losses for held to maturity securities.

Impairment of Available for Sale Debt Securities

The impairment model for available for sale debt securities differs from the CECL methodology applied to held to maturity debt securities because the available for sale debt securities are measured at fair value rather than amortized cost. Available for sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses on a quarterly basis. In performing an assessment of whether any decline in fair value is due to a credit loss, Valley considers the extent to which the fair value is less than the amortized cost, changes in credit ratings, any adverse economic conditions, as well as all relevant information at the individual security level, such as credit deterioration of the issuer or collateral underlying the security. In assessing the impairment, Valley compares the present value of cash flows expected to be collected with the amortized cost basis of the security. If it is determined that the decline in fair value was due to credit losses, an allowance for credit losses is recorded, limited to the amount the fair value is less than amortized cost basis. The non-credit related decrease in the fair value, such as a decline due to changes in market interest rates, is recorded in other comprehensive income, net of tax. Valley also assesses the intent to sell the securities (as well as the likelihood of a near-term recovery). If Valley intends to sell

an available for sale debt security or it is more likely than not that Valley will be required to sell the security before recovery of its amortized cost basis, the debt security is written down to its fair value and the write down is charged to the debt security's fair value at the reporting date with any incremental impairment reported in earnings. See Note 4 for additional information.

Prior to January 1, 2020, Valley evaluated its investment securities classified as held to maturity and available for sale for other-than temporary impairment. Valley's evaluation of other-than-temporary impairment considered factors that included, among others, the causes of the decline in fair value, such as credit problems, interest rate fluctuations, or market volatility; and the severity and duration of the decline. Valley also assessed the intent and ability to hold the securities (as well as the likelihood of a near-term recovery), and the intent to sell the securities and whether it is more likely than not that Valley was required to sell the securities before the recovery of their amortized cost basis. Once a debt security was deemed to be other-than-temporarily impaired, it was written down to fair value with the estimated credit related component was recognized as an other-than-temporary impairment charge in non-interest income. The non-credit related component was recorded as an adjustment to accumulated other comprehensive income (loss), net of tax.

Loans Held for Sale

Loans held for sale generally consist of 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 originated for sale (and carried at fair value) 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 the "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 deteriorated (PCD) loans recorded at the purchase price, including non-credit discounts, plus the allowance for credit losses expected at the time of acquisition. 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. 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. 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.

Allowance for Credit Losses for Loans

As noted previously, Valley adopted ASU No. 2016-13 on January 1, 2020, and thus 2020 follows the current expected credit losses methodology. Prior periods have been reported in accordance with previously applicable GAAP, which followed the incurred credit losses methodology. The following policies noted are under the current expected credit losses methodology. A summary of Valley's previous policies under the incurred credit losses methodology follows at the end of this section.

The allowance for credit losses (ACL) is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Provisions for credit losses for loans and recoveries on loan previously charged-off by Valley are added back to the allowance.

Under CECL, Valley's methodology to establish the allowance for credit losses for loans has two basic components: (1) a collective reserve component for estimated lifetime expected credit losses for pools of loans that share common risk characteristics and (2) an individual reserve component for loans that do not share common risk characteristics. Previously, an allowance for loan losses was recognized based on probable incurred losses.

Reserves for loans that share common risk characteristics. Valley estimated the collective ACL using a current expected credit losses methodology which is based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the loan balances. In estimating the component of the

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

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

The loan credit quality data utilized in the transition matrix model is based on an internal credit risk rating system for the commercial and industrial loan and commercial real estate loan portfolio segments and delinquency aging 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. Once a loan is adversely classified, the assigned relationship manager and/or a special assets officer in conjunction with the Credit Risk Management Department analyzes the loan to determine whether the loan is a collateral dependent asset (i.e., repayment is expected to be provided substantially through the sale or operation of the collateral) and the need to specifically assign a specific valuation allowance for loan losses to the loan, as discussed further below.

Reserves for loans that that do not share common risk characteristics. Valley measures specific reserves for individual loans that do not share common risk characteristics with other loans, consisting of collateral dependent, troubled debt restructured (TDR) loans, and expected TDR loans, based on the amount of lifetime expected credit losses calculated on those loans and charge-offs of those amounts determined to be uncollectible. Factors considered by Valley in measuring the extent of expected credit loss include payment status, collateral value, borrower financial condition, guarantor support and the probability of collecting scheduled principal and interest payments when due. Collateral dependent 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 the allowance for credit losses. The effective interest rate used to discount expected cash flows is adjusted to incorporate expected prepayments, if applicable.

Valley elected to exclude accrued interest on loans from the amortized cost of loans held for investment. The accrued interest is presented separately in the consolidated statements of financial condition.

Loans charge-offs. Loans rated as "loss" within Valley's internal rating system 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.

Under the incurred credit losses methodology utilized in the prior periods, the allowance for credit losses was 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-purchase credit impaired

(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. Valley had no allowance reserves related to PCI loans at December 31, 2019.

The Bank's methodology for evaluating the appropriateness of the allowance included grouping the 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 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.

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.

Allowance for Unfunded Credit Commitments

The allowance for unfunded credit commitments consists of undisbursed non-cancellable lines of credit, new loan commitments and commercial letters of credit valued using a similar CECL methodology as used for loans. Management's estimate of expected losses inherent in these off-balance sheet credit exposures also incorporates estimated utilization rate over the commitment's contractual period or an expected pull-through rate for new loan commitments. The allowance for unfunded credit commitments is included in accrued expenses and other liabilities on the consolidated statements of financial condition.

See Note 5 for a discussion of Valley's loan credit quality and additional allowance for credit losses.

Leases

Lessor Arrangements. Valley's lessor arrangements primarily consist of direct financing and sales-type leases for equipment included in the commercial and industrial loan portfolio. Lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term.

Lessee Arrangements. Valley's lessee arrangements predominantly consist of operating and finance leases for premises and equipment. The majority of the operating leases include one or more options to renew that can significantly extend the lease terms. Valley's leases have a wide range of lease expirations through the year 2062.

Operating and finance leases are recognized as right of use (ROU) assets and lease liabilities in the consolidated statements of financial position. The ROU assets represent the right to use underlying assets for the lease terms and lease liabilities represent Valley's obligations to make lease payments arising from the lease. The ROU assets include any prepaid lease payments and initial direct costs, less any lease incentives. At the commencement dates of leases, ROU assets and lease liabilities are initially recognized based on their net present values with the lease terms including options to extend or terminate the lease when Valley is reasonably certain that the options will be exercised to extend. ROU assets are amortized into net occupancy and equipment expense over the expected lives of the leases.

Lease liabilities are discounted to their net present values on the balance sheet based on incremental borrowing rates as determined at the lease commencement dates using quoted interest rates for readily available borrowings, such as fixed rate FHLB borrowings, with similar terms as the lease obligations. Lease liabilities are reduced by actual lease payments.

See Note 6 for additional information on Valley's lease related assets and obligations.

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 it 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 totaled \$5.1 million and \$9.4 million at December 31, 2020 and 2019, respectively. OREO included foreclosed residential real estate properties totaling \$1.0 million and \$2.1 million at December 31, 2020 and 2019, respectively. Residential mortgage and consumer loans secured by residential real estate properties for which formal foreclosure proceedings are in process totaled \$1.9 million and \$2.8 million at December 31, 2020 and 2019, respectively.

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 represents the excess of the cost of businesses acquired over the fair value of the net assets acquired and is not amortized. 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. Goodwill is subject to annual tests for impairment or more often, if events or circumstances indicate it may be impaired.

Prior to January 1, 2020, goodwill impairment was determined using a two-step quantitative test. On January 1, 2020, Valley adopted ASU No. 2017-04, which simplified the impairment test by eliminating the step two requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, an impairment loss is recognized if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the unit (formerly step one of the two-step test). Goodwill is allocated to Valley's reporting unit, which is a business segment or one level below, at the date goodwill is recorded. Under current accounting guidance, Valley may choose to perform an optional qualitative assessment to determine whether it is necessary to perform the single-step quantitative goodwill impairment test for one or more reporting units each annual period.

Valley reviews goodwill for impairment annually during the second quarter using a quantitative test, or more frequently if a triggering event indicates impairment may have occurred. Our determination of whether or not goodwill is impaired requires us to make judgments, and use significant estimates and assumptions regarding estimated future cash flows. If we change our strategy or if market conditions shift, our judgments may change, which may result in adjustments to the recorded goodwill balance.

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) and, to a much lesser extent, customer lists 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 for each risk-stratified group of loan servicing rights are calculated using a fair value model from a third party vendor that uses various inputs and 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.

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. 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 restricted stock units, restricted stock and stock option 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. Beginning in 2019, Valley's long-term incentive compensation plan was amended to include a service period requirement for award grantees who are eligible for retirement pursuant to which an award will vest at one-twelfth per month after the grant date, which requires the grantees to continue service with Valley for one year in order for the award to fully vest. Compensation expense for these awards is amortized monthly over a one year period after the grant date. Prior to 2019, award grantees who were eligible for retirement did 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 units and 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 stock awards with a market condition. The grant date fair value of a performance-based stock 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.

Revenue Recognition

Valley's revenue contracts generally have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable, or distinct from other obligations within the contracts. Valley does not have a material amount of long-term customer agreements that include multiple performance obligations requiring price allocation and differences in the timing of revenue recognition. Valley has no customer contracts with variable fee agreements based upon performance. Valley's revenue within the scope of ASC Topic 606 includes: (i) trust and investment services income from investment management, investment advisory, trust, custody and other products; (ii) service charges on deposit accounts from

checking accounts, savings accounts, overdrafts, insufficient funds, ATM transactions and other activities; and (iii) other income from fee income related to derivative interest rate swaps executed with commercial loan customers, and fees from interchange, wire transfers, credit cards, safe deposit box, ACH, lockbox and various other products and services-related income.

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.

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; (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. Income tax effects are released from accumulated other comprehensive income on an individual unit of account basis. 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, 2020, 2019 and 2018:

	2020	2019	2018
	(in thousands, except for share data)		
Net income available to common shareholders	$ 377,918	$ 297,105	$ 248,740
Basic weighted-average number of common shares outstanding	403,754,356	337,792,270	331,258,964
Plus: Common stock equivalents	1,291,851	2,325,538	1,434,754
Diluted weighted-average number of common shares outstanding	405,046,207	340,117,808	332,693,718
Earnings per common share:			
Basic	$ 0.94	$ 0.88	$ 0.75
Diluted	0.93	0.87	0.75

Common stock equivalents represent the dilutive effect of additional common shares issuable upon the assumed vesting or exercise, if applicable, of restricted stock units and common stock options to purchase Valley's common shares. Common stock options with exercise prices that exceed the average market price of Valley's common stock during the periods presented may have an anti-dilutive effect on the diluted earnings per common share calculation and therefore are excluded from the diluted earnings per share calculation along with restricted stock units. Potential anti-dilutive weighted common shares totaled approximately 1.7 million, 288 thousand, and 2.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Preferred and Common Stock Dividends

Valley issued 4.6 million and 4.0 million shares of non-cumulative perpetual preferred stock in June 2015 and August 2017, respectively, which were initially recorded at fair value. See Note 18 for additional details on the preferred stock issuances. 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 shareholders. Preferred dividends declared are deducted from net income for computing income available to common shareholders and earnings per common share computations.

Cash dividends to both preferred and common shareholders 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 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 (1) manage its exposure to interest rate movements related to a service for commercial lending customers, (2) share the risk of default on the interest rate swaps related to certain purchased or sold loan participations through the use of risk participation agreements and (3) manage the interest rate risk of mortgage banking activities with customer interest rate lock commitments and forward contracts to sell residential mortgage loans. Valley also has hybrid instruments, consisting of market linked certificates of deposit with an embedded swap contract. Valley records all derivatives including embedded derivatives as assets or liabilities at fair value on the consolidated statements of financial condition.

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. 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 calculates the credit valuation adjustments to the fair value of derivatives designated as fair value hedges on a net basis by counterparty portfolio, as an accounting policy election.

New Authoritative Accounting Guidance

New Accounting Guidance Adopted in 2020. 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 FASB issued an amendment to replace the incurred loss impairment methodology under prior accounting guidance with a new CECL model.

Valley adopted ASU No. 2016-13 on January 1, 2020 using the modified retrospective approach for all financial assets measured at amortized cost (except for PCD loans) and off-balance sheet credit exposures. At adoption, Valley recorded a $100.4 million increase to its allowance for credit losses, including reserves of $92.5 million, $7.1 million and $793 thousand

related to loans, unfunded credit commitments and held to maturity debt securities, respectively. Of the $92.5 million in loan reserves, $61.6 million represents PCD loan related reserves which were recognized through a gross-up that increased the amortized cost basis of loans with a corresponding increase to the allowance for credit losses, and therefore resulted in no impact to shareholders' equity. The remaining non-credit discount of $97.7 million related to PCD loans is accreted into interest income over the life of the loans at the effective interest rate effective January 1, 2020. Valley elected the prospective transition approach for PCD loans that were previously classified as purchased-credit impaired (PCI) loans. Under this guidance, Valley was not required to reassess whether PCI loans met the PCD loans criteria as of the date of the date of adoption. The non-PCD loan related increase to the allowance for credit losses of $38.8 million, including the reserves for unfunded loan commitments and held to maturity debt securities, was offset in shareholders' equity and deferred tax assets. See Notes 4 and 5 for allowance for credit losses required disclosures. Reporting periods prior to the adoption date are presented in accordance with previously applicable GAAP.

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 was effective for Valley on January 1, 2020 and Valley applied this new guidance in its annual goodwill impairment test performed during the second quarter 2020.

New Accounting Guidance Issued in 2020. ASU No. 2020-04, "Reference Rate Reform (Topic 848)" provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships that reference LIBOR or another reference rate expected to be discontinued, subject to meeting certain criteria. Under the new guidance, an entity can elect by accounting topic or industry subtopic to account for the modification of a contract affected by reference rate reform as a continuation of the existing contract, if certain conditions are met. In addition, the new guidance allows an entity to elect on a hedge-by-hedge basis to continue to apply hedge accounting for hedging relationships in which the critical terms change due to reference rate reform, if certain conditions are met. A one-time election to sell and/or transfer held to maturity debt securities that reference a rate affected by reference rate reform is also allowed. ASU No. 2020-04 became effective for all entities as of March 12, 2020 and can apply to all LIBOR reference rate modifications any time through December 31, 2022. Management is currently evaluating the impact of the ASU on Valley's consolidated financial statements. Valley has established a working group to identify and prepare fall back language and replacement provisions. In addition, the working group is evaluating substitute indices for LIBOR and testing Valley's models and systems that currently use LIBOR to ensure reference rates change readiness.

New Accounting Guidance Adopted in the First Quarter 2021. ASU No. 2020-08, "Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs" provides clarification and affects the guidance previously issued by ASU No. 2017-08 "Receivables -Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." ASU No. 2020-08 clarifies that an entity should reevaluate whether a debt security with multiple call dates is within the scope of paragraph 310-20-35-33. For each reporting period, to the extent that the amortized cost basis of an individual callable debt security exceeds the amount repayable by the issuer at the next call date, the premium should be amortized to the next call date, unless the guidance to consider estimated prepayments is applied. Valley adopted ASU No. 2020-08 on January 1, 2021. This new guidance is not expected to have a significant impact on Valley's consolidated financial statements.

ASU No. 2021-01 "Reference Rate Reform (Topic 848)" extends some of Topic 848's optional expedients to derivative contracts impacted by the discounting transition, including for derivatives that do not reference LIBOR or other reference rates that are expected to be discontinued. ASU No. 2021-01 is effective for all entities immediately upon issuance and may be elected retrospectively to eligible modifications as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications made on or after any date within the interim period including January 7, 2021. The ASU No. 2021-01 is not expected to have a significant impact on Valley's consolidated financial statements.

BUSINESS COMBINATIONS (Note 2)

Oritani Financial Corp.

On December 1, 2019, Valley completed its acquisition of Oritani Financial Corp. ("Oritani") and its wholly-owned subsidiary, Oritani Bank. Oritani had approximately $4.3 billion in assets, $3.4 billion in net loans and $2.9 billion in deposits, after purchase accounting adjustments, and a branch network of 26 locations. The acquisition represented a significant addition to Valley's New Jersey franchise, and meaningfully enhanced its presence in the Bergen County market. The common shareholders of Oritani received 1.60 shares of Valley common stock for each Oritani share that they owned prior to the merger. The total consideration for the acquisition was approximately $835.3 million, consisting of 71.1 million shares of Valley common stock and the outstanding Oritani stock-based awards.

Merger expenses totaled $1.9 million and $16.6 million for the years ended December 31, 2020 and 2019, respectively, which primarily related to salary and employee benefits, as well as professional and legal, net occupancy and equipment, and other expenses. These expenses are included in non-interest expense on the consolidated statements of income.

During 2020, Valley revised the estimated fair values of the acquired assets as of the Oritani acquisition date due to additional information obtained that existed as of December 1, 2019. The adjustments mostly related to the fair value of certain loans, current taxes payable and the valuation of deferred tax assets as of the acquisition date. These adjustments resulted in an $8.8 million increase in goodwill (see Note 8 for amount of goodwill as allocated to Valley's business segments).

Had the acquisition of Oritani taken place on the beginning of the following annual periods presented, Valley’s revenues (defined as the sum of net interest income and non-interest income), net income, basic earnings per share, and diluted earnings per share would have equaled the amounts indicated in the following table for the years ended December 31, 2019 and 2018:

	2019	2018
(in thousands, except per share data)	**Unaudited**	
Revenues	$ 1,219,887	$ 1,106,012
Net income	361,079	313,977
Basic earnings per share	0.86	0.75
Diluted earnings per share	0.85	0.75

USAmeriBancorp, Inc.

On January 1, 2018, Valley completed its acquisition of USAmeriBancorp, Inc. (USAB) headquartered in Clearwater, Florida. USAB, largely through its wholly-owned subsidiary, USAmeriBank, had approximately $5.1 billion in assets, $3.7 billion in net loans and $3.6 billion in deposits, after purchase accounting adjustments, and maintained a branch network of 29 offices. The acquisition represented a significant addition to Valley’s Florida presence, primarily in the Tampa Bay market. The acquisition also brought Valley to the Birmingham, Montgomery, and Tallapoosa areas in Alabama, where USAB maintained 15 of its branches. The common shareholders of USAB received 6.1 shares of Valley common stock for each USAB share they owned prior to the merger. The total consideration for the acquisition was approximately $737 million, consisting of 64.9 million shares of Valley common stock and the outstanding USAB stock-based awards.

Merger expenses totaled $17.4 million for the year ended December 31, 2018, which primarily related to salary and employee benefits and other expenses are included in non-interest expense on the consolidated statements of income.

FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Note 3)

Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements” 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, 2020 and 2019. 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, 2020	**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:				
Equity securities [1]	$ 26,379	$ 18,600	$ —	$ —
Available for sale debt securities:				
U.S. Treasury securities	51,393	51,393	—	—
U.S. government agency securities	26,157	—	26,157	—
Obligations of states and political subdivisions	79,950	—	79,135	815
Residential mortgage-backed securities	1,090,022	—	1,090,022	—
Corporate and other debt securities	91,951	—	91,951	—
Total available for sale debt securities	1,339,473	51,393	1,287,265	815
Loans held for sale [2]	301,427	—	301,427	—
Other assets [3]	387,452	—	387,452	—
Total assets	$ 2,054,731	$ 69,993	$ 1,976,144	$ 815
Liabilities				
Other liabilities [3]	$ 156,281	$ —	$ 156,281	$ —
Total liabilities	$ 156,281	$ —	$ 156,281	$ —
Non-recurring fair value measurements:				
Collateral dependent loans	$ 35,228	$ —	$ —	$ 35,228
Loan servicing rights	15,603	—	—	15,603
Foreclosed assets	7,387	—	—	7,387
Total	$ 58,218	$ —	$ —	$ 58,218

	December 31, 2019	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:				
Equity securities at fair value	$ 41,410	$ 41,410	$ —	$ —
Available for sale debt securities:				
U.S. Treasury securities	50,943	50,943	—	—
U.S. government agency securities	29,243	—	29,243	—
Obligations of states and political subdivisions	170,051	—	169,371	680
Residential mortgage-backed securities	1,254,786	—	1,254,786	—
Corporate and other debt securities	61,778	—	61,778	—
Total available for sale debt securities	1,566,801	50,943	1,515,178	680
Loans held for sale (2)	76,113	—	76,113	—
Other assets (3)	158,532	—	158,532	—
Total assets	$ 1,842,856	$ 92,353	$ 1,749,823	$ 680
Liabilities				
Other liabilities (3)	$ 43,926	$ —	$ 43,926	$ —
Total liabilities	$ 43,926	$ —	$ 43,926	$ —
Non-recurring fair value measurements:				
Collateral dependent impaired loans	$ 39,075	$ —	$ —	$ 39,075
Loan servicing rights	1,591	—	—	1,591
Foreclosed assets	10,807	—	—	10,807
Total	$ 51,473	$ —	$ —	$ 51,473

(1) Includes equity securities measured as net asset value (NAV) per share (or its equivalent) as a practical expedient totaling $7.8 million at December 31, 2020. These securities have not been classified in the fair value hierarchy.
(2) Represents residential mortgage loans held for sale that are carried at fair value and had contractual unpaid principal balances totaling approximately $286.4 million and $74.5 million at December 31, 2020 and 2019, respectively.
(3) Derivative financial instruments are included in this category.

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.

Equity Securities. The fair value of equity securities largely consists of a publicly traded mutual fund, a Community Reinvestment Act (CRA) investment fund that is carried at quoted prices in active markets and privately held CRA funds measured at NAV.

Available for sale debt securities. All U.S. Treasury 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. In addition, Valley reviews the volume and level of activity for all available for sale securities and attempts to identify transactions which may not be orderly or reflective of a significant level of activity and volume.

In calculating the fair value of one impaired special revenue bond (within obligations of states and political subdivisions in the table above) under Level 3, Valley prepared its best estimate of the present value of the cash flows to determine an internal price estimate. In determining the internal price, Valley utilized recent financial information and developments provided by the issuer, as well as other unobservable inputs which reflect Valley's own assumptions about the inputs that market participants would use in pricing of the defaulted security. A quoted price received from an independent pricing service was weighted with the internal price estimate to determine the fair value of the instrument at December 31, 2020 and 2019. See Note 4 for additional information regarding this impaired security.

Loans held for sale. 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. 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. Non-performance risk did not materially impact the fair value of mortgage loans held for sale at December 31, 2020 and 2019 based on the short duration these assets were held and the credit quality of these loans.

Derivatives. Derivatives are reported at fair value utilizing Level 2 inputs. The fair values of Valley's derivatives are determined using third party prices that are based on discounted cash flow analysis using observed market inputs, such as the LIBOR, Overnight Index Swap and Secured Overnight Financing Rate (SOFR) curves for all cleared derivatives. 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, 2020 and 2019), is determined based on the current market prices for similar instruments. 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, 2020 and 2019.

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 collateral dependent 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.

Collateral dependent loans. Collateral dependent loans are loans where foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and substantially all of the repayment is expected from the collateral. Collateral values are estimated using Level 3 inputs, consisting of individual third-party appraisals that may be adjusted based on certain discounting criteria. Certain real estate appraisals may be discounted based on specific market data by location and property type. At December 31, 2020, collateral dependent loans were individually re-measured and reported at fair value through direct loan charge-offs to the allowance for loan losses based on the fair value of the underlying collateral. The collateral dependent loan direct charge-offs to the allowance for loan losses totaled $4.5 million and $2.1 million for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, collateral dependent loans, primarily consisting of taxi medallion loans, with a total amortized cost of $104.4 million and $74.6 million at December 31, 2020 and 2019, respectively, were reduced by specific allowance for loan losses allocations totaling $69.1 million and $35.5 million to a reported total net carrying amount of $35.2 million and $39.1 million at December 31, 2020 and 2019, 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, 2020, the fair value model used a blended prepayment speed (stated as constant prepayment rates) of 19.8 percent and a discount rate of 9.6 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. Certain loan servicing rights were re-measured at fair value totaling $15.6 million and $1.6 million at December 31, 2020 and 2019, respectively. See Note 8 for additional information.

Foreclosed assets. Certain foreclosed assets (consisting of other real estate owned and other repossessed assets included in other assets), upon initial recognition and transfer from loans, are re-measured and reported at fair value using Level 3 inputs, consisting of a third-party appraisal less estimated cost to sell. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If further declines in the estimated fair value

of the asset occur, an asset is re-measured and reported at fair value through a write-down recorded in non-interest expense. The adjustments to the appraisals of foreclosed assets ranged from 1.5 percent to 22 percent at December 31, 2020 and were not material at December 31, 2019.

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, 2020 and 2019 were as follows:

		2020		2019	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in thousands)			
Financial assets					
Cash and due from banks	Level 1	$ 257,845	$ 257,845	$ 256,264	$ 256,264
Interest bearing deposits with banks	Level 1	1,071,360	1,071,360	178,423	178,423
Equity securities [(1)]	Level 3	2,999	2,999	—	—
Held to maturity debt securities:					
U.S. Treasury securities	Level 1	68,126	75,484	138,352	144,113
U.S. government agency securities	Level 2	6,222	6,513	7,345	7,362
Obligations of states and political subdivisions	Level 2	470,259	484,506	500,705	513,607
Residential mortgage-backed securities	Level 2	1,550,306	1,589,655	1,620,119	1,629,572
Trust preferred securities	Level 2	37,348	30,033	37,324	31,382
Corporate and other debt securities	Level 2	40,750	41,421	32,250	32,684
Total held to maturity debt securities [(2)]		2,173,011	2,227,612	2,336,095	2,358,720
Net loans	Level 3	31,876,869	31,635,060	29,537,449	28,964,396
Accrued interest receivable	Level 1	106,230	106,230	105,637	105,637
Federal Reserve Bank and Federal Home Loan Bank stock [(3)]	Level 2	250,116	250,116	214,421	214,421
Financial liabilities					
Deposits without stated maturities	Level 1	25,220,924	25,220,924	19,467,892	19,467,892
Deposits with stated maturities	Level 2	6,714,678	6,639,022	9,717,945	9,747,867
Short-term borrowings	Level 1	1,147,958	1,151,478	1,093,280	1,081,879
Long-term borrowings	Level 2	2,295,665	2,405,345	2,122,426	2,181,401
Junior subordinated debentures issued to capital trusts	Level 2	56,065	57,779	55,718	53,889
Accrued interest payable [(4)]	Level 1	18,839	18,839	33,066	33,066

(1) Represents equity securities without a readily determinable fair value measured at costs less impairment, if any.
(2) The carrying amount is presented gross without the allowance for credit losses.
(3) Included in other assets.
(4) Included in accrued expenses and other liabilities.

INVESTMENT SECURITIES (Note 4)

Equity Securities

Equity securities carried at fair value totaled $29.4 million and $41.4 million at December 31, 2020 and 2019, respectively. At December 31, 2020, Valley's equity securities consisted of one publicly traded money market mutual fund, CRA investments both public traded and privately held and, to a lesser extent, equity securities without readily determinable fair values.

Available for Sale Debt Securities

The amortized cost, gross unrealized gains and losses and fair value of investment securities available for sale at December 31, 2020 and 2019 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
December 31, 2020				
U.S. Treasury securities	$ 50,031	$ 1,362	$ —	$ 51,393
U.S. government agency securities	25,067	1,103	(13)	26,157
Obligations of states and political subdivisions:				
Obligations of states and state agencies	40,861	970	(32)	41,799
Municipal bonds	37,489	731	(69)	38,151
Total obligations of states and political subdivisions	78,350	1,701	(101)	79,950
Residential mortgage-backed securities	1,050,369	40,426	(773)	1,090,022
Corporate and other debt securities	89,689	2,294	(32)	91,951
Total investment securities available for sale	$ 1,293,506	$ 46,886	$ (919)	$ 1,339,473
December 31, 2019				
U.S. Treasury securities	$ 50,952	$ 12	$ (21)	$ 50,943
U.S. government agency securities	28,982	280	(19)	29,243
Obligations of states and political subdivisions:				
Obligations of states and state agencies	78,116	540	(83)	78,573
Municipal bonds	90,662	902	(86)	91,478
Total obligations of states and political subdivisions	168,778	1,442	(169)	170,051
Residential mortgage-backed securities	1,248,814	11,234	(5,262)	1,254,786
Corporate and other debt securities	61,261	628	(111)	61,778
Total investment securities available for sale	$ 1,558,787	$ 13,596	$ (5,582)	$ 1,566,801

The age of unrealized losses and fair value of related securities available for sale at December 31, 2020 and 2019 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, 2020						
U.S. government agency securities	$ —	$ —	$ 1,479	$ (13)	$ 1,479	$ (13)
Obligations of states and political subdivisions:						
Obligations of states and state agencies	—	—	1,010	(32)	1,010	(32)
Municipal bonds	6,777	(69)	—	—	6,777	(69)
Total obligations of states and political subdivisions	6,777	(69)	1,010	(32)	7,787	(101)
Residential mortgage-backed securities	41,418	(500)	27,911	(273)	69,329	(773)
Corporate and other debt securities	12,517	(32)	—	—	12,517	(32)
Total	$ 60,712	$ (601)	$ 30,400	$ (318)	$ 91,112	$ (919)
December 31, 2019						
U.S. Treasury securities	$ 25,019	$ (21)	$ —	$ —	$ 25,019	$ (21)
U.S. government agency securities	—	—	1,783	(19)	1,783	(19)
Obligations of states and political subdivisions:						
Obligations of states and state agencies	18,540	(21)	8,755	(62)	27,295	(83)
Municipal bonds	—	—	13,177	(86)	13,177	(86)
Total obligations of states and political subdivisions	18,540	(21)	21,932	(148)	40,472	(169)
Residential mortgage-backed securities	240,412	(1,194)	282,798	(4,068)	523,210	(5,262)
Corporate and other debt securities	5,139	(111)	—	—	5,139	(111)
Total	$ 289,110	$ (1,347)	$ 306,513	$ (4,235)	$ 595,623	$ (5,582)

Within the available for sale debt securities portfolio, the total number of security positions in an unrealized loss position at December 31, 2020 was 58 as compared to 182 at December 31, 2019.

As of December 31, 2020, 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 $789.0 million.

The contractual maturities of available for sale debt securities at December 31, 2020 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, 2020	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year	$ 14,553	$ 14,555
Due after one year through five years	82,656	85,179
Due after five years through ten years	92,674	94,629
Due after ten years	53,254	55,088
Residential mortgage-backed securities	1,050,369	1,090,022
Total investment securities available for sale	$ 1,293,506	$ 1,339,473

Actual maturities of available for sale 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 was 3.4 years at December 31, 2020.

Impairment Analysis of Available for Sale Debt Securities

Valley's available for sale debt securities portfolio includes corporate bonds and revenue bonds, among other securities. These types of securities 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, including due to the economic effects of COVID-19 pandemic.

Available for sale debt securities in unrealized loss positions are evaluated for impairment related to credit losses on a quarterly basis. See Note 1 for further information regarding Valley's accounting policy. Valley has evaluated available for sale debt securities that are in an unrealized loss position as of December 31, 2020 included in the table above and has determined that the declines in fair value are mainly attributable to 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 recognized no impairment during the year ended December 31, 2020 and, as a result, there was no allowance for credit losses for available for sale debt securities at December 31, 2020.

During 2019, Valley recognized a $2.9 million impairment charge on one special revenue bond classified as available for sale (within the obligations of states and state agencies in the tables above). The impairment was due to severe credit deterioration disclosed by the issuer in the second quarter 2019, as well as the issuer's default on its contractual payment. At December 31, 2020, the non-accruing impaired security had an adjusted amortized cost and fair value of $680 thousand and $815 thousand, respectively. At December 31, 2020, the revenue bonds, included in the obligations of states and political subdivisions, are a mix of municipal bonds with investment grade ratings or non-rated revenue bonds mostly secured by Ginnie Mae securities that are commonly referred to as Tax Exempt Mortgage Securities (TEMS) and paying in accordance with their contractual terms.

Held to Maturity Debt Securities

The amortized cost, gross unrealized gains and losses and fair value of investment debt securities held to maturity at December 31, 2020 and 2019 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
December 31, 2020				
U.S. Treasury securities	$ 68,126	$ 7,358	$ —	$ 75,484
U.S. government agency securities	6,222	291	—	6,513
Obligations of states and political subdivisions:				
Obligations of states and state agencies	262,762	8,060	(105)	270,717
Municipal bonds	207,497	6,292	—	213,789
Total obligations of states and political subdivisions	470,259	14,352	(105)	484,506
Residential mortgage-backed securities	1,550,306	39,603	(254)	1,589,655
Trust preferred securities	37,348	50	(7,365)	30,033
Corporate and other debt securities	40,750	672	(1)	41,421
Total investment securities held to maturity	$ 2,173,011	$ 62,326	$ (7,725)	$ 2,227,612
December 31, 2019				
U.S. Treasury securities	$ 138,352	$ 5,761	$ —	$ 144,113
U.S. government agency securities	7,345	58	(41)	7,362
Obligations of states and political subdivisions:				
Obligations of states and state agencies	297,454	7,745	(529)	304,670
Municipal bonds	203,251	5,696	(10)	208,937
Total obligations of states and political subdivisions	500,705	13,441	(539)	513,607
Residential mortgage-backed securities	1,620,119	14,803	(5,350)	1,629,572
Trust preferred securities	37,324	39	(5,981)	31,382
Corporate and other debt securities	32,250	454	(20)	32,684
Total investment securities held to maturity	$ 2,336,095	$ 34,556	$ (11,931)	$ 2,358,720

The age of unrealized losses and fair value of related securities held to maturity at December 31, 2020 and 2019 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, 2020						
Obligations of states and political subdivisions	$ 5,546	$ (105)	$ —	$ —	$ 5,546	$ (105)
Residential mortgage-backed securities	21,599	(245)	2,470	(9)	24,069	(254)
Trust preferred securities	—	—	28,630	(7,365)	28,630	(7,365)
Corporate and other debt securities	10,749	(1)	—	—	10,749	(1)
Total	$ 37,894	$ (351)	$ 31,100	$ (7,374)	$ 68,994	$ (7,725)
December 31, 2019						
U.S. government agency securities	$ 5,183	$ (41)	$ —	$ —	$ 5,183	$ (41)
Obligations of states and political subdivisions:						
Obligations of states and state agencies	11,178	(55)	32,397	(474)	43,575	(529)
Municipal bonds	—	—	798	(10)	798	(10)
Total obligations of states and political subdivisions	11,178	(55)	33,195	(484)	44,373	(539)
Residential mortgage-backed securities	307,885	(1,387)	254,915	(3,963)	562,800	(5,350)
Trust preferred securities	—	—	29,990	(5,981)	29,990	(5,981)
Corporate and other debt securities	—	—	4,980	(20)	4,980	(20)
Total	$ 324,246	$ (1,483)	$ 323,080	$ (10,448)	$ 647,326	$ (11,931)

Within the securities held to maturity portfolio, the total number of security positions in an unrealized loss position at December 31, 2020 was 13 as compared to 82 at December 31, 2019.

As of December 31, 2020, the fair value of debt securities held to maturity that were pledged to secure public deposits, repurchase agreements, lines of credit, and for other purposes required by law was $1.4 billion.

The contractual maturities of investments in debt securities held to maturity at December 31, 2020 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, 2020	
	Amortized Cost	Fair Value
	(in thousands)	
Due in one year	$ 28,174	$ 28,290
Due after one year through five years	234,392	246,981
Due after five years through ten years	150,859	154,904
Due after ten years	209,280	207,782
Residential mortgage-backed securities	1,550,306	1,589,655
Total investment securities held to maturity	$ 2,173,011	$ 2,227,612

Actual maturities of held to maturity 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 4.2 years at December 31, 2020.

Credit Quality Indicators

Valley monitors the credit quality of the held to maturity debt securities utilizing the most current credit ratings from external rating agencies. The following table summarizes the amortized cost of held to maturity debt securities by external credit rating at December 31, 2020 and 2019.

	AAA/AA/A Rated	BBB rated	Non-investment grade rated	Non-rated	Total
			(in thousands)		
December 31, 2020					
U.S. Treasury securities	$ 68,126	$ —	$ —	$ —	$ 68,126
U.S. government agency securities	6,222	—	—	—	6,222
Obligations of states and political subdivisions:					
Obligations of states and state agencies	228,286	—	5,650	28,826	262,762
Municipal bonds	166,408	—	—	41,089	207,497
Total obligations of states and political subdivisions	394,694	—	5,650	69,915	470,259
Residential mortgage-backed securities	1,550,306	—	—	—	1,550,306
Trust preferred securities	—	—	—	37,348	37,348
Corporate and other debt securities	—	5,000	—	35,750	40,750
Total investment securities held to maturity	$ 2,019,348	$ 5,000	$ 5,650	$ 143,013	$ 2,173,011
December 31, 2019					
U.S. Treasury securities	$ 138,352	$ —	$ —	$ —	$ 138,352
U.S. government agency securities	7,345	—	—	—	7,345
Obligations of states and political subdivisions:					
Obligations of states and state agencies	248,533	5,722	—	43,199	297,454
Municipal bonds	202,642	—	—	609	203,251
Total obligations of states and political subdivisions	451,175	5,722	—	43,808	500,705
Residential mortgage-backed securities	1,620,119	—	—	—	1,620,119
Trust preferred securities	—	—	—	37,324	37,324
Corporate and other debt securities	—	5,000	—	27,250	32,250
Total investment securities held to maturity	$ 2,216,991	$ 10,722	$ —	$ 108,382	$ 2,336,095

Obligations of states and political subdivisions include municipal bonds and revenue bonds issued by various municipal corporations. At December 31, 2020, most of the obligations of states and political subdivisions were rated investment grade and a large portion of the "non-rated" category included TEMS securities secured by Ginnie Mae securities. Trust preferred securities consist of non-rated single-issuer securities, issued by bank holding companies. Corporate bonds consist of debt primarily issued by banks.

Allowance for Credit Losses for Held to Maturity Debt Securities

Valley has a zero loss expectation for certain securities within the held to maturity portfolio, and therefore it is not required to estimate an allowance for credit losses related to these securities under the CECL standard. After an evaluation of qualitative factors, Valley identified the following securities types which it believes qualify for this exclusion: U.S. Treasury securities, U.S. agency securities, residential mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac, and collateralized municipal bonds called TEMS. To measure the expected credit losses on held to maturity debt securities that have loss expectations, Valley estimates the expected credit losses using a discounted cash flow model developed by a third-party. See Note 1 for further details.

At December 31, 2020, held to maturity debt securities were carried net of allowance for credit losses totaling $1.4 million. Valley recorded a provision for credit losses of $635 thousand during the year December 31, 2020. There were no net charge-offs of debt securities in the respective periods.

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, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
		(in thousands)	
Sales transactions:			
Gross gains	$ 665	$ —	$ 1,769
Gross losses	(9)	—	(3,881)
	$ 656	$ —	$ (2,112)
Maturities and other securities transactions:			
Gross gains	$ 34	$ 67	$ 42
Gross losses	(166)	(217)	(272)
	$ (132)	$ (150)	$ (230)
Net gains (losses) on securities transactions	$ 524	$ (150)	$ (2,342)

Net gains on sales transactions for the year ended December 31, 2020 (as presented in the table above) primarily related to the sales of $30 million of certain available for sale municipal securities. Net losses on sales transactions in 2018 primarily related to the sales of equity securities previously classified as available for sale, certain municipal securities acquired from USAB and all of Valley's private label mortgage-backed securities classified as available for sale, including securities that were previously impaired.

LOANS AND ALLOWANCE FOR CREDIT LOSSES FOR LOANS (Note 5)

The detail of the loan portfolio as of December 31, 2020 and 2019 was as follows:

	2020	2019
	(in thousands)	
Loans:		
Commercial and industrial *	$ 6,861,708	$ 4,825,997
Commercial real estate:		
Commercial real estate	16,724,998	15,996,741
Construction	1,745,825	1,647,018
Total commercial real estate loans	18,470,823	17,643,759
Residential mortgage	4,183,743	4,377,111
Consumer:		
Home equity	431,553	487,272
Automobile	1,355,955	1,451,623
Other consumer	913,330	913,446
Total consumer loans	2,700,838	2,852,341
Total loans	$ 32,217,112	$ 29,699,208

* Includes $2.2 billion of loans originated under the SBA Paycheck Protection Program (PPP), net of unearned fees totaling $43.2 million at December 31, 2020.

Total loans include net unearned discounts and deferred loan fees of $95.8 million at December 31, 2020 and net unearned premiums and deferred loan costs totaling and $12.6 million at December 31, 2019. Net unearned discounts and deferred loan fees at December 31, 2020 include the non-credit discount on PCD loans and net unearned fees related to PPP loans.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled $90.2 million and $86.3 million at December 31, 2020 and December 31, 2019, respectively, and is presented separately in the consolidated statements of financial condition.

Valley transferred and sold $30.0 million and $436.5 million of residential mortgage loans from the loan portfolio to loans held for sale in 2020 and 2019, respectively. Valley transferred and sold $798 million of commercial real estate loans

from the loan portfolio to loans held for sale in 2019. Excluding the loan transfers, there were no other sales of loans from the held for investment portfolio during the years December 31, 2020 and 2019.

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. All loans to related parties are performing as of December 31, 2020.

The following table summarizes the changes in the total amounts of loans and advances to the related parties during the year ended December 31, 2020:

	2020
	(in thousands)
Outstanding at beginning of year	$ 193,281
New loans and advances	71,356
Repayments	(25,012)
Outstanding at end of year	$ 239,625

Loan Portfolio Risk Elements and Credit Risk Management

Credit risk management. For all 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 appetite. Management reviews and approves these policies and procedures on a regular basis with subsequent approval by the Board of Directors annually. Credit authority relating to a significant dollar percentage of the overall portfolio is centralized and controlled by the Credit Risk Management Division and by the Credit Committee. A reporting system supplements the management review process by providing management with frequent reports concerning loan production, loan quality, internal loan classification, 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 portion 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 $2.7 billion (including $2.2 billion of SBA guaranteed PPP loans) and $606.1 million at December 31, 2020 and 2019, respectively. The commercial portfolio also includes taxi medallion loans totaling approximately $97.5 million with related reserves of $66.4 million at December 31, 2020. All of these loans are on non-accrual status due to ongoing weakness exhibited in the taxi industry caused by strong competition from alternative ride-sharing services and the economic stress caused by COVID-19 pandemic.

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 are 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 mostly located in northern and central New Jersey, the New York City metropolitan area, and Florida. Valley's ability to be repaid on such loans is closely linked to the economic and real estate market conditions in these regions. 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 80 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 (mainly those secured by cash surrender value of life insurance), credit card loans and personal loans. Unsecured consumer loans totaled approximately $49.4 million and $53.9 million, including $8.8 million and $8.2 million of credit card loans, at December 31, 2020 and 2019, respectively. Management believes the aggregate risk exposure to unsecured loans and lines of credit was not significant at December 31, 2020.

Credit Quality

The following table presents past due, current and non-accrual loans without an allowance for credit losses by loan portfolio class (including PCD loans) at December 31, 2020:

	Past Due and Non-Accrual Loans							
	30-59 Days Past Due Loans	60-89 Days Past Due Loans	90 Days or More Past Due Loans	Non-Accrual Loans	Total Past Due Loans	Current Loans	Total Loans	Non-Accrual Loans Without Allowance for Credit Losses
				(in thousands)				
December 31, 2020								
Commercial and industrial	$ 6,393	$ 2,252	$ 9,107	$ 106,693	$ 124,445	$ 6,737,263	$ 6,861,708	$ 4,075
Commercial real estate:								
Commercial real estate	35,030	1,326	993	46,879	84,228	16,640,770	16,724,998	32,416
Construction	315	—	—	84	399	1,745,426	1,745,825	—
Total commercial real estate loans	35,345	1,326	993	46,963	84,627	18,386,196	18,470,823	32,416
Residential mortgage	17,717	10,351	3,170	25,817	57,055	4,126,688	4,183,743	11,610
Consumer loans:								
Home equity	953	492	—	4,936	6,381	425,172	431,553	50
Automobile	8,056	1,107	245	338	9,746	1,346,209	1,355,955	—
Other consumer	1,248	224	26	535	2,033	911,297	913,330	—
Total consumer loans	10,257	1,823	271	5,809	18,160	2,682,678	2,700,838	50
Total	$ 69,712	$ 15,752	$ 13,541	$ 185,282	$ 284,287	$ 31,932,825	$ 32,217,112	$ 48,151

The following table presents past due, non-accrual and current loans by loan portfolio class at December 31, 2019. At December 31, 2019, purchased credit-impaired (PCI) loans were excluded from past due and non-accrual loans reported because they continued to earn interest income from the accretable yield at the pool level. The PCI loan pools are accounted for as PCD loans (on a loan level basis with a related allowance for credit losses) under the CECL standard adopted at January 1, 2020 and reported in the past due loans and non-accrual loans in the table above at December 31, 2020.

	Past Due and Non-Accrual Loans						
	30-59 Days Past Due Loans	60-89 Days Past Due Loans	90 Days Or More Past Due	Non-Accrual Loans	Total Past Due Loans	Current Non-PCI Loans	PCI Loans
	(in thousands)						
December 31, 2019							
Commercial and industrial	$ 11,700	$ 2,227	$ 3,986	$ 68,636	$ 86,549	$ 4,057,434	$ 682,014
Commercial real estate:							
Commercial real estate	2,560	4,026	579	9,004	16,169	10,886,724	5,093,848
Construction	1,486	1,343	—	356	3,185	1,492,532	151,301
Total commercial real estate loans	4,046	5,369	579	9,360	19,354	12,379,256	5,245,149
Residential mortgage	17,143	4,192	2,042	12,858	36,235	3,760,707	580,169
Consumer loans:							
Home equity	1,051	80	—	1,646	2,777	373,243	111,252
Automobile	11,482	1,581	681	334	14,078	1,437,274	271
Other consumer	1,171	866	30	224	2,291	900,411	10,744
Total consumer loans	13,704	2,527	711	2,204	19,146	2,710,928	122,267
Total	$ 46,593	$ 14,315	$ 7,318	$ 93,058	$ 161,284	$ 22,908,325	$ 6,629,599

If interest on non-accrual loans had been accrued in accordance with the original contractual terms, such interest income would have amounted to approximately $6.2 million, $2.5 million, and $3.6 million for the years ended December 31, 2020, 2019 and 2018, respectively; none of these amounts were included in interest income during these periods.

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 internal loan classification risk by loan portfolio class by origination year (including PCD loans) based on the most recent analysis performed at December 31, 2020:

	Term Loans Amortized Cost Basis by Origination Year								
December 31, 2020	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior to 2016**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term Loans**	**Total**
					(in thousands)				
Commercial and industrial									
Risk Rating:									
Pass	$3,058,596	$ 605,112	$ 556,284	$ 212,215	$ 162,483	$ 337,484	$1,677,559	$ 350	$ 6,610,083
Special Mention	819	10,236	2,135	9,502	10,228	14,165	49,883	51	97,019
Substandard	5,215	3,876	12,481	1,798	4,215	12,965	18,913	462	59,925
Doubtful	—	5,203	1	17,010	2,596	69,871	—	—	94,681
Total commercial and industrial	$3,064,630	$ 624,427	$ 570,901	$ 240,525	$ 179,522	$ 434,485	$1,746,355	$ 863	$ 6,861,708
Commercial real estate									
Risk Rating:									
Pass	$3,096,549	$3,052,076	$2,230,047	$1,767,528	$1,798,137	$3,916,990	$ 199,145	$ 15,532	$16,076,004
Special Mention	50,193	68,203	44,336	48,813	66,845	109,295	1,705	—	389,390
Substandard	18,936	17,049	30,997	59,618	11,541	118,725	2,531	—	259,397
Doubtful	—	—	—	—	—	207	—	—	207
Total commercial real estate	$3,165,678	$3,137,328	$2,305,380	$1,875,959	$1,876,523	$4,145,217	$ 203,381	$ 15,532	$16,724,998
Construction									
Risk Rating:									
Pass	$ 145,246	$ 120,800	$ 111,174	$ 15,497	$ 47,971	$ 20,029	$1,199,034	$ —	$ 1,659,751
Special Mention	—	1,043	—	—	9,996	17,414	47,311	—	75,764
Substandard	—	26	246	2,628	17	380	7,013	—	10,310
Total construction	$ 145,246	$ 121,869	$ 111,420	$ 18,125	$ 57,984	$ 37,823	$1,253,358	$ —	$ 1,745,825

For residential mortgages, automobile, home equity and other consumer loan portfolio classes, 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 amortized cost in those loan classes (including PCD loans) based on payment activity by origination year as of December 31, 2020:

	Term Loans Amortized Cost Basis by Origination Year								
December 31, 2020	2020	2019	2018	2017	2016	Prior to 2016	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
					(in thousands)				
Residential mortgage									
Performing	$ 730,764	$ 778,161	$ 684,761	$ 582,650	$ 380,723	$ 943,616	$ 64,798	$ —	$4,165,473
90 days or more past due	—	3,085	4,212	3,464	4,144	3,365	—	—	18,270
Total residential mortgage	$ 730,764	$ 781,246	$ 688,973	$ 586,114	$ 384,867	$ 946,981	$ 64,798	$ —	$4,183,743
Consumer loans									
Home equity									
Performing	$ 8,580	$ 10,634	$ 11,756	$ 8,886	$ 5,340	$ 15,393	$ 318,869	$ 50,879	$ 430,337
90 days or more past due	—	—	—	—	25	83	378	730	1,216
Total home equity	8,580	10,634	11,756	8,886	5,365	15,476	319,247	51,609	431,553
Automobile									
Performing	426,121	438,181	272,075	151,523	50,853	16,550	—	—	1,355,303
90 days or more past due	19	108	173	223	35	94	—	—	652
Total automobile	426,140	438,289	272,248	151,746	50,888	16,644	—	—	1,355,955
Other Consumer									
Performing	12,271	5,558	6,815	1,112	1,077	5,314	880,748	—	912,895
90 days or more past due	—	—	—	—	—	22	5	408	435
Total other consumer	12,271	5,558	6,815	1,112	1,077	5,336	880,753	408	913,330
Total Consumer	$ 446,991	$ 454,481	$ 290,819	$ 161,744	$ 57,330	$ 37,456	$1,200,000	$ 52,017	$2,700,838

The following table presents the credit exposure by internally assigned risk rating by class of loans (excluding PCI loans) based on the most recent analysis performed at December 31, 2019:

Credit exposure— by internally assigned risk rating	Pass	Special Mention	Substandard	Doubtful	Total Non-PCI Loans
			(in thousands)		
December 31, 2019					
Commercial and industrial	$ 3,982,453	$ 33,718	$ 66,511	$ 61,301	$ 4,143,983
Commercial real estate	10,781,587	77,884	42,560	862	10,902,893
Construction	1,487,877	7,486	354	—	1,495,717
Total	$ 16,251,917	$ 119,088	$ 109,425	$ 62,163	$ 16,542,593

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, 2019:

Credit exposure— by payment activity		**Performing Loans**		**Non-Performing Loans**		**Total Non-PCI Loans**
				(in thousands)		
December 31, 2019						
Residential mortgage	$	3,784,084	$	12,858	$	3,796,942
Home equity		374,374		1,646		376,020
Automobile		1,451,018		334		1,451,352
Other consumer		902,478		224		902,702
Total	$	6,511,954	$	15,062	$	6,527,016

The following table presents the recorded investment in PCI loans by class based on individual loan payment activity as of December 31, 2019:

Credit exposure— by payment activity		**Performing Loans**		**Non-Performing Loans**		**Total PCI Loans**
				(in thousands)		
December 31, 2019						
Commercial and industrial	$	653,997	$	28,017	$	682,014
Commercial real estate		5,065,388		28,460		5,093,848
Construction		148,692		2,609		151,301
Residential mortgage		571,006		9,163		580,169
Consumer		120,356		1,911		122,267
Total	$	6,559,439	$	70,160	$	6,629,599

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). At the adoption of ASU 2016-13, Valley was not required to reassess whether modifications to individual PCI loans prior to January 1, 2020 met the TDR loan criteria.

Generally 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 may also involve payment deferrals but 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 $57.4 million and $73.0 million as of December 31, 2020 and 2019, respectively. Non-performing TDRs totaled $92.8 million and $65.1 million as of December 31, 2020 and 2019, respectively.

The following table presents pre- and post-modification amortized cost of loans by loan class modified as TDRs (excluding PCI loans prior to the adoption of ASU 2016-13) during the years ended December 31, 2020 and 2019. 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, 2020 and 2019, respectively.

Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
		($ in thousands)	
December 31, 2020			
Commercial and industrial	42	$ 46,090	$ 42,679
Commercial real estate	6	24,683	21,654
Residential mortgage	12	2,377	2,323
Consumer	1	72	70
Total	61	$ 73,222	$ 66,726
December 31, 2019			
Commercial and industrial	111	$ 77,781	$ 73,503
Commercial real estate	2	3,143	3,098
Residential mortgage	2	376	374
Consumer	2	215	207
Total	117	$ 81,515	$ 77,182

The total TDRs presented in the table above had allocated a specific allowance for loan losses that totaled $21.1 million and $36.0 million at December 31, 2020 and 2019, respectively. There were $7.7 million and $4.9 million in loan charge-offs related to loans modified as TDRs for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the commercial and industrial loan category in the above table mostly consisted of non-accrual TDR taxi medallion loans classified as substandard and doubtful. Valley did not extend any commitments to lend additional funds to borrowers whose loans have been modified as TDRs during the year ended December 31, 2020.

Loans modified as TDRs (excluding PCI loan modifications prior to the adoption of ASU 2016-13) in the years ended December 31, 2020 and 2019, and for which there was a payment default (90 or more days past due) were as follows:

	Years Ended December 31,			
	2020		2019	
Troubled Debt Restructurings Subsequently Defaulted	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	($ in thousands)			
Commercial and industrial	27	$ 23,247	43	$ 31,782
Residential mortgage	1	247	1	154
Total	28	$ 23,494	44	$ 31,936

Coronavirus Aid, Relief, and Economic Security (CARES) Act loan modifications. In response to the COVID-19 pandemic and its economic impact to certain customers, Valley implemented short-term loan modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that were insignificant, when requested by customers. These modifications complied with the CARES Act to provide temporary payment relief to those borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. Generally, the modification terms allow for a deferral of payments for up to 90 days, which Valley may extend for an additional 90 days. Any extensions beyond this period were made in accordance with applicable regulatory guidance. As of December 31, 2020, Valley had approximately $361 million of outstanding loans remaining in their payment deferral period under short-term modifications. Under the applicable guidance, none of these loans were considered TDRs as of December 31, 2020.

Collateral dependent loans. Loans are collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. When Valley determines that foreclosure is probable, the collateral dependent loan balances are written down to the estimated current fair value (less estimated selling costs) 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.

The following table presents collateral dependent loans by class as of December 31, 2020:

	2020
	(in thousands)
Commercial and industrial	$ 106,239
Commercial real estate	41,562
Residential mortgage	28,176
Home equity	50
Total	$ 176,027

Commercial and industrial loans reported in the table above are primarily collateralized by taxi medallions. Commercial real estate loans are collateralized by real estate and construction loans. Residential and home equity loans are collateralized by residential real estate.

Purchased Credit-Impaired Loans

The table below includes disclosure requirements prior to the adoption of ASU No. 2016-13 on January 1, 2020, and presents changes in the accretable yield for PCI loans for the year ended December 31, 2019:

	2019
	(in thousands)
Balance, beginning of period	$ 875,958
Acquisition	600,178
Accretion	(214,415)
Net decrease in expected cash flows	(10,995)
Balance, end of period	$ 1,250,726

The net decrease 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 $11.0 million for the year ended December 31, 2019 was largely due to the high volume of contractual principal prepayments caused by the low level of market interest rates.

Allowance for Credit Losses for Loans

The allowance for credit losses for loans under the new CECL standard adopted on January 1, 2020, consisted of the allowance for loan losses and the allowance for unfunded credit commitments. Prior periods reflect the allowance for credit losses for loans under the incurred loss model under the previously applicable U.S. GAAP. The following table summarizes the allowance for credit losses for loans at December 31, 2020 and 2019:

	2020	2019
	(in thousands)	
Components of allowance for credit losses for loans:		
Allowance for loan losses	$ 340,243	$ 161,759
Allowance for unfunded credit commitments	11,111	2,845
Total allowance for credit losses for loans	$ 351,354	$ 164,604

The following table summarizes the provision for credit losses for loans for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in thousands)	
Components of provision for credit losses for loans:			
Provision for loan losses	$ 123,922	$ 25,809	$ 31,661
Provision for unfunded credit commitments	1,165	(1,591)	840
Total provision for credit losses for loans	$ 125,087	$ 24,218	$ 32,501

The following table details the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2020 and 2019:

	Commercial and Industrial	Commercial Real Estate	Residential Mortgage	Consumer	Total
			(in thousands)		
December 31, 2020					
Allowance for loan losses:					
Beginning balance	$ 104,059	$ 45,673	$ 5,060	$ 6,967	$ 161,759
Impact of ASU 2016-13 adoption*	15,169	49,797	20,575	6,990	92,531
Beginning balance, adjusted	119,228	95,470	25,635	13,957	254,290
Loans charged-off	(34,630)	(767)	(598)	(9,294)	(45,289)
Charged-off loans recovered	1,956	1,506	670	3,188	7,320
Net (charge-offs) recoveries	(32,674)	739	72	(6,106)	(37,969)
Provision for loan losses	44,516	67,904	3,166	8,336	123,922
Ending balance	$ 131,070	$ 164,113	$ 28,873	$ 16,187	$ 340,243
December 31, 2019					
Allowance for loan losses:					
Beginning balance	$ 90,956	$ 49,650	$ 5,041	$ 6,212	$ 151,859
Loans charged-off	(13,260)	(158)	(126)	(8,671)	(22,215)
Charged-off loans recovered	2,397	1,237	66	2,606	6,306
Net (charge-offs) recoveries	(10,863)	1,079	(60)	(6,065)	(15,909)
Provision for loan losses	23,966	(5,056)	79	6,820	25,809
Ending balance	$ 104,059	$ 45,673	$ 5,060	$ 6,967	$ 161,759

* Includes a $61.6 million increase representing the estimated expected credit losses for PCD loans as a result of the adoption of CECL on January 1, 2020.

Valley incorporated a multi-scenario economic forecast for estimating lifetime expected credit losses at December 31, 2020. As a result of the deterioration in economic conditions caused by the COVID-19 pandemic during 2020 and the related increase in economic uncertainty, Valley increased its probability weighting for the most severe economic scenario as compared to those at January 1, 2020. The increase in the allowance for credit losses for loans from January 1, 2020 reflected the impact of the adverse economic forecast within Valley's lifetime expected credit loss estimate, as well as other qualitative factors.

The following table represents the allocation of the allowance for loan losses and the related loans by loan portfolio segment disaggregated based on the allowance measurement methodology for the years ended December 31, 2020 and 2019.

	Commercial and Industrial	Commercial Real Estate	Residential Mortgage	Consumer	Total
			(in thousands)		
December 31, 2020					
Allowance for loan losses:					
Individually evaluated for credit losses	$ 73,063	$ 1,338	$ 1,206	$ 264	$ 75,871
Collectively evaluated for credit losses	58,007	162,775	27,667	15,923	264,372
Total	$ 131,070	$ 164,113	$ 28,873	$ 16,187	$ 340,243
Loans:					
Individually evaluated for credit losses	$ 131,057	$ 61,754	$ 35,151	$ 1,631	$ 229,593
Collectively evaluated for credit losses	6,730,651	18,409,069	4,148,592	2,699,207	31,987,519
Total	$ 6,861,708	$18,470,823	$ 4,183,743	$ 2,700,838	$ 32,217,112
December 31, 2019					
Allowance for loan losses:					
Individually evaluated for credit losses	$ 36,662	$ 1,338	$ 518	$ 58	$ 38,576
Collectively evaluated for credit losses	67,397	44,335	4,542	6,909	123,183
Total	$ 104,059	$ 45,673	$ 5,060	$ 6,967	$ 161,759
Loans:					
Individually evaluated for credit losses	$ 100,860	$ 51,242	$ 10,689	$ 853	$ 163,644
Collectively evaluated for credit losses	4,043,123	12,347,368	3,786,253	2,729,221	22,905,965
Loans acquired with discounts related to credit quality	682,014	5,245,149	580,169	122,267	6,629,599
Total	$ 4,825,997	$17,643,759	$ 4,377,111	$ 2,852,341	$ 29,699,208

Impaired loans. Impaired loans disclosures presented below as of December 31, 2019 represent requirements prior to the adoption of ASU No. 2016-13 on January 1, 2020. 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 were not classified as impaired loans because they are accounted for on a pool basis and were paying as expected.

The following table presents information about impaired loans by loan portfolio class at December 31, 2019:

	Recorded Investment With No Related Allowance	Recorded Investment With Related Allowance	Total Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
			(in thousands)		
December 31, 2019					
Commercial and industrial	$ 14,617	$ 86,243	$ 100,860	$ 114,875	$ 36,662
Commercial real estate:					
Commercial real estate	26,046	24,842	50,888	51,258	1,338
Construction	354	—	354	354	—
Total commercial real estate loans	26,400	24,842	51,242	51,612	1,338
Residential mortgage	5,836	4,853	10,689	11,800	518
Consumer loans:					
Home equity	366	487	853	956	58
Total consumer loans	366	487	853	956	58
Total	$ 47,219	$ 116,425	$ 163,644	$ 179,243	$ 38,576

Interest income recognized on a cash basis for impaired loans classified as non-accrual was not material for the years ended December 31, 2019 and 2018.

LEASES (Note 6)

The following table presents the components of the right of use (ROU) assets and lease liabilities in the consolidated statements of financial condition by lease type at December 31, 2020 and 2019.

	December 31,			
	2020		2019	
	(in thousands)			
ROU assets:				
Operating leases	$	251,293	$	284,255
Finance leases		760		874
Total	$	252,053	$	285,129
Lease liabilities:				
Operating leases	$	275,248	$	308,060
Finance leases		1,427		1,789
Total	$	276,675	$	309,849

Net occupancy and equipment expense included lease cost of $29.0 million, net of sublease income of $3.5 million, for the year ended December 31, 2018.

In 2019, Valley closed a sale-leaseback transaction for 26 properties, consisting of 25 branches and 1 corporate office, for an aggregate sales price of $100.5 million. As a result, Valley recorded a pre-tax net gain totaling $78.5 million in 2019. Additionally, Valley recorded ROU assets and lease obligations totaling $78.4 million, respectively, for the lease of the 26 properties with an expected term of 12.0 years and operating lease costs of $7.9 million within occupancy and equipment expense on a straight-line basis annually over the term of the lease.

The following table presents the components by lease type, of total lease cost recognized in the consolidated statements of income for the years ended December 31, 2020 and 2019:

	2020		2019	
	(in thousands)			
Finance lease cost:				
Amortization of ROU assets	$	363	$	291
Interest on lease liabilities		146		191
Operating lease cost		36,094		34,175
Short-term lease cost		783		410
Variable lease cost		4,296		3,573
Sublease income		(2,520)		(3,422)
Total lease cost (included in net occupancy and equipment expense)	$	39,162	$	35,218

The following table presents supplemental cash flow information related to leases for the years ended December 31, 2020 and 2019:

	2020		2019	
	(in thousands)			
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$	35,943	$	34,380
Operating cash flows from finance leases		146		192
Financing cash flows from finance leases		612		492

The following table presents supplemental information related to leases at December 31, 2020 and 2019:

	December 31,	
	2020	2019
Weighted-average remaining lease term		
Operating leases	12.3 years	12.8 years
Finance leases	2.0 years	3.0 years
Weighted-average discount rate		
Operating leases	3.56 %	3.68 %
Finance leases	7.45 %	8.25 %

The following table presents a maturity analysis of lessor and lessee arrangements outstanding as of December 31, 2020:

	Lessor	Lessee	
	Direct Financing and Sales-Type Leases	Operating Leases	Finance Leases
		(in thousands)	
2021	$ 188,580	$ 35,175	$ 769
2022	166,076	32,788	769
2023	139,589	29,288	11
2024	103,498	28,036	—
2025	59,049	26,991	—
Thereafter	40,126	194,732	—
Total lease payments	696,918	347,010	1,549
Less: present value discount	(53,369)	(71,762)	(122)
Total	$ 643,549	$ 275,248	$ 1,427

The total net investment in direct financing and sales-type leases was $643.5 million and $478.8 million at December 31, 2020 and 2019, respectively, comprised of $641.3 million and $477.1 million in lease receivables and $2.2 million and $1.7 million in unguaranteed residuals, respectively. Total lease income was $25.2 million, $19.4 million and $14.7 million for the years ended December 31, 2020, 2019, and 2018, respectively.

PREMISES AND EQUIPMENT, NET (Note 7)

At December 31, 2020 and 2019, premises and equipment, net consisted of:

	2020	2019
	(in thousands)	
Land	$ 90,379	$ 93,594
Buildings	214,476	220,140
Leasehold improvements	88,898	85,042
Furniture and equipment	282,701	274,715
Total premises and equipment	676,454	673,491
Accumulated depreciation and amortization	(356,657)	(338,958)
Total premises and equipment, net	$ 319,797	$ 334,533

Depreciation and amortization of premises and equipment included in non-interest expense for the years ended December 31, 2020, 2019 and 2018 was approximately $30.6 million, $29.4 million, and $27.6 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, 2018	$ 21,218	$ 287,025	$ 557,850	$ 218,572	$ 1,084,665
Goodwill from business combinations	—	19,547	267,917	1,496	288,960
Balance at December 31, 2019	$ 21,218	$ 306,572	$ 825,767	$ 220,068	$ 1,373,625
Goodwill from business combinations	—	597	8,175	45	8,817
Balance at December 31, 2020	$ 21,218	$ 307,169	$ 833,942	$ 220,113	$ 1,382,442

* 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 2020, goodwill from business combinations reflects the effect of the combined adjustments to the estimated fair values of certain loans, current taxes payable and deferred tax assets as of the acquisition date. See Note 2 for further details.

There was no impairment of goodwill during the years ended December 31, 2020, 2019 and 2018.

The following tables summarize other intangible assets as of December 31, 2020 and 2019:

	Gross Intangible Assets	Accumulated Amortization	Valuation Allowance	Net Intangible Assets
		(in thousands)		
December 31, 2020				
Loan servicing rights	$ 103,150	$ (80,340)	$ (865)	$ 21,945
Core deposits	101,160	(53,747)	—	47,413
Other	3,945	(2,854)	—	1,091
Total other intangible assets	$ 208,255	$ (136,941)	$ (865)	$ 70,449
December 31, 2019				
Loan servicing rights	$ 94,827	$ (70,095)	$ (47)	$ 24,685
Core deposits	101,160	(40,384)	—	60,776
Other	3,945	(2,634)	—	1,311
Total other intangible assets	$ 199,932	$ (113,113)	$ (47)	$ 86,772

Core deposits are amortized using an accelerated method and have a weighted average amortization period of 8.9 years. The line item labeled "Other" included in the table above primarily consists of customer lists which are amortized over their expected lives generally using a straight-line method and have a weighted average amortization period of 7.6 years. Valley recorded $20.7 million of core deposit intangibles resulting from the Oritani 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, 2020, 2019 and 2018.

The following table summarizes the change in loan servicing rights during the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in thousands)	
Loan servicing rights:			
Balance at beginning of year	$ 24,732	$ 24,193	$ 22,084
Origination of loan servicing rights	8,322	7,473	8,216
Amortization expense	(10,244)	(6,934)	(6,107)
Balance at end of year	$ 22,810	$ 24,732	$ 24,193
Valuation allowance:			
Balance at beginning of year	$ (47)	$ (83)	$ (471)
Impairment adjustment	(818)	36	388
Balance at end of year	$ (865)	$ (47)	$ (83)
Balance at end of year, net of valuation allowance	$ 21,945	$ 24,685	$ 24,110

Loan servicing rights are accounted for using the amortization method. As shown in the above table, Valley recorded net impairment charges on its loan servicing rights totaling $818 thousand for the year ended December 31, 2020 and net recoveries impairment charges totaling $36 thousand and $388 thousand for the years ended December 31, 2019 and 2018, respectively.

The Bank is a servicer of residential mortgage 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 $3.5 billion, $3.4 billion and $3.2 billion at December 31, 2020, 2019 and 2018, respectively. The outstanding balance of loans serviced for others is not included in the consolidated statements of financial condition.

Valley recognized amortization expense on other intangible assets, including net recoveries of impairment charges on loan servicing rights (reflected in the table above), of $24.6 million, $18.1 million and $18.4 million for the years ended December 31, 2020, 2019 and 2018, 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)	
2021	$ 5,391	$ 11,607	$ 206
2022	3,969	9,876	191
2023	2,933	8,146	131
2024	2,210	6,537	117
2025	1,688	4,929	103

DEPOSITS (Note 9)

Included in time deposits are certificates of deposit over $250 thousand totaling $1.4 billion and $1.7 billion at December 31, 2020 and 2019, respectively. Interest expense on time deposits of $250 thousand or more totaled approximately $4.5 million, $5.8 million and $6.6 million in 2020, 2019 and 2018, respectively.

The scheduled maturities of time deposits as of December 31, 2020 were as follows:

Year	Amount
	(in thousands)
2021	$ 5,877,581
2022	502,743
2023	167,077
2024	59,719
2025	38,229
Thereafter	69,329
Total time deposits	$ 6,714,678

Deposits from certain directors, executive officers and their affiliates totaled $97.3 million and $67.1 million at December 31, 2020 and 2019, respectively.

BORROWED FUNDS (Note 10)

Short-Term Borrowings

Short-term borrowings at December 31, 2020 and 2019 consisted of the following:

	2020	2019
	(in thousands)	
FHLB advances	$ 1,000,000	$ 940,000
Securities sold under agreements to repurchase	147,958	153,280
Total short-term borrowings	$ 1,147,958	$ 1,093,280

The weighted average interest rate for short-term borrowings was 0.38 percent and 1.68 percent at December 31, 2020 and 2019, respectively. Short-term FHLB advances totaling $200 million were hedged with cash flow interest rate swaps at December 31, 2020. See Note 15 for additional details.

Long-Term Borrowings

Long-term borrowings at December 31, 2020 and 2019 consisted of the following:

	2020	2019
	(in thousands)	
FHLB advances, net (1)	$ 1,592,252	$ 1,480,012
Subordinated debt, net (2)	403,413	292,414
Securities sold under agreements to repurchase	300,000	350,000
Total long-term borrowings	$ 2,295,665	$ 2,122,426

(1) FHLB advances are presented net of unamortized prepayment penalties and other purchase accounting adjustments totaling $2.6 million and $2.8 million at December 31, 2020 and 2019, respectively.

(2) Subordinated debt is presented net of unamortized debt issuance costs totaling $2.7 million and $1.2 million at December 31, 2020 and 2019, respectively.

FHLB Advances. Long-term FHLB advances had a weighted average interest rate of 2.02 percent and 2.23 percent at December 31, 2020 and 2019, respectively. 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. Long-term FHLB advances totaling $900 million were hedged with cash flow interest rate swaps at December 31, 2020. See Note 15 for additional details.

Long-Term Borrowings

The long-term FHLB advances at December 31, 2020 are scheduled for contractual balance repayments as follows:

Year	Amount
	(in thousands)
2021	$ 552,519
2022	29,377
2023	428,163
2024	300,000
2025	279,635
Total long-term FHLB advances	$ 1,589,694

There are no FHLB advances with scheduled repayments in years 2021 and thereafter, reported in the table above, which are callable for early redemption by the FHLB during 2021.

In December 2020, Valley prepaid $534.3 million of long-term FHLB advances scheduled to mature in 2021 and 2022 with a weighted average effective interest rate of 2.48 percent. The transaction was funded with excess cash liquidity and accounted for as an early debt extinguishment resulting in a loss of $9.7 million reported within non-interest expense for the year ended December 31, 2020. In December 2019, Valley prepaid $635.0 million of long-term FHLB advances. These prepaid borrowings had contractual maturity dates in 2021 and 2022 and a weighted average interest rate of 3.93 percent. The debt prepayment was funded by cash proceeds from the sale of commercial real estate loans and overnight borrowings. The transaction was also accounted for as an early debt extinguishment and resulted in a loss of $32.0 million for the year ended December 31, 2019.

Subordinated Debt. On June 5, 2020, Valley issued $115 million of 5.25 percent Fixed-to-Floating Rate subordinated notes issued in due June 15, 2030 and callable in whole or in part on or after June 15, 2025 or upon the occurrence of certain events. Interest on the subordinated notes during the initial five-year term through June 15, 2025 is payable semi-annually on June 15 and December 15. Thereafter, interest is expected to be set based on Three-Month Term SOFR plus 514 basis points and paid quarterly through maturity of the notes. The subordinated notes had a net carrying value of $113.3 million at December 31, 2020.

At December 31, 2020, Valley also had the following subordinated debt outstanding:

- $100 million of 4.55 percent subordinated debentures (notes) issued in June 2015 and due June 30, 2025 with no call dates or prepayments allowed unless certain conditions exist. Interest on the subordinated notes is payable semi-annually in arrears on June 30 and December 30 of each year. The subordinated notes had a net carrying value of $99.5 million and $99.4 million at December 31, 2020 and 2019, respectively.

- $125 million of 5.125 percent subordinated notes issued in September 2013 and 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. The subordinated notes had a net carrying value of $130.5 million and $132.4 million at December 31, 2020 and 2019, respectively.

- $60 million of 6.25 percent subordinated notes, assumed on January 1, 2018 in connection with the acquisition of USAB. The notes are due April 1, 2026 callable beginning April 1, 2021. Interest on the subordinated debentures is payable semi-annually in arrears on April 1 and October 1 of each year. After purchase accounting adjustments, the subordinated notes had a net carrying value of $60.1 million and $60.6 million at December 31, 2020 and 2019, respectively.

Long-term securities sold under agreements to repurchase (repos). The long-term repos had a weighted average interest rate of 3.37 percent and 1.94 percent at December 31, 2020 and 2019, respectively. Long-term repos outstanding as of December 31, 2020 all have maturities in 2021.

In September 2020, Valley prepaid $50 million of long-term institutional repo borrowings with an interest rate of 3.70 percent and an original contractual maturity date in January 2022. The debt prepayment was funded by excess cash liquidity.

The transaction was accounted for as an early debt extinguishment resulting in a loss of $2.4 million for the year ended December 31, 2020.

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 $2.1 billion and $2.3 billion for December 31, 2020 and 2019, respectively.

JUNIOR SUBORDINATED DEBENTURES ISSUED TO CAPITAL TRUSTS (Note 11)

All of the statutory trusts presented in the table below were acquired in past bank acquisitions. These 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, 2020 and 2019:

	GCB Capital Trust III	State Bancorp Capital Trust I	State Bancorp Capital Trust II	Aliant Statutory Trust II
	($ in thousands)			
Junior Subordinated Debentures:				
December 31, 2020				
Carrying value [1]	$ 24,743	$ 9,125	$ 8,599	$ 13,598
Contractual principal balance	24,743	10,310	10,310	15,464
December 31, 2019				
Carrying value [1]	$ 24,743	$ 9,025	$ 8,468	$ 13,482
Contractual principal balance	24,743	10,310	10,310	15,464
Annual interest rate	3-mo. LIBOR+1.4%	3-mo. LIBOR+3.45%	3-mo. LIBOR+2.85%	3-mo. LIBOR+1.8%
Stated maturity date	July 30, 2037	November 7, 2032	January 23, 2034	December 15, 2036
Initial call date	July 30, 2017	November 7, 2007	January 23, 2009	December 15, 2011
Trust Preferred Securities:				
December 31, 2020 and 2019				
Face value	$ 24,000	$ 10,000	$ 10,000	$ 15,000
Annual distribution rate	3-mo. LIBOR+1.4%	3-mo. LIBOR+3.45%	3-mo. LIBOR+2.85%	3-mo. LIBOR+1.8%
Issuance date	July 2, 2007	October 29, 2002	December 19, 2003	December 14, 2006
Distribution dates [2]	Quarterly	Quarterly	Quarterly	Quarterly

(1) The carrying values include unamortized purchase accounting adjustments at December 31, 2020 and 2019.
(2) 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 early redemption. 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, 2020 and 2019.

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 plans 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 their compensation and service as of December 31, 2013. Plan benefits will not increase for any compensation or service earned after such date. All participants were immediately vested in their frozen accrued benefits if they were employed by the Bank as of December 31, 2013.

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, 2020 and 2019:

	2020	2019
	(in thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 175,405	$ 157,364
Interest cost	4,941	6,113
Actuarial loss	18,813	20,001
Benefits paid	(8,310)	(8,073)
Projected benefit obligation at end of year	$ 190,849	$ 175,405
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 236,621	$ 210,508
Actual return on plan assets	30,987	32,835
Employer contributions	1,353	1,351
Benefits paid	(8,310)	(8,073)
Fair value of plan assets at end of year*	$ 260,651	$ 236,621
Funded status of the plan		
Asset recognized	$ 69,802	$ 61,216
Accumulated benefit obligation	190,849	175,405

* Includes accrued interest receivable of $623 thousand and $641 thousand as of December 31, 2020 and 2019, 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 $1.5 million of the net actuarial loss reported in the following table as of December 31, 2020 as a component of net periodic pension expense during 2021.

	2020	2019
	(in thousands)	
Net actuarial loss	$ 50,272	$ 46,248
Prior service cost	321	357
Deferred tax benefit	(14,132)	(13,168)
Total	$ 36,461	$ 33,437

The non-qualified plans had a projected benefit obligation, accumulated benefit obligation, and fair value of plan assets as follows:

	2020	2019
	(in thousands)	
Projected benefit obligation	$ 20,513	$ 20,081
Accumulated benefit obligation	20,513	20,081
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 was 2.52 percent and 3.32 percent as of December 31, 2020 and 2019, respectively.

The net periodic pension income for the qualified and non-qualified plans reported within other non-interest expense included the following components for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
		(in thousands)	
Interest cost	$ 4,941	$ 6,113	$ 5,542
Expected return on plan assets	(17,200)	(16,453)	(15,912)
Amortization of net loss	1,003	264	625
Total net periodic pension income	$ (11,256)	$ (10,076)	$ (9,745)

Valley estimated the interest cost component of net periodic pension income (as shown in the table above) using a spot rate approach for the plans by applying the specific spot rates along the yield curve to the relevant projected cash flows. Valley believes this provides a better estimate of interest costs than a single weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the applicable period.

Other changes in the qualified and non-qualified plan assets and benefit obligations recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
	(in thousands)	
Net loss	$ 5,026	$ 3,619
Amortization of prior service cost	(136)	(35)
Amortization of actuarial loss	(1,003)	(264)
Total recognized in other comprehensive income	$ 3,887	$ 3,320
Total recognized in net periodic pension income and other comprehensive income (before tax)	$ (7,233)	$ (6,721)

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)
2021	$ 8,889
2022	9,123
2023	9,389
2024	9,579
2025	9,726
Thereafter	49,314

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, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Discount rate - projected benefit obligation	3.29 %	4.30 %	3.69 %
Discount rate - interest cost	2.62 %	3.99 %	3.31 %
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 materially 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 is an approximate equal weighting of 50 percent fixed income securities and 50 percent equity securities. Although much depends upon market conditions, the absolute investment objective for the equity portion is to earn at least a mid-to-high single digit return, after adjustment by the Consumer Price Index (CPI), over rolling five-year periods. Relative performance should be above the median of a suitable grouping of other equity portfolios and a suitable index over rolling three-year periods. For the fixed income portion, the absolute objective is to earn a positive annual real return, after adjustment by the CPI, over rolling five-year periods. Relative performance should be better than the median performance of bonds when judged against a suitable index of other fixed income portfolios and 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 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, 2020	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	37 %	$ 94,434	$ 94,434	$ —	$ —
U.S. Treasury securities	20	52,549	52,549	—	—
Corporate bonds	20	51,410	—	51,410	—
Mutual funds	18	48,041	48,041	—	—
U.S. government agency securities	3	8,174	—	8,174	—
Cash and money market funds	2	5,420	5,420	—	—
Total investments	100 %	$ 260,028	$ 200,444	$ 59,584	$ —

	% of Total Investments	December 31, 2019	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)		
Assets:					
Investments:					
Equity securities	32 %	$ 75,633	$ 75,633	$ —	$ —
U.S. Treasury securities	22	51,732	51,732	—	—
Corporate bonds	21	51,221	—	51,221	—
Mutual funds	18	42,119	42,119	—	—
U.S. government agency securities	3	6,263	—	6,263	—
Cash and money market funds	4	9,013	9,013	—	—
Total investments	100 %	$ 235,981	$ 178,497	$ 57,484	$ —

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 Qualified Plan

On December 1, 2019, Valley assumed obligations under Oritani's Pentegra Defined Benefit Plan for Financial Institutions ("Pentegra DB Plan"). The Pentegra DB Plan's Employer Identification Number is 13-5645888 and the Plan Number is 333. The Pentegra DB Plan is a tax-qualified defined-benefit multiple-employer plan. Under the Pentegra DB Plan, contributions made by a participating employer may be used to provide benefits to participants of other participating employers. The Pentegra DB Plan was frozen as of December 31, 2008. During 2020, Valley withdrew from the Pentegra DB Plan and distributed annuities to participants based on the actuarial computation of their pension benefit. Valley recognized approximately $1.1 million of expense included in other non-interest expense related to the final contribution to the Pentegra DB Plan and distribution of the annuities for the year ended December 31, 2020.

Other Non-Qualified Plans

Valley maintains separate non-qualified plans for former directors and senior management of Merchants Bank of New York acquired in January of 2001. At December 31, 2020 and 2019, the remaining obligations under these plans were $1.4 million and $1.6 million, respectively, of which $399 thousand and $451 thousand, respectively, were funded by Valley. As of December 31, 2020 and 2019, all of the obligations were included in other liabilities and $731 thousand (net of a $286 thousand tax benefit) and $803 thousand (net of a $314 thousand tax benefit), respectively, were recorded in accumulated other comprehensive loss. The $1.0 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.

Valley assumed, in the Oritani acquisition on December 1, 2019, certain obligations under non-qualified retirement plans described below:

- Non-qualified benefit equalization plans (BEP) that provided supplemental benefits to certain eligible executives and officers. The BEP plans were terminated on November 30, 2019 and the funded obligation under the BEP plans totaled $26.8 million on December 31, 2019. The accrued benefits were fully distributed to the participants on July 1, 2020.
- Non-qualified benefit equalization pension plan that provided benefits to certain officers who were disallowed certain benefits under former Oritani's qualified pension plan. This plan was terminated on November 30, 2019 and the accrued benefits are payable to plan participants in five equal installments beginning annually on December 1, 2020 through December 1, 2024. The funded obligation under this plan totaled $1.3 million and $1.6 million at December 31, 2020 and 2019, respectively.
- Supplemental Executive Retirement Income Agreement (the SERP) for the former CEO of Oritani. The SERP is a retirement benefit with a minimum payment period of 20 years upon death, disability, normal retirement, early retirement or separation from service after a change in control. Distributions from the plan began on July 1, 2020. The funded obligation under the SERP totaled $13.6 million and $13.0 million at December 31, 2020 and 2019, respectively. Valley recorded $1.5 million of expenses related to the SERP for the year ended December 31, 2020.

The above Oritani non-qualified plans are secured by investments in money market mutual funds which are held in a trust and classified as equity securities on the consolidated statements of financial condition at both December 31, 2020 and 2019.

Valley also assumed an Executive Group Life Insurance Replacement ("Split-Dollar") Plan from Oritani. The Split-Dollar plan provides life insurance benefits to certain eligible employees upon death while employed or following termination of employment due to disability, retirement or change in control. Participants in the Split-Dollar plan are entitled to up to two times their base annual salary, as defined by the plan. The accrued liability for the Split-Dollar plan totaled $1.8 million and $961 thousand at December 31, 2020 and 2019, respectively. Valley recorded $812 thousand of expenses related to the Split-Dollar plan for the year ended December 31, 2020.

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 $25.1 million, $19.1 million and $18.8 million during 2020, 2019 and 2018, respectively.

Savings and Investment Plan

Valley National Bank maintains a 401(k) plan that 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 invested in accordance with each participant's investment elections. The Bank recorded $10.1 million, $8.6 million and $8.5 million in expense for contributions to the plan for the years ended December 31, 2020, 2019 and 2018, respectively.

Deferred Compensation Plan

Valley has a non-qualified, unfunded deferred compensation plan 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 IRS Code. Each participant in the plan is permitted to defer per calendar year, up to five percent of the portion of the participant's salary and cash bonus above the limit in effect under the Company's 401(k) plan and receive employer matching contributions that become fully vested after two years of participation in the plan. Plan participants also receive an annual interest crediting on their balances held as of December 31 each year. Benefits are generally paid to a participant in a single lump sum following the participant's separation from service with Valley. Valley recorded plan expenses of $372 thousand, $273 thousand and $262 thousand for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, Valley had an unsecured general liability of $1.7 million and $1.0 million, respectively, included in accrued expenses and other liabilities in connection with this plan.

Stock Based Compensation

Valley currently has one active employee stock plan, the 2016 Long-Term Stock Incentive Plan (the 2016 Plan), adopted by Valley's Board of Directors on January 29, 2016 and approved by its shareholders on April 28, 2016. The 2016 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 primary purposes of the 2016 Plan are 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 Plan, Valley may award shares of common stock in the form of stock appreciation rights, both incentive and non-qualified stock options, restricted stock and restricted stock units (RSUs) to its employees and non-employee directors (for acting in their roles as board members). As of December 31, 2020, 3.0 million shares of common stock were available for issuance under the 2016 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.

On January 26, 2021, the Board of Directors approved the Valley National Bancorp 2021 Incentive Compensation Plan (the 2021 Plan). The 2021 Plan is subject to approval by Valley shareholders at the Annual Meeting of Shareholders on April 19, 2021. The 2021 Plan would authorize the Committee to issue up to 9 million shares to Valley's employees and directors. Awards under the 2021 Plan will be granted in substantially the same manner as the 2016 Plan. The 2021 Plan is described in more detail in Valley's 2021 definitive proxy statement.

Valley recorded total stock-based compensation expense of $16.5 million, $15.0 million and $19.5 million for the years ended December 31, 2020, 2019 and 2018, respectively. The stock-based compensation expense for 2020, 2019 and 2018 included $1.5 million, $2.1 million and $4.3 million, respectively, related to stock awards granted to retirement eligible employees. In 2020 and 2019, compensation expense for these awards was amortized monthly over a one year period after the grant date. Prior to 2019, award grantees who were eligible for retirement did not have a service period requirement and the expense 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, 2020, the unrecognized amortization expense for all stock-based compensation totaled approximately $17.8 million and will be recognized over an average remaining vesting period of approximately 1.76 years.

Restricted Stock Units (RSUs). Restricted stock units are awarded as (1) performance-based RSUs and (2) time-based RSUs. Performance based RSUs vest based on (i) growth in tangible book value per share plus dividends and (ii) total shareholder return as compared to our peer group. The performance based RSUs "cliff" vest after three years based on the cumulative performance of Valley during that time period. Generally, time-based RSUs vest ratably one-third each year over a three-year vesting period. The RSUs earn dividend equivalents (equal to cash dividends paid on Valley's common share) over the applicable performance or service period. Dividend equivalents, per the terms of the agreements, are accumulated and paid to the grantee at the vesting date, or forfeited if the applicable performance or service conditions are not met. The grant date fair value of the performance-based RSUs was $10.82, $10.43 and $12.36 per share for the years ended December 31, 2020, 2019, and 2018, respectively. The grant date fair value of time-based RSUs was $10.29 and $10.32 for the years ended December 31, 2020 and 2019, respectively. Valley did not award time-based restricted stock units during 2018.

The following table sets forth the changes in RSUs outstanding for the years ended December 31, 2020, 2019 and 2018:

	Restricted Stock Units Outstanding		
	2020	**2019**	**2018**
Outstanding at beginning of year	2,158,255	1,378,886	1,114,962
Acquired in business combinations	—	—	336,379
Granted	2,030,026	1,412,941	509,725
Vested	(879,085)	(500,204)	(503,879)
Forfeited	(80,537)	(133,368)	(78,301)
Outstanding at end of year	3,228,659	2,158,255	1,378,886

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 2016 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 (RSAs) outstanding for the years ended December 31, 2020, 2019 and 2018:

	Restricted Stock Awards Outstanding		
	2020	2019	2018
Outstanding at beginning of year	1,058,681	1,720,968	1,771,702
Granted	—	—	1,263,144
Vested	(610,607)	(547,653)	(1,128,521)
Forfeited	(34,373)	(114,634)	(185,357)
Outstanding at end of year	413,701	1,058,681	1,720,968

Valley did not award any shares of restricted stock during 2020 and 2019. Included in the RSAs granted (in the table above) during 2018 are 60 thousand shares issued to Valley directors, which are fully vested.

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, 2020, 2019 and 2018 and changes during the years ended on those dates:

	2020		2019		2018	
Stock Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,453,516	$ 8	1,051,787	$ 7	446,980	$ 13
Acquired in business combinations	—	—	3,130,171	8	1,803,165	5
Exercised	(249,308)	8	(716,920)	7	(975,325)	5
Forfeited or expired	(217,861)	11	(11,522)	8	(223,033)	14
Outstanding at end of year	2,986,347	7	3,453,516	8	1,051,787	7
Exercisable at year-end	2,986,347	7	3,339,517	8	604,003	7

The following table summarizes information about stock options outstanding and exercisable at December 31, 2020:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$2-$4	91,500	1.6	$ 3
4-6	149,248	4.3	5
6-8	2,687,999	0.9	7
8-10	32,000	7.3	10
10-12	25,600	7.7	10
	2,986,347	1.3	7

INCOME TAXES (Note 13)

Income tax expense for the years ended December 31, 2020, 2019 and 2018 consisted of the following:

	2020	2019	2018
		(in thousands)	
Current expense:			
Federal	$ 96,057	$ 95,317	$ 51,147
State	48,463	36,457	28,898
	144,520	131,774	80,045
Deferred (benefit) expense:			
Federal	(3,109)	10,444	(17,463)
State	(1,951)	4,784	5,683
	(5,060)	15,228	(11,780)
Total income tax expense	$ 139,460	$ 147,002	$ 68,265

The tax effects of temporary differences that gave rise to the significant portions of the deferred tax assets and liabilities as of December 31, 2020 and 2019 were as follows:

	2020	2019
	(in thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 96,508	$ 44,486
Employee benefits	20,888	28,263
Net operating loss carryforwards	17,814	19,768
Purchase accounting	10,354	41,857
Other	24,677	19,904
Total deferred tax assets	170,241	154,278
Deferred tax liabilities:		
Pension plans	22,705	19,686
Depreciation	3,829	4,527
Investment securities	12,690	2,319
Other investments	9,584	7,731
Core deposit intangibles	12,960	16,620
Other	12,226	13,665
Total deferred tax liabilities	73,994	64,548
Valuation Allowance	916	916
Net deferred tax asset (included in other assets)	$ 95,331	$ 88,814

Valley's federal net operating loss carryforwards totaled approximately $64.1 million at December 31, 2020 and expire during the period from 2029 through 2034. Valley's capital loss carryforwards totaled $3.1 million at December 31, 2020 and expire at December 31, 2023. State net operating loss carryforwards totaled approximately $92.2 million at December 31, 2020 and expire during the period from 2029 through 2038.

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, net of an immaterial valuation allowance, 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 21 percent for the years ended December 31, 2020, 2019, and 2018 were as follows:

	2020	2019	2018
		(in thousands)	
Federal income tax at expected statutory rate	$ 111,314	$ 95,927	$ 69,235
Increase (decrease) due to:			
State income tax expense, net of federal tax effect	36,744	32,581	23,851
Tax-exempt interest, net of interest incurred to carry tax-exempt securities	(2,786)	(3,118)	(3,974)
Bank owned life insurance	(2,026)	(1,637)	(1,734)
Tax credits from securities and other investments	(10,071)	(11,636)	(20,798)
FDIC insurance premium	3,283	2,507	3,318
Impact of the Tax Cuts and Jobs Act of 2017	—	—	(2,274)
Addition to reserve for uncertainties	—	31,123	—
Other, net	3,002	1,255	641
Income tax expense	$ 139,460	$ 147,002	$ 68,265

We invest in certain tax-advantaged investments that support qualified affordable housing projects, community development and, prior to 2019, renewable energy resources. Our investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. Third parties perform diligence on these investments for us on which we rely both at inception and on an on-going basis. We are subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, may fail to meet certain government compliance requirements and may not be able to be realized.

We previously invested in mobile solar generators sold and leased back by DC Solar and its affiliates (DC Solar). DC Solar had its assets frozen in December 2018 by the U.S. Department of Justice. DC Solar and related entities are in Chapter 7 bankruptcy. A group of investors who purchased mobile solar generators from, and leased them back to, DC Solar, including us received tax credits for making these renewable resource investments. During the fourth quarter 2019, several of the co-conspirators pleaded guilty to fraud in the on-going federal investigation. Based upon this information, Valley deemed that its tax positions related to the DC Solar funds did not meet the more likely than not recognition threshold in Valley's tax reserve assessment at December 31, 2019. The principals pled guilty to fraud in early 2020.

As of December 31, 2020 and 2019, Valley believes that it was fully reserved for the renewable energy tax credits and other tax benefits previously recognized from the investments in the DC Solar funds plus interest. Valley will continue to evaluate all its existing tax positions, however, cannot provide assurance that it will not recognize additional tax provisions related to this uncertain tax liability in the future.

A reconciliation of Valley’s gross unrecognized tax benefits for 2020, 2019 and 2018 is presented in the table below:

	2020	2019	2018
		(in thousands)	
Beginning balance	$ 31,918	$ —	$ 4,238
Additions based on tax positions related to prior years	—	31,918	—
Settlements with taxing authorities	—	—	—
Reductions due to expiration of statute of limitations	—	—	(4,238)
Ending balance	$ 31,918	$ 31,918	$ —

The entire balance of unrecognized tax benefits, if recognized, would favorably affect Valley's 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 $3.5 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 accrued approximately $7.6 million and

$6.1 million of interest expense associated with Valley's uncertain tax positions at December 31, 2020 and 2019, respectively. There was no interest expense accrued for uncertain tax positions during the year ended December 31, 2018.

Valley monitors its tax positions for the underlying facts, circumstances, and information available including the federal investigation of DC Solar and changes in tax laws, case law and regulations that may necessitate subsequent de-recognition of previous tax benefits.

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 2017. Valley is under examination by the IRS and also under routine examination by various state jurisdictions, and we expect the examinations to be completed within the next 12 months. Valley has considered, for all open audits, any potential adjustments in establishing our reserve for unrecognized tax benefits as of December 31, 2020.

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 in the consolidated statements of income using the equity method of accounting. After initial measurement, the carrying amounts of tax credit investments with non-readily determinable fair values are increased to reflect Valley's share of income of the investee and are reduced to reflect its share of losses of the investee, dividends received and other-than-temporary impairments, if applicable. See the "Impairment Analysis" section below.

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, 2020 and 2019:

	December 31,	
	2020	**2019**
	(in thousands)	
Other Assets:		
Affordable housing tax credit investments, net	$ 20,074	$ 25,049
Other tax credit investments, net	47,301	59,081
Total tax credit investments, net	$ 67,375	$ 84,130
Other Liabilities:		
Unfunded affordable housing tax credit commitments	$ 1,379	$ 1,539
Unfunded other tax credit commitments	—	1,139
Total unfunded tax credit commitments	$ 1,379	$ 2,678

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, 2020, 2019 and 2018:

	2020	2019	2018
		(in thousands)	
Components of Income Tax Expense:			
Affordable housing tax credits and other tax benefits	$ 5,414	$ 6,757	$ 6,713
Other tax credit investment credits and tax benefits	8,065	10,205	21,351
Total reduction in income tax expense	$ 13,479	$ 16,962	$ 28,064
Amortization of Tax Credit Investments:			
Affordable housing tax credit investment losses	$ 2,714	$ 2,184	$ 1,880
Affordable housing tax credit investment impairment losses	2,209	3,295	2,544
Other tax credit investment losses	2,234	5,668	1,970
Other tax credit investment impairment losses	6,178	9,245	17,806
Total amortization of tax credit investments recorded in non-interest expense	$ 13,335	$ 20,392	$ 24,200

Impairment Analysis

An impairment loss is recognized when the fair value of the tax credit investment is less than its carrying value. The determination of whether a decline in value of a tax credit investment is other-than-temporary requires significant judgment and is performed separately for each investment. The tax credit investments are reviewed for impairment quarterly, or whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. These circumstances can include, but are not limited to, the following factors:

- Evidence that Valley does not have the ability to recover the carrying amount of the investment;
- The inability of the investee to sustain earnings;
- A current fair value of the investment based upon cash flow projections that is less than the carrying amount; and
- Change in the economic or technological environment that could adversely affect the investee's operations

On a quarterly basis, Valley obtains financial reporting on its underlying tax credit investment assets for each fund from the fund manager who is independent of Valley and the Fund Sponsor. The financial reporting is reviewed for deterioration in the financial condition of the fund, the level of cash flows and any significant losses or impairment charges. Valley also regularly reviews the condition and continuing prospects of the underlying operations of the investment with the fund manager, including any observations from site visits and communications with the Fund Sponsor, if available. Annually, Valley obtains the audited financial statements prepared by an independent accounting firm for each investment, as well as the annual tax returns. Generally, none of the aforementioned review factors are individually conclusive and the relative importance of each factor will vary based on facts and circumstances. However, the longer the expected period of recovery, the stronger and more objective the positive evidence needs to be in order to overcome the presumption that the impairment is other than temporary. If management determines that a decline in value is other than temporary per its quarterly and annual reviews, including current probable cash flow projections, the applicable tax credit investment is written down to its estimated fair value through an impairment charge to earnings, which establishes the new cost basis of the investment.

During the first quarter 2019, Valley determined that future cash flows related to the remaining investments in three federal renewable energy tax credit funds sponsored by DC Solar (previously reported in other tax credit investments, net) were not probable based upon new information available, including the sponsor's bankruptcy proceedings which were reclassified to Chapter 7 from Chapter 11 in late March 2019. As a result, Valley recognized impairment charge for the entire aggregate unamortized investment of $2.4 million for the first quarter 2019, which is included within amortization of tax credit investments for the year ended December 31, 2019.

COMMITMENTS AND CONTINGENCIES (Note 15)

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, 2020 and 2019:

	2020	2019
	(in thousands)	
Commitments under commercial loans and lines of credit	$ 5,595,561	$ 5,550,967
Home equity and other revolving lines of credit	1,485,911	1,379,581
Standby letters of credit	293,900	296,036
Outstanding residential mortgage loan commitments	244,286	233,291
Commitments to sell loans	155,627	68,492
Commitments under unused lines of credit—credit card	68,735	44,527
Commercial letters of credit	1,663	2,887
Total	$ 7,845,683	$ 7,575,781

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.

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 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.

At December 31, 2020, Valley had 10 interest rate swap agreements, with a total notional amount of $1.1 billion, to hedge the changes in cash flows associated with certain short-term FHLB advances and brokered deposits. Valley is required to pay fixed-rates of interest ranging from 0.05 percent to 0.67 percent and receives variable rates of interest that reset quarterly based on three-month LIBOR. Expiration dates for the swaps range from April 2021 to August 2022.

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.

Valley's one interest rate swap used to hedge the change in the fair value of a commercial loan matured in November 2020. Valley did not have any fair value hedges at December 31, 2020.

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. 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 these interest rate swaps 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.

Valley sometimes enters into risk participation agreements with external lenders where the banks are sharing their risk of default on the interest rate swaps on participated loans. Valley either pays or receives a fee depending on the participation type. Risk participation agreements are credit derivatives not designated as hedges. Credit derivatives are not speculative and are not used to manage interest rate risk in assets or liabilities. Changes in the fair value in credit derivatives are recognized directly in earnings. At December 31, 2020, Valley had 26 credit swaps with an aggregate notional amount of $221.1 million related to risk participation agreements.

At December 31, 2020, Valley had two "steepener" swaps with a total current notional amount of $10.4 million where the receive rate on the swap mirrors the pay rate on the brokered deposits. The rates paid on these types of hybrid instruments are based on a formula derived from the spread between the long and short ends of the constant maturity swap (CMS) rate curve. Although these types of 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 three-month LIBOR rate and therefore provide an effective economic hedge.

Valley 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, 2020			December 31, 2019		
	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 swaps	$ —	$ 179	$ 1,100,000	$ —	$ 1,484	$ 180,000
Fair value hedge interest rate swaps	—	—	—	—	229	7,281
Total derivatives designated as hedging instruments	$ —	$ 179	$ 1,100,000	$ —	$ 1,713	$ 187,281
Derivatives not designated as hedging instruments:						
Interest rate swaps and other contracts [1]	$ 387,008	$ 154,025	$ 8,889,557	$ 158,382	$ 42,020	$ 4,113,106
Mortgage banking derivatives	444	2,077	321,486	150	193	142,760
Total derivatives not designated as hedging instruments	$ 387,452	$ 156,102	$ 9,211,043	$ 158,532	$ 42,213	$ 4,255,866

(1) Other contracts include risk participation agreements.

The Chicago Mercantile Exchange and London Clearing House variation margins are classified as a single-unit of account with the cash flow hedges and over-the-counter (OTC) non-designated derivative instruments. As a result, the fair value of the designated cash flow interest rate swaps assets and designated and non-designated interest rate swaps liabilities were reduced by variation margin treated as settlement of the related derivatives fair values for legal and accounting purposes as required by central clearing houses and reported in the table above on a net basis at December 31, 2020 and 2019.

Gains (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:

	2020	2019	2018
		(in thousands)	
Amount of loss reclassified from accumulated other comprehensive loss to interest expense	$ (2,912)	$ (1,808)	$ (3,493)
Amount of (loss) gain recognized in other comprehensive income	(3,169)	(1,380)	2,651

The net gains or losses related to cash flow hedge ineffectiveness were immaterial during the years ended December 31, 2020, 2019 and 2018. The accumulated net after-tax losses related to effective cash flow hedges included in accumulated other comprehensive loss were $4.0 million and $3.7 million at December 31, 2020 and 2019, 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 $3.4 million will be reclassified as an increase to interest expense in 2021.

Gains (losses) included in the consolidated statements of income related to interest rate derivatives designated as hedges of fair value were as follows:

	2020	2019	2018
		(in thousands)	
Derivative—interest rate swaps:			
Interest income	$ 229	$ 133	$ 290
Hedged item—loans, deposits and long-term borrowings:			
Interest income	$ (229)	$ (133)	$ (290)

The following table presents the hedged items related to interest rate derivatives designated as hedges of fair value and the cumulative basis fair value adjustment included in the net carrying amount of the hedged items at December 31, 2020 and 2019:

Line Item in the Statement of Financial Position in Which the Hedged Item is Included	Carrying Amount of the Hedged Asset		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset	
	2020	2019	2020	2019
		(in thousands)		
Loans	$ —	$ 7,510	$ —	$ 229

Net losses included in the consolidated statements of income related to derivative instruments not designated as hedging instruments were as follows:

	2020	2019	2018
		(in thousands)	
Non-designated hedge interest rate and credit derivatives			
Other non-interest expense	$ 1,067	$ 898	$ 792

Fee income related to derivative interest rate swaps executed with commercial loan customers totaled $59.0 million, $33.4 million and $16.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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, 2020, Valley was in compliance with all of the provisions of its derivative counterparty agreements. As of December 31, 2020, 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 $152.8 million. Valley has derivative counterparty agreements that require minimum collateral posting thresholds for certain counterparties.

BALANCE SHEET OFFSETTING (Note 16)

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

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

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, 2020 and 2019.

				Gross Amounts Not Offset		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Financial Instruments	Cash Collateral [1]	Net Amount
			(in thousands)			
December 31, 2020						
Assets:						
Interest rate swaps	$ 150,487	$ —	$ 150,487	$ —	$ —	$ 150,487
Liabilities:						
Interest rate swaps	$ 150,487	$ —	$ 150,487	$ —	$ (150,487)	$ —
Repurchase agreements	300,000	—	300,000	(300,000) [2]	—	—
Total liabilities	$ 450,487	$ —	$ 450,487	$ (300,000)	$ (150,487)	$ —
December 31, 2019						
Assets:						
Interest rate swaps	$ 17,218	$ —	$ 17,218	$ —	$ —	$ 17,218
Interest rate swaps	$ 17,218	$ —	$ 17,218	$ —	$ (16,881)	$ 337
Repurchase agreements	350,000	—	350,000	(350,000) [2]	—	—
Total liabilities	$ 367,218	$ —	$ 367,218	$ (350,000)	$ (16,881)	$ 337

(1) Cash collateral pledged to our counterparties in relation to market value exposures of OTC derivative contracts in a liability position.
(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.

Valley is required to maintain a 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, plus a 2.5 percent capital conservation buffer added to the minimum requirements for capital adequacy purposes. As of December 31, 2020 and 2019, Valley and Valley National Bank exceeded all capital adequacy requirements (see table below).

For regulatory capital purposes, in connection with the Federal Reserve Board's final interim rule as of April 3, 2020, 100 percent of the CECL Day 1 impact to shareholders' equity equaling $28.2 million after-tax will be deferred for a two-year period ending January 1, 2022, at which time it will be phased in on a pro-rata basis over a three-year period ending January 1, 2025. Additionally, 25 percent of the reserve build (i.e., provision for credit losses less net charge-offs) for the year ended December 31, 2020 will be phased in over the same time frame.

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, 2020 and 2019:

	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, 2020						
Total Risk-based Capital						
Valley	$ 3,802,223	12.64 %	$ 3,159,019	10.50 %	N/A	N/A
Valley National Bank	3,839,922	12.76	3,158,842	10.50	$ 3,008,421	10.00 %
Common Equity Tier 1 Capital						
Valley	2,991,085	9.94	2,106,013	7.00	N/A	N/A
Valley National Bank	3,607,625	11.99	2,105,894	7.00	1,955,473	6.50
Tier 1 Risk-based Capital						
Valley	3,205,926	10.66	2,557,301	8.50	N/A	N/A
Valley National Bank	3,607,625	11.99	2,557,158	8.50	2,406,736	8.00
Tier 1 Leverage Capital						
Valley	3,205,926	8.06	1,591,852	4.00	N/A	N/A
Valley National Bank	3,607,625	9.07	1,591,457	4.00	1,989,321	5.00
As of December 31, 2019						
Total Risk-based Capital						
Valley	$ 3,427,134	11.72 %	$ 3,070,687	10.50 %	N/A	N/A
Valley National Bank	3,416,674	11.69	3,069,894	10.50	$ 2,923,709	10.00 %
Common Equity Tier 1 Capital						
Valley	2,754,524	9.42	2,047,125	7.00	N/A	N/A
Valley National Bank	3,152,070	10.78	2,046,596	7.00	1,900,411	6.50
Tier 1 Risk-based Capital						
Valley	2,968,530	10.15	2,485,795	8.50	N/A	N/A
Valley National Bank	3,152,070	10.78	2,485,153	8.50	2,338,967	8.00
Tier 1 Leverage Capital						
Valley	2,968,530	8.76	1,355,378	4.00	N/A	N/A
Valley National Bank	3,152,070	9.31	1,354,693	4.00	1,693,366	5.00

COMMON AND PREFERRED STOCK (Note 18)

Dividend Reinvestment Plan. Valley's transfer agent maintains its dividend reinvestment plan (DRIP) with shares purchased in the open market. The ability to issue authorized and previously unissued common stock or reissue treasury stock as part of Valley's DRIP was terminated effective February 12, 2018. During 2018, 87 thousand common shares were reissued from treasury stock or issued from authorized common shares under the DRIP for net proceeds totaling $1.0 million.

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. Under the repurchase plan, Valley made no purchases of its outstanding shares during the years ended December 31, 2020, 2019 and 2018 in the open market.

Other Stock Repurchases. Valley purchases shares directly from its employees in connection with employee elections to withhold taxes related to the vesting of stock awards. During the years ended December 31, 2020, 2019 and 2018, Valley purchased approximately 510 thousand, 175 thousand and 441 thousand shares, respectively, of its outstanding common stock at an average price of $10.61, $10.45 and $11.83, respectively, for such purpose.

Preferred Stock

Series A Issuance. 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 $111.6 million. Commencing June 30, 2025, Valley may redeem the preferred shares at the liquidation preference plus accrued and unpaid dividends, subject to certain conditions.

Series B Issuance. On August 3, 2017, Valley issued 4.0 million shares of its Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series B, no par value per share, with a liquidation preference of $25 per share. Dividends on the preferred stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 5.50 percent from the original issuance date to, but excluding, September 30, 2022, and thereafter at a floating rate per annum equal to three-month LIBOR plus a spread of 3.578 percent. The net proceeds from the preferred stock offering totaled $98.1 million. Commencing September 30, 2022, Valley may redeem the preferred shares at the liquidation preference plus accrued and unpaid dividends, subject to certain conditions.

Preferred stock is included in Valley's (additional) Tier 1 capital and total risk-based capital at December 31, 2020 and 2019.

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, 2020, 2019 and 2018. Components of other comprehensive income (loss) include changes in net unrealized gains and losses on debt securities available for sale; 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.

	2020			2019			2018		
	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) debt securities									
Net gains (losses) arising during the period	$ 38,477	$ (10,632)	$ 27,845	$ 54,723	$ (15,461)	$ 39,262	$ (32,123)	$ 9,191	$ (22,932)
Less reclassification adjustment for net (gains) losses included in net income [1]	(524)	147	(377)	150	(31)	119	2,873	(636)	2,237
Net change	37,953	(10,485)	27,468	54,873	(15,492)	39,381	(29,250)	8,555	(20,695)
Unrealized gains and losses on derivatives (cash flow hedges)									
Net (losses) gains arising during the period	(3,169)	918	(2,251)	(1,380)	391	(989)	2,651	(777)	1,874
Less reclassification adjustment for net losses (gains) included in net income [2]	2,912	(838)	2,074	1,808	(517)	1,291	3,493	(999)	2,494
Net change	(257)	80	(177)	428	(126)	302	6,144	(1,776)	4,368
Defined benefit pension plan									
Net (losses) gains arising during the period	(5,719)	2,301	(3,418)	(2,385)	(176)	(2,561)	(9,916)	2,765	(7,151)
Amortization of prior service (cost) credit [3]	(136)	38	(98)	(135)	42	(93)	212	(66)	146
Amortization of net loss [3]	1,003	(282)	721	264	(76)	188	625	(178)	447
Net change	(4,852)	2,057	(2,795)	(2,256)	(210)	(2,466)	(9,079)	2,521	(6,558)
Total other comprehensive income (loss)	$ 32,844	$ (8,348)	$ 24,496	$ 53,045	$ (15,828)	$ 37,217	$ (32,185)	$ 9,300	$ (22,885)

(1) Included in gains (losses) on securities transactions, net.
(2) Included in interest expense.
(3) 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, 2020, 2019 and 2018:

	Components of Accumulated Other Comprehensive Loss			
	Unrealized Gains and Losses on AFS Securities	Unrealized Gains and Losses on Derivatives	Defined Benefit Pension Plan	Total Accumulated Other Comprehensive Loss
	(in thousands)			
Balance-December 31, 2017	$ (12,384)	$ (8,338)	$ (25,283)	$ (46,005)
Reclassification due to the adoption of ASU No. 2016-01	(480)	—	—	(480)
Reclassification due to the adoption of ASU No. 2017-12	—	(61)	—	(61)
Balance-January 1, 2018	(12,864)	(8,399)	(25,283)	(46,546)
Other comprehensive (loss) income before reclassifications	(22,932)	1,874	(7,151)	(28,209)
Amounts reclassified from other comprehensive income (loss)	2,237	2,494	593	5,324
Other comprehensive income (loss), net	(20,695)	4,368	(6,558)	(22,885)
Balance-December 31, 2018	(33,559)	(4,031)	(31,841)	(69,431)
Other comprehensive income (loss) before reclassifications	39,262	(989)	(2,561)	35,712
Amounts reclassified from other comprehensive income (loss)	119	1,291	95	1,505
Other comprehensive income (loss), net	39,381	302	(2,466)	37,217
Balance-December 31, 2019	5,822	(3,729)	(34,307)	(32,214)
Other comprehensive income (loss) before reclassifications	27,845	(2,251)	(3,418)	22,176
Amounts reclassified from other comprehensive income (loss)	(377)	2,074	623	2,320
Other comprehensive income (loss), net	27,468	(177)	(2,795)	24,496
Balance-December 31, 2020	$ 33,290	$ (3,906)	$ (37,102)	$ (7,718)

PARENT COMPANY INFORMATION (Note 20)

Condensed Statements of Financial Condition

	December 31,	
	2020	2019
	(in thousands)	
Assets		
Cash	$ 130,163	$ 119,213
Equity securities	2,999	—
Investments in and receivables due from subsidiaries	4,998,795	4,671,578
Other assets	11,133	12,953
Total Assets	$ 5,143,090	$ 4,803,744
Liabilities and Shareholders' Equity		
Dividends payable to shareholders	$ 46,591	$ 45,796
Long-term borrowings	403,413	292,414
Junior subordinated debentures issued to capital trusts	56,065	55,718
Accrued expenses and other liabilities	44,901	25,628
Shareholders' equity	4,592,120	4,384,188
Total Liabilities and Shareholders' Equity	$ 5,143,090	$ 4,803,744

Condensed Statements of Income

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Income			
Dividends from subsidiary	$ 186,000	$ 160,000	$ 155,000
Income from subsidiary	4,436	4,550	4,550
Gains on securities transactions, net	—	—	3
Losses on sales of assets, net	—	—	(147)
Other interest and income	21	51	39
Total Income	190,457	164,601	159,445
Total Expenses	23,484	27,998	32,269
Income before income tax and equity in undistributed earnings of subsidiary	166,973	136,603	127,176
Income tax (benefit) expense	(3,946)	24,524	(20,547)
Income before equity in undistributed earnings of subsidiary	170,919	112,079	147,723
Equity in undistributed earnings of subsidiary	219,687	197,714	113,705
Net Income	390,606	309,793	261,428
Dividends on preferred stock	12,688	12,688	12,688
Net Income Available to Common Shareholders	$ 377,918	$ 297,105	$ 248,740

Condensed Statements of Cash Flows

	Years Ended December 31,		
	2020	2019	2018
		(in thousands)	
Cash flows from operating activities:			
Net Income	$ 390,606	$ 309,793	$ 261,428
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiary	(219,687)	(197,714)	(113,705)
Stock-based compensation	16,154	14,726	19,472
Net amortization of premiums and accretion of discounts on borrowings	230	124	63
Gains on securities transactions, net	—	—	(3)
Losses on sales of assets, net	—	—	147
Net change in:			
Other assets	121	19,768	9,928
Accrued expenses and other liabilities	17,905	8,803	(10,657)
Net cash provided by operating activities	205,329	155,500	166,673
Cash flows from investing activities:			
Purchases of equity securities	(2,500)	—	—
Sales of investment securities available for sale	—	—	257
Cash and cash equivalents acquired in acquisitions	—	11,947	7,915
Repayment of subordinated debt by subsidiary	100,000	—	—
Capital contributions to subsidiary	(210,000)	—	—
Other, net	(1,200)	—	—
Net cash (used in) provided by investing activities	(113,700)	11,947	8,172
Cash flows from financing activities:			
Proceeds from issuance of long-term borrowings, net	113,146	—	—
Dividends paid to preferred shareholders	(12,688)	(12,688)	(15,859)
Dividends paid to common shareholders	(177,965)	(146,537)	(138,857)
Purchase of common shares to treasury	(5,374)	(1,805)	(3,801)
Common stock issued, net	2,202	2,957	2,704
Net cash used in financing activities	(80,679)	(158,073)	(155,813)
Net change in cash and cash equivalents	10,950	9,374	19,032
Cash and cash equivalents at beginning of year	119,213	109,839	90,807
Cash and cash equivalents at end of year	$ 130,163	$ 119,213	$ 109,839

BUSINESS SEGMENTS (Note 21)

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 the 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 transfer pricing methodology, which involves the allocation of operating and funding costs based on each segment's respective mix of average earning assets and/or liabilities 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 and automobile loans, and to a lesser extent, secured personal lines of credit, home equity loans and other consumer 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. The consumer lending segment also includes the Wealth Management and Insurance Services Division, comprised of trust, asset management, and insurance services.

The commercial lending segment is mainly comprised of floating rate and adjustable rate commercial and industrial loans and construction 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 and interest-bearing deposits with other banks. These investments are mainly comprised of fixed rate securities and depending on Valley's liquid cash position, federal funds sold and interest-bearing deposits with banks (primarily the Federal Reserve Bank of New York), as part of its asset/liability management strategies. The fixed rate investments are among Valley's assets that are least sensitive 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 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 securities gains and losses not reported in the investment management segment above, interest expense related to subordinated notes, amortization and impairment of tax credit investments, as well as non-core items, including the loss on extinguishment of debt and merger expenses.

The following tables represent the financial data for Valley's four business segments for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31, 2020				
	Consumer Lending	**Commercial Lending**	**Investment Management**	**Corporate and Other Adjustments**	**Total**
			($ in thousands)		
Average interest earning assets (unaudited)	$ 7,160,793	$24,625,066	$ 5,225,074	$ —	$37,010,933
Interest income	$ 257,196	$ 1,027,796	$ 102,883	$ (4,156)	$ 1,383,719
Interest expense	47,712	164,075	34,814	18,214	264,815
Net interest income (loss)	209,484	863,721	68,069	(22,370)	1,118,904
Provision for credit losses	11,502	113,585	635	—	125,722
Net interest income (loss) after provision for credit losses	197,982	750,136	67,434	(22,370)	993,182
Non-interest income	81,499	64,783	10,083	26,667	183,032
Non-interest expense	77,582	98,710	1,136	468,720	646,148
Internal transfer expense (income)	77,835	267,588	56,788	(402,211)	—
Income (loss) before income taxes	$ 124,064	$ 448,621	$ 19,593	$ (62,212)	$ 530,066
Return on average interest earning assets (pre-tax) (unaudited)	1.73 %	1.82 %	0.37 %	N/A	1.43 %

	Year Ended December 31, 2019				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and Other Adjustments	Total
			($ in thousands)		
Average interest earning assets (unaudited)	$ 6,891,462	$ 19,343,791	$ 4,340,277	$ —	$ 30,575,530
Interest income	$ 272,773	$ 926,328	$ 126,723	$ (4,824)	$ 1,321,000
Interest expense	91,798	257,670	57,815	15,669	422,952
Net interest income (loss)	180,975	668,658	68,908	(20,493)	898,048
Provision for credit losses	6,688	17,530	—	—	24,218
Net interest income (loss) after provision for credit losses	174,287	651,128	68,908	(20,493)	873,830
Non-interest income	57,981	41,157	8,818	106,564	214,520
Non-interest expense	76,046	101,924	1,034	452,551	631,555
Internal transfer expense (income)	78,743	221,113	49,670	(349,526)	—
Income (loss) before income taxes	$ 77,479	$ 369,248	$ 27,022	$ (16,954)	$ 456,795
Return on average interest earning assets (pre-tax) (unaudited)	1.12 %	1.91 %	0.62 %	N/A	1.49 %

	Year Ended December 31, 2018				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and Other Adjustments	Total
			($ in thousands)		
Average interest earning assets (unaudited)	$ 6,197,161	$ 17,143,169	$ 4,362,581	$ —	$ 27,702,911
Interest income	$ 235,264	$ 798,974	$ 130,971	$ (5,961)	$ 1,159,248
Interest expense	64,083	177,273	45,112	15,577	302,045
Net interest income (loss)	171,181	621,701	85,859	(21,538)	857,203
Provision for credit losses	5,550	26,951	—	—	32,501
Net interest income (loss) after provision for credit losses	165,631	594,750	85,859	(21,538)	824,702
Non-interest income	61,280	22,275	8,691	41,806	134,052
Non-interest expense	92,462	95,171	1,251	440,177	629,061
Internal transfer expense (income)	77,164	213,399	54,353	(344,916)	—
Income (loss) before income taxes	$ 57,285	$ 308,455	$ 38,946	$ (74,993)	$ 329,693
Return on average interest earning assets (pre-tax) (unaudited)	0.92 %	1.80 %	0.89 %	N/A	1.19 %

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Valley National Bancorp:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial condition of Valley National Bancorp and subsidiaries (the Company) as of December 31, 2020 and 2019, 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, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, Financial Instruments – Credit Losses.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for loan losses evaluated on a collective basis

As discussed in Note 1 to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments – Credit Losses (ASC Topic 326), as of January 1, 2020. As discussed in Note 5 to the consolidated financial statements, the Company's total allowance for loan losses as of December 31, 2020 was $340.2 million, of which $264.4 million related to the loans collectively evaluated for credit losses (the collective ALL). The collective ALL includes the measure of expected credit losses on a collective basis for those loans that share similar risk characteristics. In estimating the collective ALL, the Company uses a transition matrix model which calculates an expected life of loan loss percentage for each loan pool by using probability of default and loss given default metrics.

The metrics are based on the migration of loans from performing to loss by credit quality rating or delinquency categories using life-of-loan analysis periods for each loan portfolio pool, and the severity of loss, based on the aggregate net lifetime losses incurred. The expected credit losses are the product of multiplying the model's expected life of loan loss percentages by the exposure at default at period end. The model's expected losses are adjusted for qualitative factors which includes a two-year reasonable and supportable forecast period followed by a one-year period over which estimated losses revert to historical loss experience on a straight-line basis for the remaining life of the loan. The forecasts consist of a multi-scenario economic forecast model which is assigned relative probability weightings. These adjustments are based on qualitative factors not reflected in the quantitative model but are likely to impact the measurement of estimated credit losses.

We identified the assessment of the collective ALL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the collective ALL. Specifically, the assessment encompassed the evaluation of the collective ALL methodology, including the model and methods used to estimate the (1) life of loan loss percentages and the related significant assumptions, including probability of default, loss given default and credit risk ratings for commercial loans, and (2) the qualitative factors, including the reasonable and supportable economic forecasts and related weightings, and reversion. The assessment also included an evaluation of the conceptual soundness and performance of the methodology utilized to derive the quantitative life of loan loss percentages and qualitative factors and the Company's procedures to validate the model utilized to produce the lifetime loss estimate. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the collective ALL estimate, including controls over the:

- development of the collective ALL methodology
- development of the transition matrix model
- identification and determination of the significant assumptions used in the model
- development and ongoing monitoring of the appropriateness of the reasonable and supportable forecast period
- development of the qualitative factors, including the significant assumptions used in the measurement of the qualitative factors
- procedures performed by the Company to validate the model is fit for use and appropriate to estimate lifetime losses
- periodic testing of loan risk ratings for loan portfolios
- analysis of the collective ALL results, trends and ratios.

We evaluated the Company's process to develop the collective ALL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collective ALL methodology for compliance with U.S. generally accepted accounting principles
- evaluating the judgments made by the Company relative to the development and performance monitoring of the transition matrix model used to calculate the life of loan loss percentage by comparing them to Company-specific metrics and trends and the applicable industry and regulatory practices
- testing the conceptual soundness and performance of the transition matrix model by inspecting the model documentation and model validation documentation to determine whether the model is suitable for the intended use
- evaluating the economic forecast scenarios and related weightings by comparing them to the Company's business environment and relevant industry practices
- testing the reasonable and supportable forecast period and reversion period to evaluate the length of each period by comparison to specific portfolio risk characteristics and trends
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and relevant industry practices

- testing individual credit risk ratings for a selection of commercial loans by evaluating the financial performance of the borrower, sources of repayment and any relevant guarantees or underlying collateral
- evaluating the methodology used to develop the qualitative factor framework and the effect of those factors on the collective ALL by comparing the qualitative factors to the specific portfolio risk characteristics, trends and relevant industry practices and identified limitations of the underlying quantitative models.

We also assessed the sufficiency of the audit evidence obtained related to the collective ALL by evaluating the cumulative results of the audit procedures, qualitative aspects of the Company's accounting practices and potential bias in the accounting estimate.

Goodwill impairment assessment of the Company's reporting units

As discussed in Notes 1 and 8 to the consolidated financial statements, the carrying value of the Company's goodwill balance is $1.4 billion as of December 31, 2020. The Company's goodwill is not amortized but is subject to annual tests for impairment in the second quarter, or more often, if events or circumstances indicate it may be impaired. The Company elected to perform a quantitative impairment test for its annual assessment in the second quarter which compared the fair value of each of the reporting units with their carrying amounts, including goodwill. If the fair value of each of the reporting units exceeded its carrying amounts, the goodwill of the reporting unit was not impaired. An impairment loss is recognized if the carrying value of the net assets assigned to the reporting units exceeds the fair value, with the impairment charge not to exceed the amount of goodwill recorded. Fair value is determined using market multiples and certain discounted cash flow analyses. Factors that may materially affect the fair value estimate include, among others, changes in discount rates, terminal values and specific industry or market sector conditions.

We identified the measurement of the fair value of each of the reporting units in the Company's annual goodwill impairment assessment as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgement was involved in performing procedures over the individual reporting unit estimated cash flows and related key assumptions, which included the discount rate and the terminal value growth rate used in the discounted cash flow analyses. The key assumptions were challenging to test as they represented subjective determinations of future market and economic conditions that were also more sensitive to variation. Minor changes in these assumptions could have had a significant effect on the Company's measurement of the fair value of the reporting units and the impairment assessment of the carrying value of the goodwill.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's determination of the estimated fair value of the reporting units in the annual goodwill impairment assessment, including controls over the selection and development of key assumptions used in the discounted cash flow analyses. We involved valuation professionals with specialized skill and knowledge, who assisted in:

- evaluating the Company's fair value methodology for the reporting units for compliance with U.S. generally accepted accounting principles
- evaluating the Company's discount rate by comparing it against a discount rate range that was independently developed using publicly available data for comparable entities
- evaluating the Company's terminal value growth rate by comparing it against an average growth rate range that was independently developed using publicly available economic and industry data for comparable entities
- developing an independent estimate of the reporting units' fair value using the reporting units' cash flow forecast and an independently developed discount rate and compared our estimate of fair value to the Company's fair value estimate
- reconciling the Company's estimated fair value to its market capitalization as of the measurement date and evaluating the implied control premium for alignment with industry standards.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

Short Hills, New Jersey
February 26, 2021

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure 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, are 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, 2020 (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 over financial reporting will prevent all errors and all fraud. A system of internal control, no matter how well conceived and operated, provides reasonable, not absolute, assurance that the objectives of the system of internal control are met. The design of a system of internal control 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 a 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 internal control 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.

Management's Report on Internal Control over Financial Reporting

Valley's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Valley'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 U.S. generally accepted accounting principles and 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. 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, 2020, 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, 2020, 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, 2020 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, 2020. The report is included in this item under the heading "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control over Financial Reporting

Beginning January 1, 2020, Valley adopted ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". Valley implemented changes to the policies, processes, and controls over the estimation of the allowance for credit losses to support the adoption of ASU No. 2016-13. Many of the controls that existed under the incurred model remained unchanged under the new standard. New controls were established over the review of economic forecasting projections obtained externally. Except as related to the adoption of ASU No. 2016-13, Valley's CEO and CFO have also concluded that there have not been any changes in Valley's internal control over financial reporting in the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, Valley's internal control over financial reporting.

Valley has not experienced any material impact to Valley's internal controls over financial reporting due to the fact that most of Valley's employees responsible for financial reporting are working remotely during the COVID-19 pandemic. Valley is continually monitoring and assessing the impact of the COVID-19 pandemic on Valley's internal controls over financial reporting to minimize the impact to their design and operating effectiveness.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Valley National Bancorp:

Opinion on Internal Control Over Financial Reporting

We have audited Valley National Bancorp and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2020 and 2019, 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, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

Short Hills, New Jersey
February 26, 2021

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 " Information about our Executive Officers" in Item 1 of this report. The information set forth under the captions "Director Information" and "Corporate Governance" in the 2021 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 2021 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 2021 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 2021 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 2021 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 3.1 to the Registrant's Form 10-Q Quarterly Report filed on August 7, 2020.

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 October 23, 2018.

(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. 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).

D. 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).

E. Agreement to provide SEC with Indentures not filed. (Item 601(b)(4)(iii)(A)), incorporated herein by reference to Exhibit 4G to the Registrant's Form 10-K Annual Report filed on February 28, 2017.

F. Description of Valley Securities, incorporated herein by reference to Exhibit 4F to the Registrant's Form 10-K Annual Report filed on March 10, 2020.

G. Indenture, dated as of June 5, 2020, 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 5, 2020.

H. First Supplemental Indenture, dated as of June 5, 2020, between Valley and The Bank of New York Mellon Trust Company, N.A., as Trustee, including the form of 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 5, 2020 (Valley 5.25% sub debt due June 15, 2030).

(10) Material Contracts:

A. Amended and Restated Change in Control Agreements among Valley National Bank, Valley 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 (applicable only to Gerald H. Lipkin guaranteed retirement agreement) +

C. 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). Continues until December 31,2022 for Melissa F. Scofield and Bernadette M. Mueller. +

D. 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.+

E. 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).+

F. 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 (in use prior to 2019).+

G. Form of Valley National Bancorp Restricted Stock Award Agreement, incorporated herein by reference to Exhibit 10.2 to the Registrant's Form 10-Q Quarterly Report filed on May 8, 2017 (in use prior to 2019).+

H. Valley National Bancorp Deferred Compensation Plan, dated as of January 1, 2017, incorporated herein by reference to Exhibit 10.S to the Registrant's Form 10-K Annual Report for the year ended December 31, 2016.+

I. Severance Letter Agreement, dated as of September 21, 2016, between Valley National Bank, Valley and Ira Robbins, incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K Current Report filed on September 27, 2016.+

J. 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 (applicable until December 31, 2022).+

K. 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.+

L. 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 (applicable until December 31, 2022). +

M. Severance Letter Agreement, dated as of January 3, 2017, between Valley, Valley National Bank and Ronald H. Janis, incorporated herein by reference to Exhibit 10.DD to the Registrant's Form 10-K Annual Report for the year ended December 31, 2016.+

N. Change in Control Agreement, dated as of January 3, 2017, between Valley, Valley National Bank and Ronald H. Janis, incorporated herein by reference to Exhibit 10.EE to the Registrant's Form 10-K Annual Report for the year ended December 31, 2016 (applicable until December 31, 2022).+

O. USAmeriBancorp, Inc. 2006 Stock Option and Restricted Stock Plan, as amended, incorporated herein by reference to Exhibit 99.1 to the Registrant's Form S-8 Registration Statement filed on December 29, 2017.+

P. USAmeriBancorp, Inc. 2015 Long-Term Incentive Plan, incorporated herein by reference to Exhibit 99.2 to the Registrant's Form S-8 Registration Statement filed on December 29, 2017.+

Q. Form of Change in Control Agreement for Executive Vice President, dated January 16, 2019, incorporated herein by reference to Exhibit CC to the Registrant's Form 10-K filed on February 28, 2019. +

R. Form of Change in Control Agreement for Senior Executive Vice President, dated January 16, 2019, incorporated herein by reference to Exhibit DD to the Registrant's Form 10-K filed on February 28, 2019. +

S. Form of Agreement to Reduce Change in Control Severance, effective January 1, 2023 (applicable to Ira Robbins, Thomas A. Iadanza, Ronald H. Janis, Bernadette M. Mueller and Melissa Scofield), incorporated herein by reference to Exhibit EE to the Registrant's Form 10-K filed on February 28, 2019. +

T. Form of Change in Control Agreement for President and Chief Executive Officer, dated January 16, 2019 and effective January 1, 2023 (applicable to Ira Robbins), incorporated herein by reference to Exhibit FF to the Registrant's Form 10-K filed on February 28, 2019. +

U. Amendment to 2016 Change in Central Severance Plan for First Senior Vice Presidents and Senior Vice Presidents (applicable after January 1, 2020), incorporated herein by reference to Exhibit GG to the Registrant's Form 10-K filed on February 28, 2019. +

V. 2019 Change in Control Severance Plan applicable to First Senior Vice Presidents and Senior Vice Presidents, incorporated herein by reference to Exhibit HH to the Registrant's Form 10-K filed on February 28, 2019. +

W. Form of Change in Control Agreement for Senior Executive Vice President, effective January 1, 2023 (covering Thomas A. Iadanza and Ronald H. Janis), incorporated herein by reference to Exhibit II to the Registrant's Form 10-K filed on February 28, 2019. +

X. Valley National Bancorp 2016 Long-Term Stock Incentive Plan, as amended and restated on January 28, 2020 incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 10-Q filed on November 6, 2020. +

Y. Form of Valley National Bancorp Agreement for Performance Based Restricted Stock Unit Award, in connection with Valley National Bancorp 2016 Long-Term Stock Incentive Plan, (for use in 2019 and thereafter), incorporated herein by reference to Exhibit LL to the Registrant's Form 10-K filed on February 28, 2019. +

Z. Form of Valley National Bancorp Restricted Stock Unit Award Agreement, in connection with Valley National Bancorp 2016 Long-Term Stock Incentive Plan, (for use in 2019 and thereafter), incorporated herein by reference to Exhibit MM to the Registrant's Form 10-K filed on February 28, 2019. +

AA. Form of Valley National Bancorp Director Restricted Stock Unit Award Agreement, in connection with Valley National Bancorp 2016 Long-Term Stock Incentive Plan, (for use in 2019 and thereafter), incorporated herein by reference to Exhibit NN to the Registrant's Form 10-K filed on February 28, 2019. +

BB. Oritani Financial Corp. 2011 Equity Incentive Plan, incorporated by reference to Appendix A of the proxy statement for the Special Meeting of Oritani Stockholders (Commission File No. 001-34786) filed by Oritani under the Securities Exchange Act of 1934, as amended, on June 27, 2011. +

CC. Employment Agreement, dated as of July 25, 2017, by and among Joseph V. Chillura, Valley National Bancorp and Valley National Bank, incorporated herein by reference to Exhibit 10.1 of the Registrant’s Form 10-Q filed on August 7, 2020. +

(21) List of Subsidiaries as of December 31, 2020:

	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%
	Aliant Statutory Trust II	Delaware	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%
	Valley Insurance Services, Inc.	New York	90%
	Metro Title and Settlement Agency, Inc.	New York	100%
	Valley Commercial Capital, LLC	New Jersey	100%
	Valley Securities Holdings, LLC	New York	100%
	VNB New York, LLC	New York	100%
(c)	Subsidiaries of Valley Insurance Services, Inc.:		
	RISC One, Inc.	New York	100%
	Valley Insurance Services of Florida, LLC	Florida	100%
(d)	Subsidiaries of Valley Securities Holdings, LLC:		
	SAR II, Inc.	New Jersey	100%
	Shrewsbury Capital Corporation	New Jersey	100%
	Valley Investments, Inc.	New Jersey	100%
	Oritani Investment Corp.	New Jersey	100%
(e)	Subsidiary of Oritani Investment Corp.:		
	Oritani Asset Corp.	New Jersey	100%
(f)	Subsidiary of SAR II, Inc.:		
	VNB Realty, Inc.	New Jersey	100%
(g)	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 Ira Robbins, Chairman of the Board, President and Chief Executive Officer of the Company, pursuant to Securities Exchange Rule 13a-14(a).*

(31.2) Certification of Michael D. Hagedorn, 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 Ira Robbins, Chairman of the Board, President and Chief Executive Officer of the Company and Michael D. Hagedorn, Senior Executive Vice President and Chief Financial Officer of the Company.*

(101) Interactive Data File (XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) *

(104) Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) *

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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/ IRA ROBBINS

Ira Robbins, ***Chairman of the Board, President and Chief Executive Officer***

By: /s/ MICHAEL D. HAGEDORN

Michael D. Hagedorn,
Senior Executive Vice President and Chief Financial Officer

Dated: February 26, 2021

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/ IRA ROBBINS **Ira Robbins**	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2021
/S/ MICHAEL D. HAGEDORN **Michael D. Hagedorn**	Senior Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 26, 2021
/S/ MITCHELL L. CRANDELL **Mitchell L. Crandell**	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 26, 2021
ANDREW B. ABRAMSON* **Andrew B. Abramson**	Director	February 26, 2021
PETER J. BAUM* **Peter J. Baum**	Director	February 26, 2021
ERIC P. EDELSTEIN* **Eric P. Edelstein**	Director	February 26, 2021
GRAHAM O. JONES* **Graham O. Jones**	Director	February 26, 2021
MARC J. LENNER* **Marc J. Lenner**	Director	February 26, 2021
KEVIN J. LYNCH* **Kevin J. Lynch**	Director	February 26, 2021
PETER V. MAIO* **Peter V. Maio**	Director	February 26, 2021
SURESH L. SANI* **Suresh L. Sani**	Director	February 26, 2021

Signature	Title	Date
LISA J. SCHULTZ* **Lisa J. Schultz**	Director	February 26, 2021
JENNIFER W. STEANS* **Jennifer W. Steans**	Director	February 26, 2021
JEFFREY S. WILKS* **Jeffrey S. Wilks**	Director	February 26, 2021
DR. SIDNEY S. WILLIAMS, JR.* **Dr. Sidney S. Williams, Jr.**	Director	February 26, 2021

*

By: /s/ MICHAEL D. HAGEDORN **Michael D. Hagedorn, attorney-in fact**		February 26, 2021

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