

**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, 2021

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

(State or other jurisdiction of  
Incorporation or Organization)

One Penn Plaza

New York, NY

(Address of principal executive office)

22-2477875

(I.R.S. Employer  
Identification Number)

10119

(Zip code)

973-305-8800

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbols</u>	<u>Name of exchange on which registered</u>
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 \$5.4 billion on June 30, 2021.

There were 421,388,158 shares of Common Stock outstanding at February 25, 2022.

**Documents incorporated by reference:**

Certain portions of the registrant's Definitive Proxy Statement (the "2022 Proxy Statement") for the 2022 Annual Meeting of Shareholders to be held May 17, 2022 will be incorporated by reference in Part III. The 2022 Proxy Statement will be filed within 120 days of December 31, 2021.

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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 (MD&A) 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 and a financial holding company with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended (“Holding Company Act”). 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, 2021, Valley had consolidated total assets of \$43.4 billion, total net loans of \$33.8 billion, total deposits of \$35.6 billion and total shareholders’ equity of \$5.1 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, 2021 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 has been chartered as a national banking association under the laws of the United States since 1927. Valley offers a full suite of national and regional banking solutions through various commercial, retail, insurance and wealth management financial services products.

Valley provides personalized service and customized solutions to assist its customers with their financial service needs. Our solutions include, but are not limited to, traditional consumer and commercial deposit and lending products, commercial real estate financing, small business loans, equipment financing, insurance and wealth management financial services products, cash management solutions, and personal financing solutions, such as residential mortgages, home equity loans and automobile financing. Valley also offers niche financial services, including loan and deposit products for homeowners associations, insurance premium financing and cannabis-related business banking which we offer nationally.

The Bank provides convenient account access to customers through a number of account management services, including access to more than 200 branch locations across New Jersey, New York, Florida and Alabama; online and mobile banking; drive-in and night deposit services; telephone banking; automated teller machines; remote deposit capture; and safe deposit facilities. In addition, certain international banking services are available to customers, including standby letters of credit, documentary letters of credit and related products, and certain ancillary services, such as foreign exchange transactions, documentary collections, foreign wire transfers, as well as transaction accounts for non-resident aliens.

Valley and the Bank’s subsidiaries, excluding trusts, 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;
- an advisory firm specializing in the investment and management of tax credits;
- 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 (“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 Valley. Because each REIT 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 or former Bank employees. The Bank owns the remaining preferred stock and all the common stock of the REIT subsidiaries.

### ***Recent Acquisitions***

Valley has grown significantly in the past several years both through organic efforts and through bank acquisitions that expanded our business footprint in New Jersey, Florida and New York. Recent transactions are discussed further below.

**The Westchester Bank Holding Corporation.** On December 1, 2021, Valley completed its acquisition of The Westchester Bank Holding Corporation (Westchester) and its principal subsidiary, The Westchester Bank, which was headquartered in White Plains, New York. As of December 1, 2021, Westchester had approximately \$1.4 billion in assets, \$915.0 million in loans, and \$1.2 billion in deposits after purchase accounting adjustments and a branch network of seven locations in Westchester County, New York. The acquisition represented a significant addition to Valley's New York franchise, and enabled Valley to expand into the Westchester County, New York market. The common shareholders of Westchester received 229.645 shares of Valley common stock for each Westchester share they owned prior to the merger. Full systems integration was completed in February 2022 with minimal disruption to our customers. However, some normal post-systems integration matters involving back-office and other functions were still underway at the filing date of this report.

**Dudley Ventures.** On October 8, 2021, Valley acquired certain subsidiaries of Arizona-based Dudley Ventures (DV), an advisory firm specializing in the investment and management of tax credits. The transaction included the acquisition of DV Fund Advisors and DV Advisory Services which were both subsequently merged and renamed Dudley Ventures, as well as DV's community development entity, DV Community Investment. On November 16, 2021, Valley also acquired DV Financial Services, a registered broker-dealer regulated by FINRA, which is largely inactive. The DV related acquisitions are expected to support our efforts to build differentiated sources of non-interest income.

**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.

### ***Pending Acquisition***

**Bank Leumi Le-Israel Corporation.** On September 23, 2021, Valley announced that it will acquire Bank Leumi Le-Israel Corporation, the U.S. subsidiary of Bank Leumi Le-Israel B.M., and parent company of Bank Leumi USA, referred to as "Bank Leumi USA". Bank Leumi USA maintains its headquarters in New York City and also has commercial banking offices in Chicago, Los Angeles, Palo Alto, and Aventura, Florida. As of December 31, 2021, Bank Leumi USA had total assets of \$8.3 billion, total deposits of \$7.1 billion, and gross loans of \$5.8 billion. Valley has received regulatory approval from the Federal Reserve Bank of New York (FRB) and the Office of the Comptroller of the Currency (OCC), as well as Valley shareholder approval of the issuance of Valley common stock in connection with the acquisition. The acquisition remains subject to regulatory approval by the New York State Department of Financial Services, as well as other customary closing conditions. The acquisition is anticipated to close in the second quarter of 2022.

See Note 2 to the consolidated financial statements for further details on the above acquisitions.

### ***Impact of COVID-19***

During 2021, the novel coronavirus (COVID-19) pandemic continued to have a severe disruptive impact on the U.S. and global economy, particularly due to supply chain disruptions and labor shortages. While the U.S. has experienced an economic rebound during 2021 following large scale vaccinations efforts, the current economic outlook still maintains a high level of uncertainty. During the fourth quarter 2021 and early stages of 2022, Valley's primary market areas within New Jersey, New York, Florida and Alabama have all experienced significant resurgences of the disease due to the Omicron variant. As the pandemic is ongoing and dynamic in nature with new potential variants, like Omicron, emerging, we continue to monitor the impact of COVID-19 very closely, including its impact on our employees, customers, vendors, communities, and actions of other governmental and nongovernmental authorities or the Federal Reserve.

The extent to which the COVID-19 pandemic will impact our operations and financial results during the first quarter 2022 and beyond is highly uncertain. As of the date of this report, our branches are all open; however lobby services may require scheduled appointments in order to reduce occupancy rates in our facilities and reduce risks to our employees and customers. At this time, many of our staff in various administrative and support offices maintain hybrid work from home/office

or remote work schedules. Overall, staffing issues could emerge due to elevated levels of employee absenteeism caused by illness. We continue to closely monitor local conditions in the areas we serve and will take actions as circumstances warrant and will follow proper protocols designed to ensure safety of our employees and customers and to comply with applicable government directives.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and additional legislation that followed including the Consolidated Appropriations Act and the American Rescue Plan Act of 2020 provided funding for the Small Business Administration (SBA) Paycheck Protection Program (PPP) 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, keep their workers on the payroll and fund specified operating expenses. Qualifying borrowers could receive loan forgiveness by the SBA under this program. Subsequent legislation extended the authority of the SBA to guaranty loans under the PPP through August 8, 2020. In December 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act reauthorized the SBA to guarantee loans under the PPP through March 31, 2021, and the PPP Extension Act of 2021 extended that authorization through June 30, 2021 for applications received by the SBA prior to June 1, 2021. Valley National Bank is a certified SBA lender and facilitated approximately 21,500 SBA-approved PPP loans with balances totaling \$3.2 billion. As of December 31, 2021, we had \$436.0 million of PPP loans still outstanding. While difficult to accurately predict, we expect the majority of these loans remaining on our books to be forgiven during 2022 in accordance with the 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, insurance and tax credit advisory 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 \$5.8 billion and represented 17.1 percent of the total loan portfolio at December 31, 2021. 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 26 percent of total commercial and industrial loans at December 31, 2021 as compared to 28 percent of such loans at December 31, 2020. 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 \$1.0 billion (including \$436 million of SBA guaranteed PPP loans) at December 31, 2021. 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 \$85.4 million and \$576 thousand of New York City and Chicago taxi medallion loans at December 31, 2021, 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, 2021, the non-accrual taxi medallion loans had related reserves of \$58.5 million, or

68.0 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.

**Commercial real estate loans.** Commercial real estate and construction loans totaled \$20.8 billion and represented 60.9 percent of the total loan portfolio at December 31, 2021. 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 both December 31, 2021 and 2020. 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 \$1.9 billion at December 31, 2021 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 \$4.5 billion and represented 13.3 percent of the total loan portfolio at December 31, 2021. 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, 2021, fixed and adjustable rate jumbo residential mortgage loans totaled approximately \$2.0 billion and \$854 million, respectively. Interest-only (i.e., non-amortizing) residential mortgage loans within our jumbo portfolio totaled \$19.5 million (or 0.43 percent of the total residential mortgage loan portfolio) at December 31, 2021. The Bank services certain 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 Notes 5 and 8 to the consolidated financial statements for further details.

**Other consumer loans.** Other consumer loans totaled \$3.0 billion and represented 8.7 percent of the total loan portfolio at December 31, 2021. 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. We implemented our indirect auto lending model in Florida and Alabama during 2015 and 2018, respectively, using our New Jersey based underwriting and loan servicing platform. The Florida auto dealer network generated approximately \$143.6 million and \$84.6 million of auto loans in 2021 and 2020, respectively, while the auto loans originated from Alabama totaled \$49.4 million in 2021 as compared to \$22.0 million in 2020. 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 \$54.0 million, including \$12.8 million of credit card loans, at December 31, 2021.

**Wealth Management.** Our Wealth Management and Insurance Services Division provides asset management advisory services, trust services, commercial and personal insurance products, title insurance, and tax credit advisory services. Asset management advisory services include investment services for individuals and small to medium sized businesses, trusts and custom-tailored investment strategies designed for various types of retirement plans. Trust services include living and testamentary trusts, investment management, custodial and escrow services, and estate administration, primarily to individuals. Tax credit advisory services include sourcing, syndication, and structuring federal and state tax credits for commercial customers and development projects.

#### ***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, 2021, our total investment securities and interest bearing deposits with banks were \$3.9 billion and \$1.8 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, 2021 and 2020, approximately 75 percent and 72 percent, respectively, of Valley's gross loans totaling \$34.2 billion and \$32.2 billion, respectively, consisted of commercial real estate (including construction loans), residential mortgage, and home equity loans. The remaining 25 percent and 28 percent at December 31, 2021 and 2020, 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 types of borrowers within our geographic concentrations in New Jersey, the New York City metropolitan area, including Westchester County, New York, and Florida. 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, 2021.

	Percentage of Loan Portfolio Segment:				% of Total Loans
	Commercial and Industrial	Commercial Real Estate	Residential	Consumer	
New Jersey	28 %	25 %	35 %	38 %	28 %
New York	23	39	32	27	34
Florida	26	26	26	15	25
Pennsylvania	2	2	1	7	2
Alabama	1	2	1	3	2
California	2	1	2	1	1
Connecticut	1	*	1	2	1
Other	17	5	2	7	7
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

\* 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 with among other things, oversight of management's established enterprise-wide risk management framework and risk culture which are intended to align with Valley's strategic plan and which the Risk Committee deems appropriate for Valley's capital, business activities, size and risk appetite. Management utilizes the enterprise-wide risk management framework to holistically manage and monitor risks across the organization and to aggregate and manage the risk appetite approved by the board. As part of the risk management framework, the Risk Committee reviews and recommends to the Board risk tolerances and limits for strategic, credit, interest rate, price, liquidity, compliance, operational (including cyber and information security risk), and reputation risks, oversees risk management within those tolerances and monitors compliance with applicable laws and regulations. With guidance from and oversight by the Risk Committee, management continually refines and enhances its risk management policies, procedures and monitoring programs to be able to adapt to changing risks.

While Valley is no longer required to publish company-run annual stress tests under the Dodd-Frank Act, it continues to internally run stress tests of its capital position that are subject to review by Valley's primary regulators. The Bank's 2021 Capital Stress Test included a climate related scenario that considered geographical climate events within the Bank's diverse footprint. The results of the internal stress tests are considered in combination with other risk management and monitoring practices at Valley to maintain an overall 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, including a 2021 breach by a threat actor of a legacy network from an acquired bank as described in Item 1A. Risk Factors below. However, to date, none of these incidents have resulted in material losses or significant disruption of services to our customers. Over the last several years, we have continued to significantly increase 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 persistence 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. Management regularly updates Valley's information security policies to address these matters and are presented to the Risk Committee for approval.

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 experience 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 existing loans are typically estimated using individual appraisals performed every 12 months (or 18 months for collateral dependent 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) accepts 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 for loans modified under the CARES Act, as described in the next section.

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 could extend for an additional 90 days. Any extensions beyond this period were made in accordance with applicable regulatory guidance. Valley had approximately \$28 million of outstanding loans remaining in their payment deferral period under short-term modifications as of December 31, 2021, as compared to approximately \$361 million as of December 31, 2020. Under the

CARES Act and the Enhancement Act and other applicable guidance, none of these loans were considered TDRs as of December 31, 2021 and 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 standby 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 \$58.3 million and \$24.3 million of 1-4 family loans, qualifying for CRA purposes during 2021 and 2020, 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 \$666.0 million and \$543.0 million, respectively, at December 31, 2021 representing 3.54 percent, and 11.95 percent of our total commercial and residential mortgage loans, respectively.

At December 31, 2021, 4.38 percent of commercial loans originated by third parties were past due 30 days or more, which represented 0.16 percent of our total commercial loan portfolio delinquencies, and 3.00 percent of residential mortgage loans originated by third parties were past due 30 days or more which represented 0.33 percent of our total residential mortgage portfolio delinquencies.

Additionally, Valley has performed credit due diligence on the majority of the loans acquired in its bank acquisitions (disclosed under the "Recent Acquisitions" section above) in determining their fair value as of the acquisition date. 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, Westchester County, New York, Florida and Alabama. Valley ranked 16th in competitive ranking and market share based on the deposits reported by 173 FDIC-insured financial institutions in the New York, Northern New Jersey and Long Island deposit markets as of June 30, 2021. The FDIC also ranked Valley 6th, 36th, 19th, and 18th in the states of New Jersey, New York, Florida, and Alabama, respectively, based on deposit market share as of June 30, 2021. 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. We compete by offering quality products and innovative services at competitive prices, and by maintaining our products and services offerings to keep pace with customer preferences in the market areas in which we operate.

Further, the financial services industry is facing a wave of digital disruption from financial technology (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 digital solutions to traditional retail banking services and products. Additionally, fintech companies tend to have stronger operating efficiencies and fewer regulatory burdens than their traditional bank counterparts, including Valley. We also face intense competition from direct banks because online banking provides customers the ability to rapidly deposit and withdraw funds and open and close accounts making the transaction experience more efficient. Nevertheless, we believe we can compete effectively by utilizing various strategies and product offerings including our long history of local, solutions-based customer service. This level of service and commitment is particularly impactful because of our strong community presence with over 90 years of service, providing us a competitive advantage with such customers over certain non-traditional bank competitors.

Overall, our customers are influenced by the convenience, solution-based service from our knowledgeable staff and personal contacts, as well as availability of products and services. We provide such convenience through our multi-channel delivery system, including more than 200 branch offices, an extensive ATM network, and our telephone, on-line and digital banking systems.

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

### ***Human Capital***

We strive to build an inclusive, diverse, and high-performing culture where empowered associates, innovation and collaboration thrive. We are a customer-centric organization committed to our associates, our customers, and our shareholders.

**Demographics.** As of December 31, 2021, Valley National Bank and its subsidiaries employed 3,370 full and part time employees across our multi-state footprint. During the year 2021, we hired 887 employees and our voluntary turnover rate was 20 percent. Our average tenure was 7.9 years.

**Diversity, Equity and Inclusion.** We believe that the diversity of our associates makes us 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. We encourage everyone 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.

As of December 31, 2021, the population of our workforce broken down by gender and diversity was as follows, based on information voluntarily provided by our workforce:



**Female**  
 Females represent 2,109 employees or **63%** of the organization

**Male**  
 Males represent 1,261 employees or **37%** of the organization

<b>White</b> 56%	<b>People of Color</b> 44%
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In comparison to the percentages shown in the tables above, the population of our workforce was approximately 59 percent and 41 percent White and People of Color, respectively, and 65 percent and 35 percent Female and Male, respectively, as of December 31, 2020.

**Total Rewards.** We offer competitive total rewards 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 very competitive 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 safety and well-being of our associates. Since the onset of the COVID-19 pandemic, we have endeavored to provide an environment aligned with a positive customer experience while embracing safety protocols that have become a way of life.

Maintaining alignment with state, local and CDC COVID-19 mandates and recommendations, Valley implemented work rules and protocols within our facilities that have created an environment where essential work can be done. Remote work allows many of our Associates to provide service to the Bank and our customers while providing business resiliency through location differentiation.

**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.

***Corporate Social and Environmental Responsibility***

Valley recognizes the social and environmental responsibility that arises from the impact of our activities on peoples' lives and society as a whole. To comply with this responsibility, we established the Environmental, Social and Governance (ESG) Council in 2020 with respect to ESG issues. The Council helps guide us to consider how environmental, social and governmental issues impact Valley's ability to achieve its long-term strategy while being socially responsible.

Additional information regarding Valley's human capital management and corporate social and environmental responsibility can be found under "Environmental, Social and Governance (ESG) Matters" in our 2022 Proxy Statement when it is issued.

### *Information about our Executive Officers*

<b>Name</b>	<b>Age at December 31, 2021</b>	<b>Executive Officer Since</b>	<b>Office</b>	<b>Principal occupation during last five years other than Valley</b>
Ira Robbins	47	2009	Chairman of the Board and Chief Executive Officer of Valley and Valley National Bank	
Thomas A. Iadanza	63	2015	President of Valley and Valley National Bank	
Michael D. Hagedorn	55	2019	Senior Executive Vice President, Chief Financial Officer, and interim Chief Risk Officer of Valley and Valley National Bank	2015 - 2018 Vice Chairman, UMB Financial Corporation, President and CEO, UMB Bank and Valley National Bank n.a.
Joseph V. Chillura	55	2020	Senior Executive Vice President of Valley and Valley National Bank, Commercial Banking	
Ronald H. Janis	73	2017	Senior Executive Vice President, General Counsel, and Corporate Secretary of Valley and Valley National Bank	
Yvonne M. Surowiec	61	2017	Senior Executive Vice President of Valley and Chief People Officer of Valley National Bank	
Mark Saeger	57	2018	Executive Vice President of Valley and Chief Credit Officer of Valley National Bank	
Mitchell L. Crandell	51	2007	Executive Vice President and Chief Accounting Officer of Valley and Valley National Bank	

All officers serve at the pleasure of the Board of Directors. Robert J. Bardusch ceased serving as Senior Executive Vice President of Valley and Chief Operating Officer of the Bank effective February 16, 2022.

### *Available Information*

The SEC maintains a website at [www.sec.gov](http://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](http://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 Capital Management 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 regulations increases. In particular, Valley employs specialists and retains outside advisors with the expectation that Valley will have 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. In July 2021, Valley elected to be treated as a financial holding company.

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.

As a financial holding company, Valley may engage in a broader range of non-banking activities than permitted for bank holding companies and their subsidiaries that have not elected to become financial holding companies. Financial holding companies may engage directly or indirectly, either de novo or by acquisition, in activities that are defined by the Federal Reserve to be financial in nature, provided that the financial holding company gives the Federal Reserve after-the-fact notice of certain new activities. Activities defined to be financial in nature include, but are not limited to: providing financial or investment advice; underwriting; dealing in or making markets in securities; making merchant banking investments, subject to significant limitations; and any activities previously found by the Federal Reserve to be closely related to banking. In order to maintain our status as a financial holding company, we and the Bank are expected to be well capitalized and well managed, as defined in applicable regulations and determined in part by the results of regulatory examinations, and must comply with Community Reinvestment Act obligations. Failure to maintain these standards may result in restrictions on our activities and may ultimately permit the Federal Reserve to take enforcement actions against us and restrict our ability to engage in activities defined to be financial in nature.

### ***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 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.

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, 2021, under the “prompt corrective action” regulations.

For regulatory capital purposes, in accordance 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 was deferred for a two-year period ending January 1, 2022, and will be phased in on a pro-rata basis over a three-year period ending January 1, 2025. Additionally, 25 percent, or \$19.1 million on an after tax basis of the reserve build (i.e., provision for credit losses less net charge-offs) since CECL adoption through December 31, 2021 is being phased in over the same time frame. We estimate these deferrals when fully phased in will reduce our risk based capital ratios by approximately 14 basis points.

#### ***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 continues 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. In 2021, the Volcker Rule was amended to exempt certain qualifying venture capital funds from the definition of Covered Funds. We identified no investments held as of December 31, 2021 that meet the definition of Covered Funds. Valley has invested in venture capital funds consistent with the exemption requirements.

### ***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 (insiders), 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 completed examination for the three-year period ending in 2018. Valley National Bank is due for another examination in 2022 covering the three-year period ending in 2021.

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. In the U.S., these working groups recommended the Secured Overnight Financing Rate (SOFR) as the replacement for LIBOR. Most tenors of LIBOR will cease being published on June 30, 2023, although some tenors ceased at the end of 2021. The U.S. federal banking agencies issued guidance essentially requiring banking organizations to cease using LIBOR as a reference rate in new contracts by the end of 2021. The change away from LIBOR 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. The transition away from LIBOR also required extensive changes to the contracts that govern these LIBOR-based products, as well as our systems and processes.

On April 6, 2021, the State of New York enacted legislation which provides that any contract governed by New York law and which references LIBOR and which does not contain effective "fallback provisions" will be deemed to be replaced by the "recommended benchmark replacement." Under the statute the "recommended benchmark replacement" is based on SOFR. Similar legislation, which would cover all U.S. contracts, was passed by the U.S. House of Representatives in December 2021.

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 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. As of December 31, 2021, Valley ceased originating any LIBOR based products. 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 our Pending Merger with Bank Leumi USA**

***Valley is expected to incur significant costs related to the merger and integration.***

Valley has incurred and expects to incur certain non-recurring costs associated with the pending merger. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employee benefit-related costs, public company filing fees and other regulatory fees, printing costs and other related costs. Some of these costs are payable by Valley regardless of whether or not the merger is completed.

Valley is expected to incur substantial costs in connection with the integration of Valley and Bank Leumi USA. There are a large number of processes, policies, procedures, operations, technologies and systems that may need to be integrated, including purchasing, accounting and finance, payroll, compliance, treasury management, vendor management, risk management, lines of business, pricing and benefits. Valley has assumed that a certain level of costs will be incurred, however, there are many factors beyond Valley's control that could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in Valley taking charges against earnings following the completion of the merger, and the amount and timing of such charges are uncertain at present. While Valley provided an assumption about the amount and timing of "cost synergies" when it announced the merger, those assumptions have not been updated and the amount of actual cost synergies may differ from amounts previously disclosed.

***Combining Valley and Bank Leumi USA may be more difficult, costly or time consuming than expected and Valley may fail to realize the anticipated benefits of the merger.***

To realize the anticipated benefits and synergies from the merger, Valley and Bank Leumi USA must successfully integrate and combine their businesses in a manner that permits those synergies to be realized. If Valley and Bank Leumi USA are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual synergies and anticipated benefits of the merger could be less than anticipated, and integration may result in additional unforeseen expenses.

Valley and Bank Leumi USA have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger will depend, in part, on Valley's ability to successfully combine and integrate the businesses of both companies in a manner that does not materially disrupt existing customer relations or result in decreased revenue or reputational harm. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing businesses, difficulties in integrating operations and systems, including communications systems, administrative and information technology infrastructure and financial reporting and internal control systems, or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Any disruption to either company's business could cause its customers to remove their accounts and move their business to a competing financial institution. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on each of Valley and Bank Leumi USA during this transition period and for an undetermined period after completion of the merger on Valley.

***Valley may be unable to retain Valley or Bank Leumi USA personnel successfully while the merger is pending or after the merger is completed.***

The success of the merger will depend in part on Valley's ability to retain the talents and dedication of key employees currently employed by Valley and Bank Leumi USA. It is possible that these employees may decide not to remain with Valley or Bank Leumi USA, as applicable, while the merger is pending or with Valley after the merger is consummated. If Valley and Bank Leumi USA are unable to retain key employees, including management, who are critical to the successful integration and future operations of the companies, Valley and Bank Leumi USA could face disruptions in their operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, if key employees terminate their employment, Valley's business activities may be adversely affected and management's attention may be diverted from successfully integrating Valley and Bank Leumi USA to hiring suitable replacements, all of which may cause Valley's or Bank Leumi USA's businesses to suffer. In addition, Valley and Bank Leumi USA may not be able to locate or retain suitable replacements for any key employees who leave either company.

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on Valley following the merger.***

Various consents, approvals and authorizations must be obtained from certain governmental authorities, as a condition to closing of the merger. These approvals could be delayed or not obtained at all, including due to any or all of the following: an adverse development in either party's or its affiliates' regulatory standing, or any other factors considered by regulators in granting such approvals; governmental, political or community group inquiries, investigations or opposition; or changes in legislation or the political environment, including as a result of changes in regulatory agency leadership.

Even if the specified regulatory approvals are granted, they may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of Valley's business or require changes to the terms of the transactions contemplated by the merger agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the merger Agreement, imposing additional material costs on or materially limiting the revenues of Valley following the merger or otherwise reduce the anticipated benefits of the merger if the merger were consummated successfully within the expected timeframe. In addition, there can be no assurance that any such conditions, limitations, obligations or restrictions will not result in the delay or abandonment of the merger.

***The market price of Valley Common Stock after the merger may be affected by factors different from those affecting the shares of Valley Common Stock currently.***

Valley's business differs from that of Bank Leumi USA. Accordingly, the results of operations of Valley and the market price of Valley Common Stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of Valley and Bank Leumi USA.

***The future results of Valley following the merger may suffer if Valley does not effectively manage its expanded operations.***

Following the merger, the size of the business of Valley will increase beyond its current size. Valley's future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. Valley may also face increased scrutiny from governmental authorities as a result of the increase in the size of its business. There can be no assurances that Valley will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements or other benefits currently anticipated from the merger.

***Bank Leumi USA is subject to regulatory risks in connection with its international private banking business, and these risks may adversely affect Valley after completion of the merger.***

Bank Leumi USA operates a private banking business with domestic clients and international clients primarily domiciled in Latin America. The risk of noncompliance with the USA PATRIOT Act, the Bank Secrecy Act and other anti-money laundering laws and regulations (collectively, "AML laws") and the rules of the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") can be heightened for financial institutions that have a significant number of international customers, and can be particularly acute for financial institutions that have a significant number of customers from, or do business in, Latin America. AML laws and OFAC rules 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.

Following the completion of the merger, Valley will be responsible for maintaining a compliance program that is effective in combating the increased legal and regulatory risks associated with Bank Leumi USA's international private banking business. Valley will evaluate on an ongoing basis whether enhancements are appropriate so that Valley continues to maintain an effective compliance program following the completion of the merger. Valley may not be able to eliminate all attempts by customers to use Valley to engage in money laundering and other illegal or improper activities. If Valley's policies, procedures and systems are deemed deficient or fail to prevent violations of applicable laws or regulations, the OCC, along with other banking agencies, have the authority to impose fines and other penalties and sanctions on Valley, and Valley's business and reputation could suffer. Failure to successfully manage these risks could have a material adverse effect on Valley's business, results of operations and financial condition.

***Bank Leumi USA and its subsidiaries are currently involved in a number of legal proceedings, the results of which could have an adverse effect on Valley after completion of the merger.***

Bank Leumi USA and its subsidiaries are currently involved in a number of legal proceedings and may from time to time be involved in government and regulatory investigations and inquiries, relating to matters that arise in connection with the conduct of their businesses. For example, Bank Leumi USA is a defendant in a lawsuit filed in the United States District Court for the District of Columbia, captioned Bassem Al-Tamimi, et al v. Sheldon Adelson, et al., Docket No. 1:16-cv-00445. The plaintiffs, both Palestinian nationals and Palestinian Americans, generally allege that the defendants engaged in a conspiracy to expel all non-Jews from a territory in the Middle East. Bank Leumi USA believes that this lawsuit is without merit and intends to defend against this action vigorously. However, the ultimate outcome of this matter, any future similar matters, and any other legal proceedings in which Bank Leumi USA is or may become involved cannot be predicted with certainty. Adverse judgments, fines or penalties in one or more of the legal proceedings in which Bank Leumi USA and its subsidiaries are or may become involved could have a material adverse effect on Valley's business, financial condition, or results of operations.

### **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 (including the Delta and Omicron variants and any future variants) in our primary market areas, the efficacy of vaccines and the timing of the distribution and public acceptance of such vaccines or other treatments, 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.** While many responsive measures, such as curtailing household and business activity to contain COVID-19 and deploying fiscal- and monetary-policy measures to partially mitigate the adverse effects on individual households and businesses, have been eliminated or curtailed due to the availability of vaccines, we cannot predict whether such measures will be reintroduced. Furthermore, vaccine and mask mandates throughout our market areas are inconsistent and may inhibit our ability to attract and retain qualified personnel. These measures are not always coordinated or consistent across jurisdictions. 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 inflationary pressure, supply chain challenges, unemployment, labor market shortages and vaccine mandates, are affecting individuals, households, and businesses differently and unevenly and we anticipate will continue to do so. 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 current and/or future 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) recovered in 2021 but could deteriorate in

2022 and beyond due to the Delta and Omicron variants and any future variants. Markets could suffer disruptions that are lasting. Governmental actions 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 2021, our provision expense for credit losses decreased significantly as compared to 2020. However, with recent increases in COVID-19 infection rates in our market areas, the level of our provision expense remains subject to meaningful uncertainty.

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. However, given the increase in inflation in 2021, it is expected that the FRB will raise interest rates and wind down U.S. Treasury securities purchases in 2022.

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 what the effect will be once those policies are discontinued. For example, 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 modified our business practices. While many of these restrictions were lifted in 2021, we still have not lifted all safeguards and we may choose, or be required, to implement new restrictions in the future including vaccine and mask mandates. 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.

***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 in 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. During 2021, the Internal Revenue Service commenced an audit connected with our investment in DC Solar.

While we believe that Valley was fully reserved for the tax positions related to DC Solar at December 31, 2021, 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 cannabis 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 cannabis business customers. Medical use cannabis, 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 cannabis 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 cannabis 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, 2021 approximately 75 percent of our total loans had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and could deteriorate in value during the time the credit is extended. A downturn in the real estate market in our primary market areas could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality. If we are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and shareholders' equity could be adversely affected. Any 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 2021 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, 2021, our goodwill totaled \$1.5 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. As a result of COVID-19, customers have become more reliant on, and their expectations have increased with respect to, this technology. 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 \$3.6 billion and \$3.5 billion at December 31, 2021 and 2020, 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 five and two loan repurchases in 2021 and 2020, respectively). None of the loan repurchases resulted in a material loss. As of December 31, 2021, 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 17 percent and 23 percent of our non-interest income for the years ended December 31, 2021 and 2020, 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, in particular due to an increasingly competitive labor market. 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.***

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding and wildfires, and longer-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our customers or third parties on which we rely, including through direct damage to assets and indirect impacts from market volatility. Additionally, transitioning to a low-carbon economy may entail extensive policy, legal, technology and market initiatives.

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 maintained the target range for the federal funds rate between 0.00 and 0.25 percent during 2021. Although, the FRB is expected to increase the target federal funds rate and effectively increase interest rates in 2022, we can give no assurances that market interest rates will increase, decrease or remain unchanged. 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 SOFR. On April 6, 2021, the State of New York enacted legislation which provides that any contract governed by New York law and which references LIBOR and which does not contain effective "fallback provisions" will be deemed to be replaced by the "recommended benchmark replacement." Under the statute, the "recommended benchmark replacement" should be based on the SOFR. Similar legislation, which would cover all U.S. contracts, was passed by the U.S. House of Representatives in December 2021.

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 cause us to 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, any of which could have an adverse effect on our results of operations. These reforms may cause 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. 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 \$245.4 million at December 31, 2021. Our non-accrual loans increased from 0.26 percent of total loans at December 31, 2016 to 0.70 percent of total loans at December 31, 2021 partially 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, 2021, the non-accrual taxi medallion loans totaling \$86.0 million had related reserves of \$58.5 million, or 68.0 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, including our recent acquisition of The Westchester Bank and pending acquisition of Bank Leumi USA, 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 \$2.5 million, \$3.3 million and \$2.5 million of the Bank's total FDIC insurance assessment for the years ended December 31, 2021, 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 which is likely at the end of 2022 due to the pending acquisition of Bank Leumi USA, 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.

***Our adoption of the CECL model for determining our allowance for credit losses has added volatility and 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, the future amount could differ materially from those estimates due to changes in values and circumstances after the balance sheet date.

***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 or our systems being disrupted 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. In addition, recently there have been well-publicized "ransomware" attacks against various U.S. companies with the intent to materially disrupt their computer network and services. Valley frequently experiences attempted cybersecurity attacks against its systems. In 2021, there was a breach by a threat actor of a legacy network from an acquired bank. The breach resulted in the unauthorized access of certain data stored on the legacy network. The legacy network was isolated from Valley's network, which was not affected by the incident. There can be no assurances that Valley will not incur breaches of our systems or that of our vendors which may expose the data of our customers or disrupt our services, exposing us to significant damage, on-going operational costs and/or reputational harm.

Cyber risk exposure 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 new products based on customer needs, and the system and customer account conversions associated with the integration of merger targets. Successful attacks on any one of many our third-party service providers may adversely affect our business and result in the disclosure or misuse of our confidential information or that of our customers. There can be no assurance that we or our third-party service providers will not suffer a cyber attack that exposes us to significant damages, operational costs, or reputational harm.

***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.

In addition, we may be subject to increased regulatory scrutiny from the current presidential and congressional administrations as compared to prior administrations. Changes in key personnel at our federal regulators may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than was previously the case.

***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 and banking regulators 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.

***Valley's shareholders will have a reduced ownership and voting interest in and will exercise less influence over management of Valley after the acquisition of Bank Leumi USA.***

Valley's shareholders currently have the right to vote in the election of the Valley board and on other matters affecting Valley. Upon completion of the merger, Valley anticipates that shares of Valley common stock held by former Bank Leumi USA shareholders will represent approximately 16.8 percent of the outstanding shares of Valley common stock expected to be issued and outstanding as of immediately following and giving effect to the completion of the merger, with Bank Leumi Le-Israel B.M. and its subsidiaries beneficially owning approximately 14.2 percent of the outstanding shares of Valley common stock expected to be issued and outstanding as of immediately following and giving effect to the completion of the merger, and the shares of Valley common stock held by existing Valley shareholders will represent approximately 83.2 percent of the outstanding shares of Valley common stock expected to be issued and outstanding as of immediately following and giving effect to the completion of the merger, in each case based on the number of shares outstanding as of December 31, 2021. Accordingly, Valley's shareholders may have less influence on the management and policies of Valley after completion of the merger than they now have on the management and policies of Valley.

***The Bank Leumi USA acquisition, and future acquisitions, may dilute shareholder value, especially tangible book value per share.***

We regularly evaluate opportunities to acquire other financial institutions. If the Bank Leumi USA acquisition is completed, we will issue approximately 84.9 million shares of Valley common stock. While there are many variables, we anticipate that tangible book value will be diluted by 1 percent with an earn back period expected to be approximately one year or longer depending on the speed of achieving cost savings and the amount of savings. 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 232 retail banking centers locations in northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, Westchester County, New York, Florida and Alabama. We own 97 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	45.7
Central	24	10.3
Total New Jersey	130	56.0
New York		
Manhattan	12	5.2
Long Island	12	5.2
Brooklyn	9	3.8
Queens	5	2.2
Westchester County	7	3.0
Total New York	45	19.4
Florida	41	17.7
Alabama	16	6.9
Total	232	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, 2021, the Westchester acquisition added seven banking centers located in Westchester County, New York.

The total net book value of our premises and equipment (including land, buildings, leasehold improvements and furniture and equipment) was \$326.3 million at December 31, 2021. 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 are 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.

**Item 4. Mine and Safety Disclosures**

Not applicable.

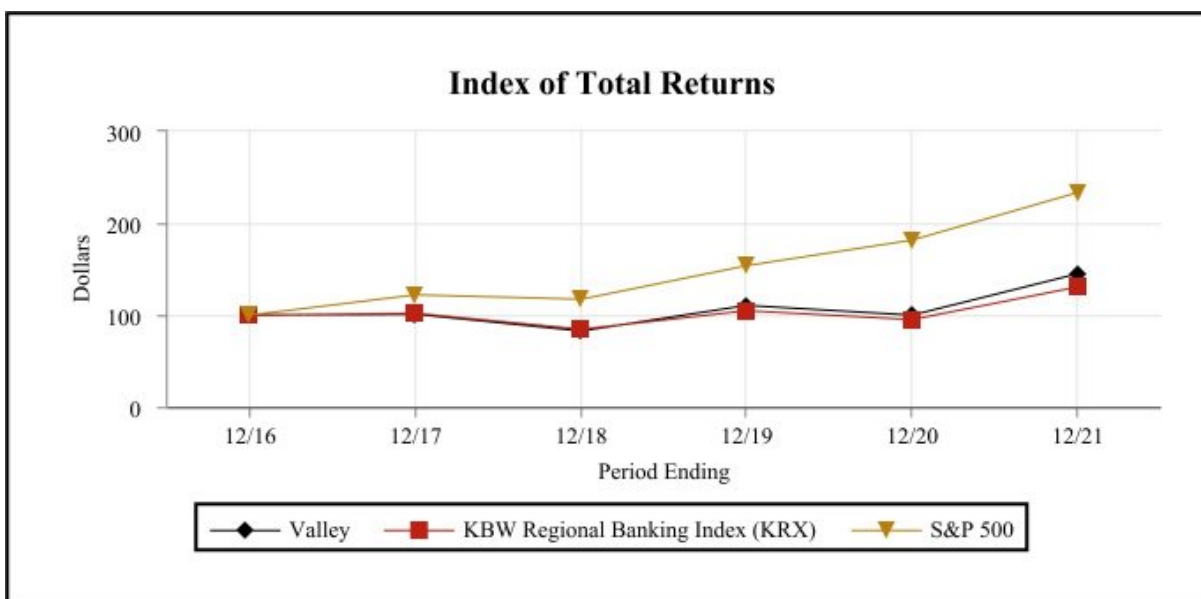
**PART II**

**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 7,578 shareholders of record as of December 31, 2021.

**Performance Graph**

The following graph compares the cumulative total return on a hypothetical \$100 investment made on December 31, 2016 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.



	12/16	12/17	12/18	12/19	12/20	12/21
Valley	\$ 100.00	\$ 100.08	\$ 82.28	\$ 110.47	\$ 99.36	\$ 144.84
KBW Regional Banking Index (KRX)	100.00	101.81	84.00	104.05	95.02	129.84
S&P 500	100.00	121.82	116.47	153.13	181.29	233.28

The information under “Performance Graph” is not deemed to be “filed” with the SEC and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent specifically incorporated by reference into such a filing.

### 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, 2021:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans <sup>(2)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans <sup>(2)</sup>
October 1, 2021 to October 31, 2021	3,290	\$ 13.31	—	4,112,465
November 1, 2021 to November 30, 2021	1,615,501	14.31	1,614,992	2,497,473
December 1, 2021 to December 31, 2021	3,969	13.89	—	2,497,473
Total	1,622,760		1,614,992	

(1) Includes 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, 2021.

Item 6. *[Reserved]*

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, 2021 and 2020, 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, 2020, filed with the SEC on February 26, 2021.

#### 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," "may," "estimate," 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 Part I, Item 1A of this Annual Report on Form 10-K include, but are not limited to:

- failure to obtain the remaining regulatory approvals for the acquisition of Bank Leumi USA on the anticipated terms and within the anticipated timeframe;
- the inability to realize expected cost savings and synergies from the Bank Leumi USA acquisition in amounts or in the timeframe anticipated;
- greater than expected costs or difficulties relating to Bank Leumi USA integration matters;
- the inability to retain customers and qualified employees of Bank Leumi USA;
- changes in estimates of non-recurring charges related to the Bank Leumi USA acquisition;
- the continued 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 continued 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;

- 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;
- the risks related to the discontinuation of the London Interbank Offered Rate and other reference rates, including increased expenses and litigation and the effectiveness of hedging strategies;
- 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, ransomware 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; and
- 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.

#### ***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. Prior to 2020, 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 gross domestic product (GDP), unemployment, housing prices, interest rates, inflation, and energy prices; 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.

Management's determination of the amount of the ACL is a critical accounting estimate as it requires significant reliance on the credit risk we ascribe to individual borrowers, the use of estimates and significant judgment as to the amount and timing of expected future cash flows on individually evaluated loans, significant reliance on historical loss rates on homogenous portfolios, consideration of our quantitative and qualitative evaluation of past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. 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 the economic forecast on its allowance for credit losses for loans. However, management believes the following discussion may enable investors to better understand the variables that drive the allowance for credit losses for loans, which totaled \$375.7 million and \$351.4 million at December 31, 2021 and 2020, respectively.

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, 2021 and 2020. Due to continuous actual and expected improvements in economic conditions during 2021, including a significant decrease in the uncertain impact of the COVID-19 pandemic since December 31, 2020, we decreased our probability weighting for the most severe economic scenario at December 31, 2021. As a result, the qualitative economic component of our reserves at December 31, 2021 declined by more than \$34 million as compared to December 31, 2020. Other qualitative non-economic reserves largely based upon management judgements about the uncertain impact of the COVID-19 pandemic on the performance of our loan portfolio declined by approximately \$7 million as compared to December 31, 2020. The positive developments in these significant judgmental factors during 2021 were more than offset by increases in the quantitative portion of our allowance based upon 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.

Specific reserves totaling \$71.5 million and \$75.9 million, respectively, within the allowance at December 31, 2021 and 2020 are also 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. The majority of these reserves at both December 31, 2021 and 2020 related to New York City taxi medallion loan valuations based on the estimated value of the underlying medallions. The valuation of the underlying medallions could be adversely impacted by further illiquidity or dislocation in the market, resulting in depressed market valuations of the underlying collateral, thus leading to additional provisions for loan losses. See additional taxi medallion loan valuation sensitivity analysis under the "Non-performing Assets" section of this MD&A.

**Goodwill and Other Intangible Assets.** We have significant goodwill and other intangible assets related to our acquisitions totaling \$1.5 billion and \$70.4 million at December 31, 2021, respectively. We record all acquired assets, including goodwill and other intangible assets, and assumed liabilities in purchase acquisitions 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 2021. Therefore, we concluded there were no triggering events that would require additional goodwill impairment test of the reporting units during 2021.

Based upon Valley's 2021 annual goodwill impairment testing, the fair values of its four reporting units were in excess of their carrying values. In 2022, 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 in this MD&A 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, 2021, the impact of a five percent impairment charge on these intangible assets would result in a reduction in pre-tax income of approximately \$76.5 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, 2021 and 2020.

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 2021, 2020 and 2019, our income tax expense reflected increases of \$1.2 million, \$1.5 million and \$31.1 million, respectively, to our tax provision related to reserve for uncertain tax liability positions and/or accrued interest related to such positions at December 31, 2021, 2020 and 2019, respectively.

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, 2021, Valley had consolidated total assets of \$43.4 billion, total net loans of \$33.8 billion, total deposits of \$35.6 billion and total shareholders' equity of \$5.1 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, Westchester County, New York, Florida and Alabama. Of our current 232 branch network, 56 percent, 19 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 both through organic efforts and through bank acquisitions discussed below and elsewhere in this report.

**The Westchester Bank Holding Corporation.** On December 1, 2021, Valley completed its acquisition of The Westchester Bank Holding Corporation (Westchester) and its principal subsidiary, The Westchester Bank, which was headquartered in White Plains, New York. Westchester had approximately \$1.4 billion in assets, \$915.0 million in loans, and \$1.2 billion in deposits, after purchase accounting adjustments, and a branch network of seven locations in Westchester County, New York. The acquisition represented a significant addition to Valley's New York franchise, and enabled Valley to expand into the Westchester County, New York market. Full systems integration was completed in February 2022 with minimal disruption to our customers. However, some normal post-systems integration matters involving back-office and other functions were still underway at the filing date of this report.

**Dudley Ventures.** On October 8, 2021, Valley acquired certain subsidiaries of Arizona-based Dudley Ventures (DV), an advisory firm specializing in the investment and management of tax credits. The transaction price included \$11.3 million of cash at the closing date, fixed future stock consideration totaling \$3.8 million, and contingent cash earn-out payments based upon revenue growth of the acquired entities over a five-year period. On November 16, 2021, Valley also acquired DV Financial Services, a registered broker-dealer regulated by FINRA, which is largely inactive. The DV related acquisitions are expected to support our efforts to build differentiated sources of non-interest income.

**Bank Leumi Le-Israel Corporation.** On September 23, 2021, Valley announced that it will acquire Bank Leumi Le-Israel Corporation, the U.S. subsidiary of Bank Leumi Le-Israel B.M., and parent company of Bank Leumi USA, and collectively referred to as "Bank Leumi USA". Bank Leumi USA maintains its headquarters in New York City and also has commercial banking offices in Chicago, Los Angeles, Palo Alto, and Aventura, Florida. As of December 31, 2021, Bank Leumi USA had total assets of \$8.3 billion, total deposits of \$7.1 billion, and gross loans of \$5.8 billion. Valley has received regulatory approval from the FRB and OCC, as well as Valley shareholder approval of the issuance of Valley common stock in connection with the acquisition. The acquisition remains subject to regulatory approval by the New York State Department of Financial Services, as well as other customary closing conditions. The acquisition is anticipated to close in the second quarter of 2022.

See Note 2 to the consolidated financial statements for additional details regarding these recent and pending acquisitions.

**Impact of COVID-19.** Economic activity and businesses continued to improve in the second half of 2021, although the emergence of the Omicron variant of the COVID-19 virus, which spread rapidly both globally and in the U.S., cast some uncertainty on the strength of the economic recovery. The U.S. is experiencing significant global supply chain disruptions and labor shortages which have contributed to a spike in inflation. We continue to monitor the impact of COVID-19 closely, including its impact on our employees, customers, communities and results of operations and other government stimulus or



Federal Reserve actions. The extent to which the COVID-19 pandemic will impact our operations and financial results during 2022 and beyond is highly uncertain. We continue to closely monitor local conditions in the areas we serve and will take actions as circumstances warrant and will follow proper protocols designed to ensure safety of our employees and customers. See the "Operating Environment" section of MD&A for more details.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and additional legislation that followed including the Consolidated Appropriations Act and the American Rescue Plan Act of 2021 provided funding for the SBA's Paycheck Protection Program (PPP) and established rules for qualifying borrowers to receive loan forgiveness by the SBA under this program. Valley extended a total of \$3.2 billion PPP loans under the program, of which \$2.8 billion of these loans have received forgiveness from the SBA, most of which occurred during 2021. As of December 31, 2021, we had \$436 million of PPP loans still outstanding.

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. As of December 31, 2021, Valley had approximately \$28.0 million of outstanding loans remaining in their payment deferral periods under short-term modifications representing approximately 0.1 percent of our total loan portfolio at December 31, 2021 as compared to approximately \$361 million, or 1.1 percent of total loans at December 31, 2020.

**Annual Results.** Net income totaled \$473.8 million, or \$1.12 per diluted common share, for the year ended December 31, 2021 compared to \$390.6 million in 2020, or \$0.93 per diluted common share. The increase in net income in 2021 compared to 2020 was largely due to:

- a \$91.0 million, or 8.1 percent, increase in our net interest income primarily driven by (i) lower rates on our deposit products combined with a continued customer shift to deposits without stated maturities, (ii) run-off of higher cost time deposits, (iii) lower average other borrowings due to normal maturities of FHLB advances and long-term repos, as well as our prepayments of certain long-term FHLB borrowings in December 2020 and June 2021 and (iv) a \$1.2 billion increase in average earnings assets largely due to solid organic loan growth, partially offset by lower yields on average loans and investments;
- a \$93.1 million decrease in our provision for credit losses mostly due to improvements in the economic forecast component of our CECL model during 2021; partially offset by:
- a \$28.0 million decrease in non-interest income due to the combination of lower gains on sales of residential mortgage loans and lower fee income related to derivative interest rate swaps executed with commercial lending customers, partially offset by moderate increases in several other fee categories;
- a \$45.4 million increase in non-interest expense largely due to salary and benefit costs which, among other things, was driven higher by strategic increases in our headcount to enhance lending and operations, increases in our branch compensation, higher medical insurance costs, as well as \$7.6 million of merger expenses associated with our 2021 merger activities; and
- a \$27.4 million increase in income tax expense mostly caused by higher 2021 pre-tax income.

See the "Net Interest Income," "Non-Interest Income," "Non-Interest Expense," and "Income Taxes" sections in this MD&A for more details on the items above and other infrequent items, including merger expenses and the loss on extinguishment of debt, impacting our 2021 annual results.

**Operating Environment.** During 2021, real gross domestic product increased 5.7 percent compared to a decline of 3.4 percent in 2020. Growth was driven by increases in household consumption (particularly for services), business fixed investment and inventory restocking. Demand in these categories more than offset the decline in net exports and slowing government consumption.

To support economic activity, the Federal Reserve maintained the target range for the federal funds rate between zero and 0.25 percent. In addition, the Federal Reserve continued to purchase Treasury securities and agency residential and commercial mortgage-backed securities. The Federal Reserve indicated at its recent meeting that it expects to reduce accommodation, though it will continue to monitor the impact of incoming information on the economic outlook in their decisions.

The 10-year U.S. Treasury note yield ended 2021 at 1.52 percent, 59 basis points higher than at December 31, 2020. The spread between the 2- and 10-year U.S. Treasury note yields ended the year at 0.79 percent, 1 basis point lower compared to the end of 2020.

For all commercial banks in the U.S., loans and leases grew approximately 4.1 percent from December 31, 2020 to December 31, 2021. For the industry, banks reported that demand for most commercial loan products increased sharply compared to 2020. The increase was broad-based across commercial real estate lending and for loans to middle market firms. Overall, the industry reported that underwriting standards remained mostly unchanged for commercial loan products. Our loan originations were strong across most products and geographies as economic activity expanded during 2021. While the outlook for the economy and our industry remain mostly positive for 2022, many difficult to predict adverse factors largely resulting from the prolonged COVID-19 pandemic, or geopolitical events, could weigh on the economy and, as a result, our financial operations and results, as highlighted in the remaining MD&A discussion below.

**Loans.** Total loans increased \$1.9 billion to \$34.2 billion at December 31, 2021 from December 31, 2020 in spite of a \$1.7 billion decrease in PPP loans within the commercial and industrial loan category caused by SBA loan forgiveness. The overall increase in non-PPP loans was mainly due to strong organic growth during the year and \$915 million of loans that we acquired from Westchester. Excluding acquired loans from Westchester, commercial real estate (including construction), non-PPP commercial and industrial, residential mortgage and automobile loans increased 9.3 percent, 8.7 percent, 7.9 percent, and 15.8 respectively, during the year ended December 31, 2021. Additionally, we originated \$1.0 billion of residential mortgage loans for sale rather than held for investment. Loans held for sale totaled \$139.5 million and \$301.4 million at December 31, 2021 and 2020, respectively.

For 2022, we are targeting net loan growth in the range of 7 to 9 percent based on gross non-PPP loans of approximately \$33.7 billion at December 31, 2021, excluding PPP loans of \$436 million at December 31, 2021. However, there can be no assurance that we will achieve such levels given the potential for unforeseen changes in the market and other conditions detailed in our risk factors set forth under Item 1A. of this Report. See further details on our loan activities under the “Loan Portfolio” section below.

**Asset Quality.** Total non-performing assets (NPAs), consisting of non-accrual loans, other real estate owned (OREO), other repossessed assets and non-accrual debt securities increased \$50.8 million, or 26.1 percent to \$245.4 million at December 31, 2021 as compared to December 31, 2020. This increase was largely due to higher non-accrual loans in the commercial real estate, construction and residential mortgage loan categories. Non-accrual loans totaled \$240.2 million, or 0.70 percent of our entire loan portfolio of \$34.2 billion, at December 31, 2021 as compared to \$185.3 million, or 0.58 percent of total loans, at December 31, 2020.

Total accruing past due loans (i.e., loans past due 30 days or more and still accruing interest) decreased \$43.1 million to \$55.9 million, or 0.16 percent of total loans at December 31, 2021 as compared to \$99.0 million, or 0.31 percent of total loans, at December 31, 2020. The decrease was largely due to lower early stage delinquencies in the commercial real estate, residential mortgage and total consumer loan categories reported at December 31, 2021.

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 or other factors, management cannot provide assurance that our non-performing assets will not increase substantially from the levels reported at December 31, 2021. See the “Non-performing Assets” section below for further analysis of our asset quality.

**Deposits and Borrowings.** Overall, average deposits increased by \$2.5 billion to \$33.2 billion for the year ended December 31, 2021 as compared to 2020 largely due to continued growth in both commercial and retail customer balances. Average non-interest bearing deposits represented approximately 31 percent of total average deposits for the year ended December 31, 2021, whereas savings, NOW and money market accounts were 55 percent and time deposits were 14 percent of total average deposits for the year ended December 31, 2021. Average non-interest bearing deposits, savings, NOW and money market accounts, and time deposits were 27 percent, 47 percent, and 26 percent, respectively, for the year ended December 31, 2020. Our mix of total deposits at December 31, 2021 as compared to December 31, 2020 reflects the shift in customer preference for deposits without stated maturities resulting from the low interest rates offered on our time deposits, as well as some funding from maturing retail CDs continued to migrate to the more liquid deposit products categories. Ending balances of brokered deposits were \$1.4 billion at December 31, 2021, consisting of money market deposit accounts, as compared to \$3.1 billion at December 31, 2020. The decline was largely due to the maturity and repayment of all brokered CDs throughout 2021 as organic deposit growth outweighed the need for wholesale funding sources. 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, 2021.

The following table presents average short-term and long-term borrowings for the years ended December 31, 2021 and 2020:

	2021	2020
	(in thousands)	
<b>Average short-term borrowings:</b>		
FHLB advances	\$ 722,192	\$ 1,281,121
Securities sold under repurchase agreements	163,223	152,392
Federal funds purchased	6,493	188,068
Total	<u>\$ 891,908</u>	<u>\$ 1,621,581</u>
<b>Average long-term borrowings:</b>		
FHLB advances	\$ 1,136,661	\$ 2,100,874
Subordinated debt	533,754	356,273
Securities sold under repurchase agreements	170,685	337,159
Junior subordinated debentures issued to capital trusts	56,243	55,907
Total	<u>\$ 1,897,343</u>	<u>\$ 2,850,213</u>

Average short-term borrowings presented in the above table decreased largely due to the success of our retail, commercial and government deposit gathering efforts in 2021. Average long-term borrowings decreased largely due the combination of (i) \$534 million and \$248 million of FHLB advances which were prepaid in December 2020 and June 2021, respectively, (ii) normal repayments upon the maturities of FHLB advances and (iii) \$300 million of long-term repurchase agreements which matured during the third quarter 2021. These decreases were partially offset by \$300 million of subordinated notes issued in May 2021. See the “Net Interest Income” section below and Note 10 to the consolidated financial statements for additional details on our borrowed funds.

**Selected Performance Indicators.** The following table presents our annualized performance ratios for the three years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Return on average assets	1.14 %	0.96 %	0.93 %
Return on average assets, as adjusted	1.18	0.99	0.98
Return on average shareholders' equity	9.98	8.68	8.71
Return on average shareholders' equity, as adjusted	10.27	8.93	9.19
Return on average tangible shareholders' equity (ROATE)	14.40	12.82	13.05
ROATE, as adjusted	14.82	13.19	13.77

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, 2021, 2020 and 2019 was computed as follows:

	2021	2020	2019
	(in thousands)		
Net income, as reported	\$ 473,840	\$ 390,606	\$ 309,793
Add: Loss on extinguishment of debt (net of tax)	6,024	8,649	22,992
Add: Net impairment losses on securities (net of tax)	—	—	2,104
Add: (Gains) losses on available for sale and held to maturity securities transactions (net of tax) <sup>(1)</sup>	(390)	(377)	108
Add: Severance expense (net of tax) <sup>(2)</sup>	—	1,489	3,477
Add: Tax credit investment impairment (net of tax) <sup>(3)</sup>	—	—	1,746
Add: Merger related expenses (net of tax) <sup>(4)</sup>	6,698	1,371	11,929
Add: Litigation reserve (net of tax) <sup>(5)</sup>	1,505	—	—
Add: Income tax expense <sup>(6)</sup>	—	—	31,123
Less: Gain on sale-leaseback transaction (net of tax) <sup>(7)</sup>	—	—	(56,414)
Net income, as adjusted	<u>487,677</u>	<u>401,738</u>	<u>326,858</u>

(1) Included in gains on securities transactions, net.

(2) Severance expense is included in salary and employee benefits expense.

(3) Impairment is included in the amortization of tax credit investments.

(4) Merger related expenses are primarily within salary and employee benefits expense, professional and legal fees, and other non-interest expenses.

(5) Litigation reserve included in professional and legal fees.

(6) Income tax expense related to reserves for uncertain tax positions initially recorded in 2019.

(7) The gain on sale leaseback transactions is included in net gains on the sales of assets within other non-interest income.

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, 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, 2021, 2020 and 2019 was computed by dividing adjusted net income by average assets, as follows:

	2021	2020	2019
	(\$ in thousands)		
Net income, as adjusted	\$ 487,677	\$ 401,738	\$ 326,858
Average assets	41,475,682	40,557,326	33,442,738
Return on average assets, as adjusted	<u>1.18 %</u>	<u>0.99 %</u>	<u>0.98 %</u>

Adjusted annualized return on average shareholders' equity for the three years ended December 31, 2021, 2020 and 2019 was computed by dividing adjusted net income by average shareholders' equity, as follows:

	2021	2020	2019
	(\$ in thousands)		
Net income, as adjusted	\$ 487,677	\$ 401,738	\$ 326,858
Average shareholders' equity	4,747,745	4,500,067	3,555,483
Return on average shareholders' equity, as adjusted	<u>10.27 %</u>	<u>8.93 %</u>	<u>9.19 %</u>

ROATE and adjusted ROATE for the three years ended December 31, 2021, 2020 and 2019 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:

	2021		2020		2019	
	(\$ in thousands)					
Net income	\$	473,840	\$	390,606	\$	309,793
Net income, as adjusted	\$	487,677	\$	401,738	\$	326,858
Average shareholders' equity	\$	4,747,745	\$	4,500,067	\$	3,555,483
Less: Average goodwill and other intangible assets		1,457,519		1,454,349		1,182,140
Average tangible shareholders' equity	\$	3,290,226	\$	3,045,718	\$	2,373,343
ROATE		14.40 %		12.82 %		13.05 %
ROATE, as adjusted		14.82 %		13.19 %		13.77 %

### 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 2021.** Net interest income on a tax equivalent basis increased by \$90.2 million to \$1.2 billion for 2021 as compared to 2020. Interest expense decreased \$140.5 million to \$124.3 million for 2021 mainly driven by (i) lower rates on our deposit products combined with a continued customer shift to deposits without stated maturities, (ii) run-off of higher cost time deposits, and (iii) lower average other borrowings due to normal debt maturities and our prepayments of \$534 million and \$248 million of long-term FHLB borrowings in December 2020 and June 2021, respectively. Interest income on a tax equivalent basis decreased \$50.3 million to \$1.3 billion for 2021 largely due to lower overall yields on average loans and investments, partially offset by a \$1.2 billion increase in average earnings assets largely due to solid organic loan growth. Interest and fee income related to PPP loans totaled \$84.9 million for 2021 as compared to \$43.6 million for 2020.

The net interest margin on a tax equivalent basis was 3.17 percent for the year ended December 31, 2021 and increased 14 basis points as compared to 2020. The yield on average interest earning assets decreased 25 basis points mainly attributable to decreased yields on average loans and average taxable investments. The yield on average loans decreased 21 basis points to 3.83 percent for 2021 as compared to 4.04 percent in 2020 largely due to new and refinanced loan originations at lower market interest rates, loan prepayments, and interest rates resetting on adjustable rate loans throughout 2021. Our average taxable investment portfolio yield decreased 45 basis points during 2021 as compared to the prior year due to our reinvestment of principal repayments at lower rates. More than offsetting the decrease in the yield on average interest earning assets, the cost of average interest bearing liabilities decreased 50 basis points to 0.49 percent for 2021 as compared to the prior year. The decrease in the overall cost as compared to 2020 was mainly due to our ability to reprice our sources of funding at lower rates.

Average interest earning assets totaling \$38.2 billion for the year ended December 31, 2021 increased \$1.2 billion, or 3.3 percent, as compared to 2020. Average loan balances increased \$1.0 billion to \$32.8 billion in 2021 and partially offset the decrease in interest income driven by the lower yields on average loans and taxable investments as compared to 2020. The growth in average loans during 2021 was due in large part, to organic loan growth in a number of non-PPP loan categories, which was significantly offset by a \$1.7 billion decrease in PPP loans caused by SBA forgiveness during the year ended December 31, 2021. The new loan production in 2021 came from a blend of new and existing customer relationships with significant geographic and product diversification across our primary markets.

Average interest bearing liabilities decreased \$1.3 billion to \$25.6 billion for the year ended December 31, 2021 from the same period in 2020 mainly due to the strong growth we experienced in deposits from both commercial and retail customers and the customer shift from time deposits to transactional deposits without stated maturities. The average non-interest bearing deposits and savings, NOW and money market account balances increased by \$2.2 billion and \$3.9 billion, respectively, and were partially offset by a \$3.6 billion decrease in average time deposits for the year ended December 31, 2021 as compared to the prior year. Average short-term and long-term borrowings decreased by \$729.7 million and \$952.9 million, respectively, in 2021, as compared to 2020 due, in part, to strong growth in deposits which provided excess liquidity and enabled us to reduce our other sources of funds.

**Fourth Quarter 2021.** Net interest income on a tax equivalent basis totaling \$316.0 million for the fourth quarter 2021 increased \$14.3 million and \$27.2 million as compared to the third quarter 2021 and fourth quarter 2020, respectively. Interest income on a tax equivalent basis increased \$11.2 million to \$340.7 million for the fourth quarter 2021 as compared to the third quarter 2021 due to (i) increases of \$639.7 million and \$248.6 million in average loans and investment securities, respectively, (ii) a \$2.4 million increase in periodic non-PPP loan fees and interest recovery income, and (iii) an \$877 thousand increase in PPP loan related interest and fees caused by loan forgiveness in the fourth quarter 2021. Interest expense of \$24.7 million for the fourth quarter 2021 decreased \$3.1 million as compared to the third quarter 2021 as we continue to reduce our cost of funding from both deposits and the repayment of other borrowings, primarily FHLB advances.

The net interest margin on a tax equivalent basis of 3.23 percent for the fourth quarter 2021 increased 8 basis points as compared to 3.15 percent for the third quarter 2021, and increased 17 basis points from 3.06 percent for the fourth quarter 2020. The yield on average interest earning assets increased by 4 basis points on a linked quarter basis mostly due to the higher yield on averages loans. The yields on average loans increased to 3.83 percent for the fourth quarter 2021 from 3.79 percent for the third quarter 2021 largely due to the increases in non-PPP loan fees, interest recovery income, and PPP interest and fees combined with a \$493 million decline in average PPP loans during the fourth quarter 2021. The overall cost of average interest-bearing liabilities decreased by 5 basis points to 0.39 percent for the fourth quarter 2021 as compared to the linked third quarter 2021 due to the continued customer shift to lower cost deposits, as well as lower average short and long-term borrowings caused by normal repayments funded by excess liquidity. Our cost of total average deposits was 0.15 percent for the fourth quarter 2021 as compared to 0.18 percent for the third quarter 2021.

Many financial market participants currently anticipate higher interest rates in 2022 as compared to 2021. Higher levels of market interest rates would benefit certain interest earning assets on our balance sheet and likely provide us the opportunity to reinvest excess liquidity at higher rates. Under this scenario, we would also anticipate a lag in higher funding costs given the significant excess liquidity currently present in the U.S. banking system. Based upon our estimates at December 31, 2021, we anticipate net interest income growth of approximately 5 to 7 percent for the full year of 2022 as compared to 2021, excluding the impact of the Bank Leumi USA acquisition expected to close in the second quarter of 2022.

The following table reflects the components of net interest income for each of the three years ended December 31, 2021, 2020 and 2019:

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

	2021			2020			2019		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
(\$ in thousands)									
<b>Assets</b>									
<b>Interest earning assets:</b>									
Loans <sup>(1)(2)</sup>	\$ 32,816,985	\$ 1,257,489	3.83 %	\$ 31,785,859	\$ 1,284,807	4.04 %	\$ 26,235,253	\$ 1,198,908	4.57 %
Taxable investments <sup>(3)</sup>	3,285,543	63,383	1.93	3,446,670	81,893	2.38	3,394,397	98,949	2.92
Tax-exempt investments <sup>(1)(3)</sup>	464,833	14,830	3.19	549,204	18,434	3.36	647,178	22,051	3.41
Interest bearing deposits with banks	1,660,454	1,738	0.10	1,229,200	2,556	0.21	298,702	5,723	1.92
Total interest earning assets	<u>38,227,815</u>	<u>1,337,440</u>	3.50	<u>37,010,933</u>	<u>1,387,690</u>	3.75	<u>30,575,530</u>	<u>1,325,631</u>	4.34
Allowance for loan losses	(349,877)			(295,131)			(157,562)		
Cash and due from banks	279,578			309,539			275,619		
Other assets	3,285,731			3,495,464			2,762,478		
Unrealized gains (losses) on securities available for sale, net	32,435			36,521			(13,327)		
<b>Total assets</b>	<u>\$ 41,475,682</u>			<u>\$ 40,557,326</u>			<u>\$ 33,442,738</u>		
<b>Liabilities and Shareholders' Equity</b>									
<b>Interest bearing liabilities:</b>									
Savings, NOW and money market deposits	\$ 18,223,279	\$ 42,879	0.24 %	\$ 14,280,137	\$ 76,169	0.53 %	\$ 11,406,073	\$ 145,177	1.27 %
Time deposits	4,574,337	25,094	0.55	8,125,869	106,067	1.31	7,521,338	166,693	2.22
Total interest bearing deposits	<u>22,797,616</u>	<u>67,973</u>	0.30	<u>22,406,006</u>	<u>182,236</u>	0.81	<u>18,927,411</u>	<u>311,870</u>	1.65
Short-term borrowings	891,908	5,374	0.60	1,621,581	11,372	0.70	2,070,258	47,862	2.31
Long-term borrowings	1,897,343	50,978	2.69	2,850,213	71,207	2.50	1,951,203	63,220	3.24
Total interest bearing liabilities	<u>25,586,867</u>	<u>124,325</u>	0.49	<u>26,877,800</u>	<u>264,815</u>	0.99	<u>22,948,872</u>	<u>422,952</u>	1.84
Non-interest bearing deposits	10,441,816			8,284,376			6,364,986		
Other liabilities	699,254			895,083			573,397		
Shareholders' equity	4,747,745			4,500,067			3,555,483		
<b>Total liabilities and shareholders' equity</b>	<u>\$ 41,475,682</u>			<u>\$ 40,557,326</u>			<u>\$ 33,442,738</u>		
Net interest income/interest rate spread <sup>(5)</sup>		1,213,115	3.01 %		1,122,875	2.76 %		902,679	2.50 %
Tax equivalent adjustment		(3,214)			(3,971)			(4,631)	
<b>Net interest income, as reported</b>		<u>\$ 1,209,901</u>			<u>\$ 1,118,904</u>			<u>\$ 898,048</u>	
Net interest margin <sup>(6)</sup>			3.16 %			3.02 %			2.94 %
Tax equivalent effect			0.01			0.01			0.01
Net interest margin on a fully tax equivalent basis <sup>(6)</sup>			<u>3.17 %</u>			<u>3.03 %</u>			<u>2.95 %</u>

(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

	2021 Compared to 2020			2020 Compared to 2019		
	Change Due to Volume	Change Due to Rate	Total Change	Change Due to Volume	Change Due to Rate	Total Change
(in thousands)						
<b>Interest income:</b>						
Loans*	\$ 40,846	\$ (68,164)	\$ (27,318)	\$ 234,704	\$ (148,805)	\$ 85,899
Taxable investments	(3,685)	(14,825)	(18,510)	1,502	(18,558)	(17,056)
Tax-exempt investments*	(2,726)	(878)	(3,604)	(3,293)	(324)	(3,617)
Federal funds sold and other interest bearing deposits	712	(1,530)	(818)	5,471	(8,638)	(3,167)
Total increase (decrease) in interest income	35,147	(85,397)	(50,250)	238,384	(176,325)	62,059
<b>Interest expense:</b>						
Savings, NOW and money market deposits	17,145	(50,435)	(33,290)	30,152	(99,160)	(69,008)
Time deposits	(34,806)	(46,167)	(80,973)	12,497	(73,123)	(60,626)
Short-term borrowings	(4,568)	(1,430)	(5,998)	(8,658)	(27,832)	(36,490)
Long-term borrowings and junior subordinated debentures	(25,271)	5,042	(20,229)	24,674	(16,687)	7,987
Total (decrease) increase in interest expense	(47,500)	(92,990)	(140,490)	58,665	(216,802)	(158,137)
Increase (decrease) in net interest income	\$ 82,647	\$ 7,593	\$ 90,240	\$ 179,719	\$ 40,477	\$ 220,196

\* Interest income is presented on a tax equivalent basis using a 21 percent federal tax rate.

#### Non-Interest Income

Non-interest income represented 10.4 percent and 11.7 percent of total interest income plus non-interest income for 2021 and 2020, respectively. For the year ended December 31, 2021, non-interest income decreased \$28.0 million as compared to the year ended December 31, 2020 largely due to both lower gains on sales of loans and swap fee income derived from new commercial loan transactions. See further details below.

The following table presents the components of non-interest income for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
(in thousands)			
Trust and investment services	\$ 14,910	\$ 12,415	\$ 12,646
Insurance commissions	7,810	7,398	10,409
Service charges on deposit accounts	21,424	18,257	23,636
Gains (losses) on securities transactions, net	1,758	524	(150)
Net impairment losses on securities recognized in earnings	—	—	(2,928)
Fees from loan servicing	11,651	10,352	9,794
Gains on sales of loans, net	26,669	42,251	18,914
Gains (losses) on sales of assets, net	901	(1,891)	78,333
Bank owned life insurance	8,817	10,083	8,232
Other	61,073	83,643	55,634
Total non-interest income	\$ 155,013	\$ 183,032	\$ 214,520



Trust and investment services income increased \$2.5 million for the year ended December 31, 2021 from \$12.4 million in 2020 mainly due to higher fees generated by the Bank's asset management subsidiary due to appreciation in customer balances as well as investment advisory fees generated by DV in the fourth quarter 2021.

Service charges on deposit accounts which increased \$3.2 million for the year ended December 31, 2021 as compared to 2020 are mostly attributable to a reduction in waived fees related to COVID-19 customer relief efforts.

Gains on securities transactions, net increased by \$1.2 million for the year ended December 31, 2021 as compared to 2020 mainly due to net trading gains from the launch of our new municipal bond trading platform in the first quarter 2021.

Fees from loan servicing increased \$1.3 million for the year ended December 31, 2021 from \$10.4 million in 2020 mainly due to additional fees from mortgage servicing rights on loans originated and sold by us during the year ended December 31, 2021. The aggregate principal balances of residential mortgage loans serviced by us for others increased approximately \$76 million to \$3.6 billion at December 31, 2021 from \$3.5 billion at December 31, 2020.

Net gains on sales of loans decreased \$15.6 million for the year ended December 31, 2021 as compared to 2020. 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 change in the fair value of loans held for sale totaled \$11.8 million of net losses for the year ended December 31, 2021 as compared to the net gains of \$13.5 million the year ended December 31, 2020. Excluding the effect of the change in the fair value, the net gain on actual sales of loans increased \$9.7 million or the year ended December 31, 2021 as compared to 2020. This increase was mainly due to higher volume of loans sold in 2021, as well as improved spreads on the sales of individual loans which were on average approximately 21 basis points higher as compared to the prior year. During 2021, we sold \$1.2 billion of residential mortgages as compared to \$1.0 billion of residential mortgage loans sold during 2020. Residential mortgage loan originations (including both new and refinanced loans) increased 32.2 percent to \$2.6 billion for the year ended December 31, 2021 as compared to \$1.9 billion in 2020. 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 increased \$2.8 million for the year ended December 31, 2021 as compared to \$1.9 million net losses in 2020 primarily due to the net gains on the sale of a few former branch properties and other repossessed assets during 2021. In addition, the net losses recorded during 2020 included impairment charges recognized on certain technology assets.

Other non-interest income decreased \$22.6 million for the year ended December 31, 2021 as compared to 2020 mainly due to a \$32.1 million decrease in swap fee income caused by lower transaction volume of interest rate swaps executed with commercial lending customers. Swap fee income totaled \$26.9 million and \$59.0 million for the years ended December 31, 2021 and 2020, respectively. The decrease in swap fee income was partially offset by moderately higher fees and income in various other categories, including a \$2.8 million increase in credit card and debit card fees mainly driven by greater card utilization.

#### ***Non-Interest Expense***

Non-interest expense increased \$45.4 million to \$691.5 million for the year ended December 31, 2021 as compared to 2020 mainly driven by higher salary and employee benefits expense, as well as higher professional and legal fees. See further details below. The following table presents the components of non-interest expense for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
	(in thousands)		
Salary and employee benefits expense	\$ 375,865	\$ 333,221	\$ 327,431
Net occupancy and equipment expense	132,098	129,002	118,191
FDIC insurance assessment	14,183	18,949	21,710
Amortization of other intangible assets	21,827	24,645	18,080
Professional and legal fees	38,432	32,348	20,810
Loss on extinguishment of debt	8,406	12,036	31,995
Amortization of tax credit investments	10,910	13,335	20,392
Telecommunication expense	11,409	10,737	9,883
Other	78,412	71,875	63,063
Total non-interest expense	<u>\$ 691,542</u>	<u>\$ 646,148</u>	<u>\$ 631,555</u>

Salary and employee benefits expense increased \$42.6 million for the year ended December 31, 2021 as compared to 2020. The increase was primarily due to the combination of strategic increases in our headcount to enhance lending and operations, and increases in our branch compensation to preserve staffing and service levels, and to keep pace with the increases in wage demand across the industry. In addition, higher cash and stock-based incentive compensation accruals and health insurance costs also attributed to the 2021 increase. Change in control, severance and retention expenses related to our 2021 merger activities was \$6.5 million for the year ended December 31, 2021. Severance costs related to operational restructuring efforts and our branch transformation strategy totaled \$2.1 million for the year ended December 31, 2020.

Net occupancy and equipment expenses increased \$3.1 million for the year ended December 31, 2021 as compared to 2020 largely due to higher cleaning, maintenance and repair costs.

The FDIC insurance assessment of \$14.2 million decreased \$4.8 million during 2021 as compared to the prior year largely due to the Bank's improved capital position and overall risk profile.

Amortization of other intangibles decreased \$2.8 million for the year ended December 31, 2021 as compared to 2020 largely due to lower amortization expense of core deposit intangibles, as well as a full impairment adjustment recovery of the \$865 thousand valuation allowance on loan servicing rights at December 31, 2020. See Note 8 to the consolidated financial statements for additional information.

Professional and legal fees increased \$6.1 million for the year ended December 31, 2021 as compared to 2020. The increase was largely attributable to (i) higher consulting expenses mostly related to our technology transformation efforts and new product initiatives, (ii) a \$2.1 million accrual for general litigation reserves, and (iii) \$1.7 million of merger related costs during the year ended December 31, 2021.

Loss on extinguishment of debt totaling \$8.4 million for the year ended December 31, 2021 reflects the prepayment of approximately \$248 million of long-term FHLB advances during the second quarter 2021. During the year ended December 31, 2020, we also incurred a loss on extinguishment of debt totaling \$12.0 million related to prepayments of long-term FHLB advances and institutional repo borrowings totaling \$534.3 million and \$50 million, respectively. All of the prepayments were funded by excess cash liquidity at the Bank. See Note 10 to the consolidated financial statements for additional information.

Amortization of tax credit investments decreased \$2.4 million for the year ended December 31, 2021 as compared to 2020 mainly due to lower amortization on low income and new market tax credits and is attributable 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. See Note 14 to the consolidated financial statements for additional information.

Other non-interest expense increased \$6.5 million for the year ended December 31, 2021 as compared to 2020. The net increase in this expense category was largely due to a \$4.7 million increase in data processing costs and incrementally higher operating expenses in several categories stemming from increased loan originations and expansion of our operations.

**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, 2021, 2020 and 2019:

	2021	2020	2019
	(\$ in thousands)		
Total non-interest expense, as reported	\$ 691,542	\$ 646,148	\$ 631,555
Less: Loss on extinguishment of debt (pre-tax)	8,406	12,036	31,995
Less: Amortization of tax credit investments (pre-tax)	10,910	13,335	20,392
Less: Merger related expenses (pre-tax) <sup>(1)</sup>	8,900	1,907	16,579
Less: Litigation reserve (pre-tax) <sup>(2)</sup>	2,100	—	—
Less: Severance expense (mainly branch transformation, pre-tax) <sup>(3)</sup>	—	2,072	4,838
Total non-interest expense, as adjusted	661,226	616,798	557,751
Net interest income	1,209,901	1,118,904	898,048
Total non-interest income, as reported	155,013	183,032	214,520
Add: (Gains) losses on available for sale and held to maturity debt securities transactions, net (pre-tax)	(545)	(524)	150
Add: Net impairment losses on securities (pre-tax)	—	—	2,928
Less: Gain on sale leaseback transaction (pre-tax) <sup>(4)</sup>	—	—	78,505
Total non-interest income, as adjusted	\$ 154,468	\$ 182,508	\$ 139,093
Gross operating income, as adjusted	\$ 1,364,369	\$ 1,301,412	\$ 1,037,141
Efficiency ratio	50.67 %	49.63 %	56.77 %
Efficiency ratio, adjusted	48.46 %	47.39 %	53.78 %

(1) Merger related expenses are primarily within salary and employee benefits expense, professional and legal fees, and other expense.

(2) Litigation reserve included in professional and legal fees.

(3) Severance expenses are included in salary and employee benefits expense.

(4) The gain on sale leaseback transactions is included in net 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 efficiency ratio of 50.67 percent and adjusted efficiency ratio (as shown in the table above) of 48.46 percent for 2021. We will strive to preserve our adjusted efficiency ratio at or below 50 percent during 2022, however, we can provide no assurance that our adjusted efficiency ratio will remain at the level reported for 2021.

### Income Taxes

Income tax expense was \$166.9 million for the year ended December 31, 2021, reflecting an effective tax rate of 26.0 percent, as compared to \$139.5 million for the year ended December 31, 2020, reflecting an effective tax rate of 26.3 percent. The increase in income tax expense during 2021 as compared to 2020 was mainly driven by higher pre-tax income. The CARES Act did not have a material impact on our reported income tax expense for the years ended December 31, 2021 and 2020.

Our uncertain tax liability positions totaling \$30.4 million and \$31.9 million at December 31, 2021 and 2020, respectively, 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.

U.S. GAAP requires that any change in judgment or change in measurement of a tax position taken in a prior annual period be recognized as a discrete event in the quarter in which it occurs, rather than being recognized as a change in effective tax rate for the current year. Our adherence to these tax guidelines may result in volatile effective income tax rates in future quarterly and annual periods. Factors that could impact management's judgment include changes in income, tax laws and regulations, and tax planning strategies. Based on the current information available, we anticipate that our effective tax rate will range from 26 percent to 28 percent for 2022.

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 22.0 percent of the total loan portfolio at December 31, 2021, 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 13.3 percent of our total loan portfolio at December 31, 2021) 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 4.6 percent of total loans at December 31, 2021) 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, insurance and tax credit advisory services.

Average interest earning assets in this segment increased \$102.0 million to \$7.3 billion for the year ended December 31, 2021 as compared to 2020. The increase was largely due to strong consumer demand for new vehicles which generated strong loan volume through our indirect auto loan channel, particularly during the first half of 2021. Also, to a lesser extent, we experienced growth in our residential mortgage portfolio held for investment and customer usage of personal lines of credit secured by the cash surrender value of life insurance. However, we continued to originate a high volume of residential mortgage loans for sale rather than investment during 2021, which led to only moderate growth in average assets for the consumer segment.

Income before income taxes generated by the consumer lending segment increased \$14.1 million to \$138.2 million for the year ended December 31, 2021 as compared to \$124.1 million for the year ended December 31, 2020 largely due to an increase of \$10.1 million in net interest income coupled with a \$6.8 million credit recorded to our provision for loan losses, partially offset by a \$9.4 million decrease in non-interest income. The increase in net interest income from 2020 was mostly due to the combination of a decline in our funding cost and higher average interest earning assets in 2021, which more than offset the lower yield on average interest earning assets in the consumer segment. The credit to our provision for loan losses was mainly due to improvement in the economic forecast component of our CECL model in 2021 as general conditions and uncertainty from the COVID-19 pandemic improved from December 31, 2020. See further details in the "Allowance for Credit Losses" section of this MD&A. The lower non-interest income was largely due to lower gains on sales of residential mortgage loans mostly resulting from a decline in the fair value adjustment on loans held for sale as of December 31, 2021 as compared to December 31, 2020.

The net interest margin on the consumer lending portfolio increased 11 basis points to 3.03 percent for the year ended December 31, 2021 as compared to 2020 due to a 41 basis point decrease in the costs associated with our funding sources, partially offset by a 30 basis point decrease in the yield on average loans. The decrease in our funding costs was mainly due to a greater mix of non-interest bearing deposits, deposits continuing to reprice at lower interest rates, maturity of higher cost time deposits and borrowings, and prepayment of certain long-term borrowings. The 30 basis point decrease in loan yield was largely due to lower yielding new loan volumes and normal loan repayments. 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 1.90 percent for 2021 compared to 1.73 percent for 2020.

**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 \$5.8 billion and represented 17.1 percent of the total loan portfolio at December 31, 2021. Commercial real estate loans and construction loans totaled \$20.8 billion and represented 60.9 percent of the total loan portfolio at December 31, 2021.

Average interest earning assets in this segment increased \$929.1 million to \$25.6 billion for the year ended December 31, 2021 as compared to 2020. The increase was mainly due to the strong organic commercial real estate loan growth across the markets and geographies of our franchise, partially offset by significant PPP loan forgiveness mostly in the second half of 2021.

For the year ended December 31, 2021, income before income taxes for the commercial lending segment increased \$103.8 million to \$552.4 million as compared to 2020 mainly driven by an increase in net interest income and a lower provision for loan losses. Net interest income increased \$87.7 million to \$951.4 million for the year ended December 31, 2021 as compared to 2020 mainly due to the \$96.8 million decrease in interest expense caused by the reduction in our cost of funds, increased PPP loan fees and the higher average commercial loan balances during 2021. The \$73.9 million decrease in the provision for credit losses to \$39.7 million for the year ended December 31, 2021 as compared to 2020 was mainly due to an improvement in the economic forecast component of the allowance for loan losses and a reduction in other qualitative factors related to the COVID-19 pandemic. See the "Allowance for Credit Losses" section below for further details. Non-interest income decreased \$29.2 million for the year ended December 31, 2021 as compared to 2020 primarily due to lower fee income related to derivative interest rate swaps executed with commercial loan customers which totaled \$26.9 million for the year ended December 31, 2021 as compared to \$59.0 million in 2020. Non-interest expense and internal transfer expense increased \$9.9 million and \$18.7 million, respectively, during 2021 as compared to the prior year. The increase in non-interest expenses was due to higher general and administrative loan expenses and internal transfer expense allocation was higher, mostly due to higher averages assets for the year ended December 31, 2021 as compared to 2020.

The net interest margin for this segment increased 23 basis points to 3.73 percent during 2021 as compared to 2020 due to a 41 basis point decrease in the cost of our funding sources, partially offset by a 18 basis point decrease in the yield on average loans.

The return on average interest earning assets before income taxes for this segment was 2.16 percent for 2021 compared to 1.82 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 \$185.8 million to \$5.4 billion for the year ended December 31, 2021 as compared to 2020 primarily due to a \$431.3 million increase in average interest bearing deposits with banks, partially offset by a \$245.5 million decline in average investment securities. The increase in our excess liquidity held in overnight interest bearing deposits with banks was mainly caused by strong deposits growth over the 12-month period and management's slower rate of reinvestment principal repayments in investment securities throughout 2021 due to the low interest rate environment.

For the year ended December 31, 2021, income before income taxes for the investment management segment decreased \$7.2 million to \$12.4 million as compared to 2020 mainly due to lower net interest income and higher internal transfer and non-interest expenses. Net interest income decreased \$2.3 million for the year ended December 31, 2021 as compared to 2020 due to lower yields on both the taxable and non-taxable investment portfolios, largely offset by the positive effect of the lower cost of funding. Internal transfer and non-interest expenses increased \$3.8 million and \$2.5 million, respectively, for the year ended December 31, 2021 as compared to 2020.

The net interest margin for this segment decreased 8 basis points to 1.22 percent during the year ended December 31, 2021 as compared to 2020 due to a 49 basis point decrease in the yield on average investments, partially offset by a 41 basis point decrease in costs associated with our funding sources. The decrease in the yield on average investments during 2021 as compared to one year ago was mainly due to higher levels of excess liquidity held in low yielding overnight investments and lower yielding new investment securities.

The return on average interest earning assets before income taxes for this segment was 0.23 percent for 2021 compared to 0.37 percent for 2020.

**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 gains and losses on available for sale and held to maturity securities transactions, 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 merger expenses.

The pre-tax net loss for the corporate segment totaled \$62.3 million for the year ended December 31, 2021 was relatively unchanged as compared to \$62.2 million in 2020. The net loss in 2021 was driven by fluctuations in various income and expense components. Non-interest income increased \$10.1 million to \$36.8 million for the year ended December 31, 2021 from 2020 due to higher fees and income in several categories, including investment management, service charges, and gains on sales of assets. Non-interest expense increased \$31.8 million to \$500.5 million for the year ended December 31, 2021 as compared to 2020 largely due to increases in salaries and employee benefits expenses and professional and legal fees. See further details in the “Non-Interest Expense” section in this MD&A. Internal transfer income increased \$26.1 million to \$428.3 million for the year ended December 31, 2021 as compared to the same period in 2020 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 attempt 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, 2021. The model assumes immediate changes in interest rates without any proactive change in the composition or size of the balance sheet, or other future actions that management might undertake to mitigate this risk. In the model, the forecasted shape of the yield curve remains static as of December 31, 2021. 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, 2021. Although the size of Valley’s balance sheet is forecasted to remain static as of December 31, 2021, 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 2021. The model utilizes an immediate parallel shift in the market interest rates at December 31, 2021.

The assumptions used in the net interest income simulation are inherently uncertain. Actual results may differ significantly from those presented in the table below, due to the frequency and timing of changes in interest rates, and changes in spreads between maturity and re-pricing categories. 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.

<b>Changes in Interest Rates</b> <b>(in basis points)</b>	<b>Estimated Change in Future Net Interest Income</b>	
	<b>Dollar Change</b>	<b>Percentage Change</b>
	(\$ in thousands)	
+200	\$ 125,033	10.26 %
+100	62,478	5.13
- 100	(57,491)	(4.72)
- 200	(85,949)	(7.05)

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 5.13 percent. Management believes the interest rate sensitivity remains within an expected tolerance range at December 31, 2021. However, the level of net interest income sensitivity may increase or decrease in the future as a result of several factors, including potential changes in our balance sheet 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, 2021 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	2022	2023	2024	2025	2026	Thereafter	Total Balance	Fair Value
(\$ in thousands)									
<b>Interest sensitive assets:</b>									
Interest bearing deposits with banks	0.15 %	\$ 1,844,764	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,844,764	\$ 1,844,764
Equity securities	2.79	36,473	—	—	—	—	—	36,473	36,473
Trading debt securities	1.89	38,130	—	—	—	—	—	38,130	38,130
Available for sale debt securities	2.05	270,800	165,678	128,942	123,965	87,309	352,115	1,128,809	1,128,809
Held to maturity debt securities	2.22	407,645	413,461	290,240	272,391	207,638	1,077,322	2,668,697	2,660,605
Loans held for sale, at fair value	3.08	139,516	—	—	—	—	—	139,516	139,516
Loans	3.58	10,148,155	5,711,345	4,124,150	2,844,642	2,090,287	9,235,078	34,153,657	33,283,251
<b>Total interest sensitive assets</b>	<b>3.28 %</b>	<b>\$ 12,885,483</b>	<b>\$ 6,290,484</b>	<b>\$ 4,543,332</b>	<b>\$ 3,240,998</b>	<b>\$ 2,385,234</b>	<b>\$ 10,664,515</b>	<b>\$ 40,010,046</b>	<b>\$ 39,131,548</b>
<b>Interest sensitive liabilities:</b>									
<b>Deposits:</b>									
Savings, NOW and money market	0.15 %	\$ 20,269,620	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 20,269,620	\$ 20,269,620
Time	0.41	2,986,056	434,952	72,499	40,134	88,132	65,271	3,687,044	3,670,113
Short-term borrowings	0.31	655,726	—	—	—	—	—	655,726	637,490
Long-term borrowings	2.86	—	470,676	165,000	373,000	—	415,000	1,423,676	1,404,184
Junior subordinated debentures	2.68	—	—	—	—	—	56,413	56,413	46,306
<b>Total interest sensitive liabilities</b>	<b>0.34 %</b>	<b>\$ 23,911,402</b>	<b>\$ 905,628</b>	<b>\$ 237,499</b>	<b>\$ 413,134</b>	<b>\$ 88,132</b>	<b>\$ 536,684</b>	<b>\$ 26,092,479</b>	<b>\$ 26,027,713</b>
Interest sensitivity gap		\$ (11,025,919)	\$ 5,384,856	\$ 4,305,833	\$ 2,827,864	\$ 2,297,102	\$ 10,127,831	\$ 13,917,567	\$ 13,103,835
Ratio of interest sensitive assets to interest sensitive liabilities		0.54:1	6.95:1	19.13:1	7.84:1	27.06:1	19.87:1	1.53:1	1.5:1

The above table provides an approximation of the projected re-pricing of assets and liabilities at December 31, 2021 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 2022 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, 2021 was a negative \$11.0 billion, representing a ratio of interest sensitive assets to interest sensitive liabilities of 0.54:1. 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, 2021. 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, 2021 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, our 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, 2021.

At December 31, 2021, the Bank had various contractual obligations totaling \$3.8 billion and \$2.4 billion of maturing liabilities due in 12 months or less and greater than 1 year, respectively.

The following table summarizes maturities of contractual obligations of the Bank at December 31, 2021:

	One Year or Less	One to Three Years	Three to Five Years	Over Five Years	Total
	(in thousands)				
Time deposits	\$ 2,986,056	\$ 507,451	\$ 128,266	\$ 65,271	\$ 3,687,044
Short-term borrowings	655,726	—	—	—	655,726
Long-term borrowings	—	640,000	373,000	415,000	1,428,000
Junior subordinated debentures issued to capital trusts	—	—	—	60,827	60,827
Lease obligations	36,402	65,200	59,781	121,723	283,106
Capital expenditures	59,966	793	—	—	60,759
Other purchase obligations	34,808	3,191	114	628	38,741
Total	<u>\$ 3,772,958</u>	<u>\$ 1,216,635</u>	<u>\$ 561,161</u>	<u>\$ 663,449</u>	<u>\$ 6,214,203</u>

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, 2021 our off-balance sheet commitments totaled \$10.1 billion, inclusive of commitments of \$6.7 billion due in 12 months or less. See Note 15 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 classified as trading and 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 \$3.5 billion, representing 8.7 percent of earning assets, at December 31, 2021 and \$3.1 billion, representing 8.3 percent of earning assets, at December 31, 2020. Of the \$3.5 billion of liquid assets at December 31, 2021, approximately \$568.7 million of various investment securities were pledged to counterparties to support our earning asset funding strategies. We anticipate the receipt of approximately \$736.0 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, 2021) are projected to be approximately \$9.4 billion over the next 12-month period. As a contingency plan for any liquidity constraints, liquidity could also be derived from the sale of conforming residential mortgages from our loan portfolio, or alleviated 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 \$29.4 billion and \$25.8 billion for the years ended December 31, 2021 and 2020, respectively, representing 78.3 percent and 69.8 percent of average earning assets at December 31, 2021 and 2020, 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, 2021:

	<b>2021</b>	
	<b>(in thousands)</b>	
Less than three months	\$	430,387
Three to six months		167,815
Six to twelve months		161,783
More than twelve months		101,531
Total	\$	<u>861,516</u>

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, 2021, Valley had \$1.1 billion 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, 2021, our borrowing capacity (excluding added capacity available to us by pledging PPP loans), under the Federal Reserve Bank's discount window was approximately \$1.9 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) decreased \$492.2 million to \$655.7 million at December 31, 2021 from December 31, 2020 mainly due to a decrease in short-term FHLB advances utilized as a funding source due to deposit growth and excess liquidity in 2021.

**Corporation Liquidity.** 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 and subordinated notes. 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.

During the second quarter 2021, Valley redeemed \$60 million of callable subordinated notes and issued \$300 million of 3.00 percent subordinated notes. See Note 10 to the consolidated financial statements for additional information.

### Investment Securities Portfolio

As of December 31, 2021, our investment securities portfolio consisted of equity and debt securities, with the debt securities classified as either trading, available for sale or held to maturity. The equity securities consisted of one publicly traded mutual fund, CRA investments and several other equity investments we have made in companies that develop new financial technologies and in a partnership that invests in such companies. Our CRA and other equity investments are a mixture of both publicly traded and privately held entities. Our trading debt securities portfolio wholly consists of investment grade municipal bonds. Held to maturity and available for sale debt securities portfolios which comprise the majority of the securities we own include U.S. Treasury securities, U.S. government agency securities, tax-exempt and taxable issuances 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 include 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.

The primary purpose of our held to maturity and available for sale investment portfolios is to provide a source of earnings and liquidity, as well as 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 Cash Requirements" and "Capital Adequacy" sections elsewhere in this MD&A.

Investment securities at December 31, 2021 and 2020 were as follows:

	2021	2020
	(in thousands)	
<b>Equity securities</b>	\$ 36,473	\$ 29,378
<b>Trading debt securities</b>	38,130	—
<b>Available for sale debt securities</b>		
U.S. Treasury securities	—	51,393
U.S. government agency securities	20,925	26,157
Obligations of states and political subdivisions:		
Obligations of states and state agencies	26,127	41,799
Municipal bonds	53,763	38,151
Total obligations of states and political subdivisions	79,890	79,950
Residential mortgage-backed securities	904,502	1,090,022
Corporate and other debt securities	123,492	91,951
Total available for sale debt securities	1,128,809	1,339,473
Total investment securities (fair value)	\$ 1,203,412	\$ 1,368,851
<b>Held to maturity debt securities</b>		
U.S. Treasury securities	\$ 67,558	\$ 68,126
U.S. government agency securities	6,265	6,222
Obligations of states and political subdivisions:		
Obligations of states and state agencies	141,015	262,762
Municipal bonds	196,947	207,497
Total obligations of states and political subdivisions	337,962	470,259
Residential mortgage-backed securities	2,166,142	1,550,306
Trust preferred securities	37,020	37,348
Corporate and other debt securities	53,750	40,750
Total investment securities held to maturity (amortized cost)	\$ 2,668,697	\$ 2,173,011
Allowance for credit losses	1,165	1,428
Total investment securities held to maturity, net of allowance for credit losses	2,667,532	2,171,583
Total investment securities	\$ 3,870,944	\$ 3,540,434

During the year ended 2021, we purchased approximately \$1.5 million of residential mortgage backed securities mainly within the held to maturity portfolio. The purchases were largely to reinvest continued repayments and prepayments within both

the available for sale and held to maturity portfolios, as well as utilize excess liquidity from our operations. The decrease in states and municipal obligations was due to a combination of several large call provisions exercised by the securities issuers, principal paydowns and maturities. The U.S. Treasury securities in our available for sale portfolio at December 31, 2020 were sold during 2021 and resulted in a gain of \$825 thousand for the year ended December 31, 2021.

At December 31, 2021, we had \$2.2 billion and \$904.5 million of residential mortgage-backed securities classified as held to maturity and available for sale, respectively. Approximately 45 percent and 47 percent, respectively, were issued and guaranteed by Fannie Mae, and approximately 38 percent and 42 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, 2021 were issued by Freddie Mac.

The following table presents the weighted-average yields, calculated on a yield-to-maturity basis, on the remaining contractual maturities (unadjusted for expected prepayments) of held to maturity debt securities at December 31, 2021:

	0-1 year	1-5 years	5-10 years	Over 10 years	Total
<b>Held to maturity debt securities</b>					
U.S. Treasury securities	—%	3.22%	—%	—%	3.22%
U.S. government agency securities	2.23	—	—	2.85	2.83
Obligations of states and political subdivisions: <sup>(1)</sup>					
Obligations of states and state agencies	2.97	4.50	4.31	3.89	4.09
Municipal bonds	2.63	3.54	4.35	4.23	3.67
Total obligations of states and political subdivisions	2.66	3.83	4.33	4.04	3.85
Residential mortgage-backed securities <sup>(2)</sup>	—	2.93	3.16	1.76	1.77
Trust preferred securities	—	—	8.12	2.27	2.43
Corporate and other debt securities	—	3.48	3.63	—	3.53
<b>Total</b>	<b>2.65%</b>	<b>3.57%</b>	<b>4.08%</b>	<b>1.91%</b>	<b>2.11%</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Residential mortgage-backed securities yields are shown using stated final maturity dates.

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 changes 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*

**Available for sale debt securities.** The 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, 2021 and 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 years ended December 31, 2021 and 2020 and, as a result, there was no allowance for credit losses for available for sale debt

securities at December 31, 2021 and 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 the states and state agencies category.

**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. Held to maturity debt securities were carried net of an allowance for credit losses totaling \$1.2 million and \$1.4 million at December 31, 2021 and 2020, respectively. We recorded a net credit of \$263 thousand for the year ended December 31, 2021 and a provision of \$635 thousand for the year ended December 31, 2020.

The net credit to provision for credit losses in 2021 was mostly a result of our improved economic forecast component of the CECL model at December 31, 2021 as compared to December 31, 2020. The provision in 2020 reflected the negative economic forecast incorporated within the allowance model from the onset of the COVID-19 pandemic in 2020 (which anticipated elevated levels of defaults, particularly on corporate bonds). There were no net charge-offs of held to maturity debt securities during 2021 and 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, 2021.

<b>December 31, 2021</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
(in thousands)				
<b>Available for sale investment grades:*</b>				
AAA Rated	\$ 943,554	\$ 15,851	\$ (5,770)	\$ 953,635
AA Rated	58,227	224	(399)	58,052
A Rated	4,987	55	—	5,042
BBB Rated	29,304	812	(126)	29,990
Non-investment grade	4,997	—	(15)	4,982
Not rated	75,022	2,310	(224)	77,108
Total	<u>\$ 1,116,091</u>	<u>\$ 19,252</u>	<u>\$ (6,534)</u>	<u>\$ 1,128,809</u>
<b>Held to maturity investment grades:*</b>				
AAA Rated	\$ 2,345,588	\$ 21,932	\$ (28,470)	\$ 2,339,050
AA Rated	151,115	3,175	(61)	154,229
A Rated	12,484	340	—	12,824
BBB Rated	6,000	346	—	6,346
Non-investment grade	5,576	—	(59)	5,517
Not rated	147,934	187	(5,482)	142,639
Total	<u>\$ 2,668,697</u>	<u>\$ 25,980</u>	<u>\$ (34,072)</u>	<u>\$ 2,660,605</u>

\* 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 unrealized losses in the AAA rated category of the held to maturity debt securities (in the above table) are mainly related to residential mortgage-backed securities issued by Ginnie Mae and Fannie Mae. The debt securities held to maturity portfolio included \$147.9 million in investments not rated by the rating agencies with aggregate unrealized losses of \$5.5 million at December 31, 2021 mostly 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,	
	2021	2020
	(\$ in thousands)	
Commercial and industrial	\$ 5,411,601	\$ 4,709,569
Commercial and industrial PPP loans	435,950	2,152,139
<b>Total commercial and industrial</b>	<b>5,847,551</b>	<b>6,861,708</b>
Commercial real estate:		
Commercial real estate	18,935,486	16,724,998
Construction	1,854,580	1,745,825
<b>Total commercial real estate</b>	<b>20,790,066</b>	<b>18,470,823</b>
Residential mortgage	4,545,064	4,183,743
Consumer:		
Home equity	400,779	431,553
Automobile	1,570,036	1,355,955
Other consumer	1,000,161	913,330
<b>Total consumer loans</b>	<b>2,970,976</b>	<b>2,700,838</b>
<b>Total loans *</b>	<b>\$ 34,153,657</b>	<b>\$ 32,217,112</b>
As a percent of total loans:		
Commercial and industrial	17.1 %	21.3 %
Commercial real estate	60.9	57.3
Residential mortgage	13.3	13.0
Consumer loans	8.7	8.4
Total	100 %	100 %

\* Includes net unearned discount and deferred loan fees of \$78.5 million and \$95.8 million at December 31, 2021 and 2020, respectively. Net unearned discounts and deferred loans fees at December 31, 2021 include the non-credit discount on purchased credit deteriorated (PCD) loans, and \$12.1 million and \$43.2 million of net unearned fees related to PPP loans at December 31, 2021 and 2020, respectively.

Total loans increased by \$1.9 billion, or 6.0 percent to \$34.2 billion at December 31, 2021 from December 31, 2020 largely due to a combination of strong organic loan growth and \$915 million in loans acquired from Westchester, partially offset by a \$1.7 billion decline in PPP loans. During 2021, Valley also originated \$1.0 billion of residential mortgage loans for sale rather than investment. Loans held for sale totaled \$139.5 million and \$301.4 million at December 31, 2021 and 2020, respectively. See additional information regarding our residential mortgage loan activities below.

Commercial and industrial loans decreased \$1.0 billion to \$5.8 billion at December 31, 2021 from December 31, 2020 due to \$1.7 billion of PPP loans that were forgiven by the SBA during 2021. Non-PPP commercial and industrial loans increased \$702.0 million largely due, in part, to expansion of our commercial lending team during 2021, solid demand in certain customer segments, including healthcare lending, and approximately \$293 million of acquired loans from Westchester. Valley expects the vast majority of the remaining \$436 million of PPP loans at December 31, 2021 to qualify for forgiveness under the guidelines of the SBA program, which is expected to negatively impact our ability to organically grow this segment of the portfolio in the early stages of 2022.

Commercial real estate loans (excluding construction loans) increased \$2.2 billion to \$18.9 billion at December 31, 2021 from December 31, 2020 reflecting solid organic growth mainly due to demand for non-owner occupied loans across our geographic footprint, as well as \$579 million of acquired loans from Westchester. Our organic approach to growth is a balance of loan production through expansion of lending with our existing clients and establishing new relationships with key players in our marketplaces. During 2021, our commercial real estate production exhibited particular strength in loans secured by multi-family dwellings, warehouses and healthcare facilities. During 2021, we also modestly expanded our commercial lending activities beyond our primary markets into other select areas of Pennsylvania, Georgia and Tennessee. We believe this expansion, and the expansion which is expected to result from our pending acquisition of Bank Leumi USA, will provide both growth and further diversification of our commercial real estate and other commercial lending portfolios.

Construction loans totaled \$1.9 billion at December 31, 2021 and increased \$108.8 million from December 31, 2020, mainly driven by demand for commercial and residential construction projects. The Westchester acquisition contributed only \$22 million of acquired loans to the construction loan portfolio during December 2021. The growth in new construction loans was partially offset by the run-off of completed existing projects, and, to a lesser extent, migration of such completed projects to permanent financing during 2021. Construction demand in our Florida markets was particularly robust in 2021 and partly due to a faster paced reopening during the COVID-19 pandemic. We continue to be strategically competitive for the strongest borrowers and projects in all our primary markets.

Residential mortgage loans totaled \$4.5 billion at December 31, 2021 and increased by \$361.3 million from December 31, 2020 largely due to a 32 percent increase in origination of new and refinanced residential mortgage loans totaling \$2.6 billion for the year ended December 31, 2021 as compared to \$1.9 billion in 2020. The Westchester acquisition contributed only \$30 million of acquired loans to the residential mortgage loan portfolio during December 2021. Florida originations totaled approximately \$681 million and represented 26.6 percent of total originations during 2021. During 2021, we sold \$1.2 billion of residential mortgages as compared to \$1.0 billion of residential mortgage loans sold during 2020 and may continue to sell a large portion of our new fixed rate residential mortgage loan originations during 2022 based upon normal management of the interest rate risk and mix of the interest earning assets on our balance sheet. 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 \$58.3 million and \$24.3 million of 1-4 family loans, qualifying for CRA purposes during 2021 and 2020, respectively.

Consumer loans increased \$270.1 million to \$3.0 billion at December 31, 2021 from December 31, 2020 mainly due to higher volumes of automobile loans and personal lines of credit. The Westchester acquisition contributed only \$5 million of acquired loans to the consumer loan portfolio during December 2021. Automobile loans increased \$214.1 million or 15.8 percent to \$1.6 billion at December 31, 2021 from December 31, 2020 driven by strong consumer demand for new and used vehicles. We originated \$872 million in auto loans through our dealership network during 2021 as compared to \$492 million in 2020. Of the total originations, our Florida dealership network contributed approximately 16 percent and 17 percent of Valley's total new auto loan production for 2021 and 2020, respectively. Other consumer loans increased \$86.8 million to \$1.0 billion at December 31, 2021 as compared to 2020 mainly due to both higher usage and demand within our collateralized personal lines of credit portfolio. Home equity loans decreased \$30.8 million in 2021 from \$431.6 million at December 31, 2020.

For 2022, we anticipate strong organic non-PPP loan growth of between 7 to 9 percent. In the early stages of the first quarter 2022, we are encouraged that our loan origination pipelines remain robust and overall non-PPP loan growth should remain well-diversified across our markets and most loan categories. However, there can be no assurance that those positive trends will continue, or balances will not decline from December 31, 2021 given the uncertain economic environment.

The following table presents the contractual maturity distribution of loans by category at December 31, 2021:

	1 Year or Less	1 to 5 Years	5 to 15 Years (in thousands)	Over 15 Years	Total
Commercial and industrial	\$ 1,213,731	\$ 2,489,051	\$ 1,010,419	\$ 1,134,350	\$ 5,847,551
Commercial real estate	1,352,142	5,483,620	9,259,107	2,840,617	18,935,486
Construction	505,032	887,536	279,283	182,729	1,854,580
Residential mortgage	151,400	166,240	495,664	3,731,760	4,545,064
Consumer	31,022	948,276	1,965,302	26,376	2,970,976
Total loans	<u>\$ 3,253,327</u>	<u>\$ 9,974,723</u>	<u>\$ 13,009,775</u>	<u>\$ 7,915,832</u>	<u>\$ 34,153,657</u>

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.

The following table presents the contractual maturities after one year for fixed and adjustable rate loans within each loan category at December 31, 2021:

	Loans Maturing After One Year		
	Fixed Rate	Adjustable Rate	Total
	(in thousands)		
Commercial and industrial	\$ 2,624,766	\$ 2,009,054	\$ 4,633,820
Commercial real estate	5,769,391	11,813,953	17,583,344
Construction	307,672	1,041,876	1,349,548
Residential mortgage	3,520,267	873,397	4,393,664
Consumer	1,616,023	1,323,931	2,939,954
Total loans	<u>\$ 13,838,119</u>	<u>\$ 17,062,211</u>	<u>\$ 30,900,330</u>

#### **Non-performing Assets**

Non-performing assets (NPAs) include non-accrual loans, other real estate owned (OREO), and other repossessed assets (which consist of automobiles and taxi medallions) at December 31, 2021. 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 \$245.4 million at December 31, 2021 increased \$50.8 million, or 26.1 percent, from December 31, 2020 (as shown in the table below) mainly due to higher non-accrual loans in the commercial real estate, construction and residential mortgage categories, partially offset by a decrease in the commercial and industrial loan category and lower OREO balances. NPAs as a percentage of total loans and NPAs totaled 0.71 percent and 0.60 percent at December 31, 2021 and 2020, respectively. We believe our total NPAs has remained relatively low as a percentage of the total loan portfolio over the past two years, despite the uptick in non-accrual borrowers mainly caused by the COVID-19 pandemic. 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. During 2021, our overall credit trends remained stable, and our business and borrowers continued to demonstrate resilience and growth despite the continuing challenges of the COVID-19 pandemic. However, management cannot provide assurance that the non-performing assets will not increase substantially from the levels reported at December 31, 2021 due to the continuing economic uncertainty and potentially for credit deterioration. In addition, a few borrowers are still performing under forbearance agreements at December 31, 2021 as discussed under the "Loan Forbearance" section below.



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,	
	2021	2020
(\$ in thousands)		
<b>Accruing past due loans</b>		
30 to 59 days past due		
Commercial and industrial	\$ 6,717	\$ 6,393
Commercial real estate	14,421	35,030
Construction	1,941	315
Residential mortgage	10,999	17,717
Total consumer	6,811	10,257
Total 30 to 59 days past due	40,889	69,712
60 to 89 days past due		
Commercial and industrial	7,870	2,252
Commercial real estate	—	1,326
Residential mortgage	3,314	10,351
Total consumer	1,020	1,823
Total 60 to 89 days past due	12,204	15,752
90 or more days past due		
Commercial and industrial	1,273	9,107
Commercial real estate	32	993
Residential mortgage	677	3,170
Total consumer	789	271
Total 90 or more days past due	2,771	13,541
Total accruing past due loans	\$ 55,864	\$ 99,005
<b>Non-accrual loans*</b>		
Commercial and industrial	\$ 99,918	\$ 106,693
Commercial real estate	83,592	46,879
Construction	17,641	84
Residential mortgage	35,207	25,817
Total consumer	3,858	5,809
Total non-accrual loans	240,216	185,282
Other real estate owned (OREO)	2,259	5,118
Other repossessed assets	2,931	3,342
Non-accrual debt securities	—	815
Total non-performing assets (NPAs)	\$ 245,406	\$ 194,557
Performing troubled debt restructured loans	\$ 71,330	\$ 57,367
Total non-accrual loans as a % of loans	0.70 %	0.58 %
Total NPAs as a % of loans and NPAs	0.71	0.60
Total accruing past due and non-accrual loans as a % of loans	0.87	0.88
Allowance for loan losses as a % of non-accrual loans	149.53	183.64

Loans past due 30 to 59 days decreased \$28.8 million at December 31, 2021 as compared to December 31, 2020 partially due to two commercial real estate loans totaling \$20.7 million reported in this delinquency category on December 31, 2020 that migrated to non-accrual status during 2021. The residential mortgage loan and consumer loan delinquencies within this category decreased by \$6.7 million and \$3.4 million, respectively, from December 31, 2020 mainly due to improved performance and the results of our 2021 collection efforts.

Loans past due 60 to 89 days decreased \$3.5 million to \$12.2 million at December 31, 2021 as compared to December 31, 2020 mostly due to lower residential mortgage loan delinquencies, partially offset by an increase in commercial and industrial loan delinquencies in this category. Residential loans past due 60 to 89 days decreased by \$7.0 million as compared to December 31, 2020 due, in part, to loans that migrated to non-accrual status.

Loans 90 days or more past due and still accruing decreased \$10.8 million to \$2.8 million at December 31, 2021 as compared to December 31, 2020 partly due to premium finance loans (related to two insurance carriers) totaling \$6.1 million in the commercial and industrial category reclassified to non-accrual status in 2021. 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 \$54.9 million to \$240.2 million at December 31, 2021 as compared to December 31, 2020. The increase was partially attributable to three loans totaling \$31.0 million and one loan totaling \$10.3 million that migrated to non-accrual status from the 30-59 days and 60 to 89 days past due categories during 2021. These non-accrual loans totaling \$41.1 million have allocated reserves of \$2.0 million within our allowance for loan losses at December 31, 2021. In addition, non-accrual construction loans increased \$17.6 million at December 31, 2021 as compared to December 31, 2020 and related to one construction borrower relationship with allocated reserves of \$1.4 million at December 31, 2021. Partially offsetting these increases, non-accrual commercial and industrial loans decreased \$6.8 million mostly due to full and partial charge-offs of certain taxi medallion loans during 2021. See further discussion of our taxi medallion loan portfolio below.

Although the timing of collection is uncertain, management believes that most of the non-accrual loans at December 31, 2021, 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 \$7.1 million, \$6.2 million and \$2.5 million for the years ended December 31, 2021, 2020 and 2019, respectively; none of these amounts were included in interest income during these periods.

**Non-accrual taxi medallion loans.** 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. During 2021, we closely monitored the performance of our New York City and Chicago taxi medallion loans. 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, all of the taxi medallion loans remain on non-accrual status at December 31, 2021. At December 31, 2021, taxi medallion loans totaling \$86.0 million had related reserves of \$58.5 million, or 68.0 percent of such loans, within the allowance for loan losses as compared to \$97.5 million of loans with related reserves of \$66.4 million December 31, 2020. Potential declines in the market valuation of taxi medallions and the stressed operating environment mainly within New York City due to the COVID-19 pandemic could negatively impact 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 \$5.7 million within the allowance for loan losses based upon the taxi medallion loan balances at December 31, 2021.

OREO (which consisted mostly of commercial properties) decreased to \$2.3 million at December 31, 2021 as compared to \$5.1 million at December 31, 2020. OREO sales resulted in total proceeds of approximately \$2.9 million and net losses of \$152 thousand for the year ended December 31, 2021 as compared to total proceeds of \$9.0 million and net gains of \$674 thousand for the year ended December 31, 2020. 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) increased \$14.0 million to \$71.3 million at December 31, 2021 as compared to \$57.4 million at December 31, 2020. Performing TDRs consisted of 98 loans and 87 loans (primarily in the commercial and industrial loan and commercial real estate portfolios) at December 31, 2021 and 2020, respectively. On an aggregate basis, the \$71.3 million in performing TDRs at December 31, 2021 had a modified weighted average interest rate of approximately 4.19 percent as compared to a pre-modification weighted average interest rate of 4.29 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, when requested by customers, all of which were insignificant. Generally, the modification terms allow for a deferral of payments for up to 90 days, which Valley could extend for an additional 90 days. Any extensions beyond this period were provided in accordance with applicable regulatory guidance. Under the applicable guidance, none of these loans were classified

as TDRs at December 31, 2021 and December 31, 2020. Valley had approximately \$28 million of outstanding loans remaining in their payment deferral periods under short-term modifications representing approximately 0.1 percent of our total loan portfolio at December 31, 2021 as compared to approximately \$361 million, or 1.1 percent of total loans at December 31, 2020.

#### *Asset Concentration and Risk Elements*

Most of our lending is in northern and central New Jersey, New York City, Long Island, Westchester County, New York, Florida and Alabama, except for smaller auto and residential mortgage loan portfolios derived from other neighboring states of New Jersey. As part of our business strategy, we have expanded commercial real estate lending to new customers in a few targeted states beyond our geographic footprint. In addition to our primary markets, automobile loans are mostly originated in several other contiguous states. 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. 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.

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 75 percent of total loans at December 31, 2021. 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 2021 was 67 percent while FICO® (independent objective criteria measuring the creditworthiness of a borrower) scores averaged 760. Home equity and automobile loans are secured loans and are made based on an evaluation of the collateral and the borrower's creditworthiness.

Management realizes that some degree of risk must be expected in the normal course of lending activities. Allowances are maintained to absorb such lifetime expected credit losses inherent in the portfolio.

See the "Loan Portfolio Risk Elements and Credit Risk Management" section in Note 4 to the consolidated financial statements for additional information.

#### *Allowance for Credit Losses*

The allowance for credit losses (ACL) includes the allowance for loan losses and the reserve for unfunded credit commitments. 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 standby letters of credit.

Valley estimated the collective ACL using a current expected credit losses methodology which is based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the loan balances. In estimating the component of the allowance on a collective basis we use a transition matrix model which calculates an expected life of loan loss percentage for each loan pool by generating probability of default and loss given default metrics. The metrics are based on the migration of loans 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.

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. During 2021, we discontinued the use of the S-4 (most adverse) downside scenario as a result of the continued actual and expected economic recovery, increased vaccination levels, strong housing and labor market conditions during 2021, and began to incorporate the S-1 moderate upside scenario.

At December 31, 2021, Valley maintained the majority of its probability weighting to the Moody's Baseline scenario with less emphasis on the S-3 downside and S-1 upside scenarios. The Baseline weighting and the S-1 scenario reflect the positive economic outlook including higher GDP growth and lower unemployment levels that are expected to improve labor market conditions and promote stronger economic growth during 2022. However, this positive outlook could still be tempered by, among other factors, the uncertainty associated with the COVID-19 pandemic, acceleration in consumer prices caused by elevated levels of inflation, as well as continuing supply chain issues contributing to a downside risk to the near-term forecast.

At December 31, 2021, the Moody's Baseline forecast included the following specific assumptions:

- GDP expansion by over 5.4 percent in the first quarter 2022;
- Unemployment of 4.5 percent in the fourth quarter 2021 and improving to 3.9 percent in the first quarter 2022 and around 3.5 percent over the remainder of the forecast period ending fourth quarter 2023; and
- Strong U.S. economic growth driven by continued consumer spending.

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,		
	2021	2020	2019
<b>Allowance for credit losses for loans</b>	(\$ in thousands)		
Beginning balance	\$ 351,354	\$ 164,604	\$ 156,295
Impact of the adoption of ASU No. 2016-13 *	—	37,989	—
Allowance for purchased credit deteriorated (PCD) loans *	6,542	61,643	—
Beginning balance, adjusted	357,896	264,236	156,295
Loans charged-off: <sup>(2)</sup>			
Commercial and industrial	(21,507)	(34,630)	(13,260)
Commercial real estate	(382)	(767)	(158)
Residential mortgage	(140)	(598)	(126)
Total Consumer	(4,303)	(9,294)	(8,671)
Total charge-offs	(26,332)	(45,289)	(22,215)
Charged-off loans recovered:			
Commercial and industrial	3,934	1,956	2,397
Commercial real estate	2,553	1,054	1,237
Construction	4	452	—
Residential mortgage	676	670	66
Total Consumer	4,075	3,188	2,606
Total recoveries	11,242	7,320	6,306
Net charge-offs	(15,090)	(37,969)	(15,909)
Provision charged for credit losses	32,896	125,087	24,218
Ending balance	\$ 375,702	\$ 351,354	\$ 164,604
<b>Components of allowance for credit losses for loans:</b>			
Allowance for loan losses	\$ 359,202	\$ 340,243	\$ 161,759
Allowance for unfunded credit commitments	16,500	11,111	2,845
Allowance for credit losses for loans	\$ 375,702	\$ 351,354	\$ 164,604
<b>Components of provision for credit losses for loans:</b>			
Provision for credit losses for loans	\$ 27,507	\$ 123,922	\$ 25,809
Provision for unfunded credit commitments	5,389	1,165	(1,591)
Provision for credit losses for loans	\$ 32,896	\$ 125,087	\$ 24,218
Allowance for credit losses for loans to total loans	1.10 %	1.09 %	0.55 %

\* The adjustment for the year ended December 31, 2020 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.

See Note 5 to the consolidated financial statements for additional information regarding our allowance for credit losses for loans.

The following table presents the relationship among net loans charged-off and recoveries, and average loan balances outstanding for the years indicated:

	Years Ended December 31,		
	2021	2020	2019
	(\$ in thousands)		
<b>Net loan (charge-offs) recoveries</b>			
Commercial and industrial	\$ (17,573)	\$ (32,674)	\$ (10,863)
Commercial real estate	2,171	287	1,079
Construction	4	452	—
Residential mortgage	536	72	(60)
Total consumer	(228)	(6,106)	(6,065)
<b>Total</b>	<b>(15,090)</b>	<b>(37,969)</b>	<b>(15,909)</b>
<b>Average loans outstanding</b>			
Commercial and industrial	\$ 6,334,612	\$ 6,418,813	\$ 4,589,906
Commercial real estate	17,444,293	16,506,542	13,231,860
Construction	1,775,272	1,699,711	1,522,025
Residential mortgage	4,401,881	4,395,582	4,187,264
Total consumer	2,860,927	2,765,211	2,704,198
<b>Total</b>	<b>32,816,985</b>	<b>31,785,859</b>	<b>26,235,253</b>
<b>Net loan charge-offs (recoveries) to average loans outstanding</b>			
Commercial and industrial	0.28%	0.51%	0.24%
Commercial real estate	(0.01)	0.00	(0.01)
Construction	0.00	(0.03)	0.00
Residential mortgage	(0.01)	0.00	0.00
Total consumer	0.01	0.22	0.22

Our net loan charge-offs decreased \$22.9 million to \$15.1 million in 2021 as compared to \$38.0 million in 2020 mainly due to lower net charge-offs related to borrowers impacted by the COVID-19 pandemic (largely within the commercial and industrial loan category). Partial loan charge-offs of taxi medallion loans totaled \$4.8 million and \$12.5 million, respectively, within the commercial and industrial loan category for the years ended December 31, 2021 and 2020.

The overall level of net loan charge-offs (as presented in the above table) continued to trend within management's expectations for the credit quality of the loan portfolio for 2021. 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 2022, given the uncertain path of the recovery from the COVID-19 pandemic.

The following table summarizes the allocation of the allowance for credit losses to specific loan portfolio categories for the years ended December 31,:

	2021		2020	
	Allowance Allocation	Percent of Loan Category to total loans	Allowance Allocation	Percent of Loan Category to total loans
(\$ in thousands)				
<b>Loan Category:</b>				
Commercial and industrial	\$ 103,090	17.1 %	\$ 131,070	21.3 %
Commercial real estate:				
Commercial real estate	193,258	55.5	146,009	51.9
Construction	24,232	5.4	18,104	5.4
Total commercial real estate	217,490	60.9	164,113	57.3
Residential mortgage	25,120	13.3	28,873	13.0
Total consumer	13,502	8.7	16,187	8.4
Total allowance for loan losses	359,202	100.0 %	340,243	100.0 %
Allowance for unfunded credit commitments	16,500		11,111	
Total allowance for credit losses for loans	\$ 375,702		\$ 351,354	

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 1.10 percent at December 31, 2021 and 1.09 percent at December 31, 2020. The allowance for credit losses for loans increased \$24.3 million at December 31, 2021 as compared to December 31, 2020 due, in large part, to higher quantitative reserves, particularly for non-owner occupied loans within the commercial real estate loan portfolio during 2021. During the fourth quarter 2021, we also recorded a \$6.5 million increase to the allowance of credit losses for loans related to PCD loans acquired from Westchester and our provision for credit losses for loans included \$6.2 million for non-PCD loans and unfunded credit commitments acquired from Westchester. These items were partially offset by decreases in both the economic forecast and non-economic qualitative reserve components of our CECL model largely due to improved economic outlook and lower levels of uncertainty related to the impact of the COVID-19 pandemic on credit quality of our loan portfolio at December 31, 2021 as compared to December 31, 2020.

#### **Loan Repurchase Contingencies**

We engage in the origination of residential mortgages for sale into the secondary market. Our loan sales totaled approximately \$1.2 billion, \$1.0 billion and \$935 million for 2021, 2020 and 2019, respectively. Over the last three years, loan sales increased significantly, as new loan originations and refinance activity strengthened due to the 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 five loan repurchases in 2021 and two loan repurchases in 2020). 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, 2021 and 2020. 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, 2021 and 2020, shareholders' equity totaled approximately \$5.1 billion and \$4.6 billion, or 11.7 percent and 11.3 percent of total assets, respectively. During 2021, total shareholders' equity increased by \$491.9 million primarily due to (i) net income of \$473.8 million, (ii) the additional capital issued in the Westchester acquisition totaling \$211.1 million, (iii) a \$35.4 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 \$195.1 million (ii) a net loss of \$10.2 million recorded in accumulated comprehensive loss and (ii) repurchases of \$23.1 million of our common stock with these shares held as treasury stock.

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, 2021 and 2020, 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, 2021 and 2020.

For regulatory capital purposes, in accordance 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 was deferred for a two-year period ending January 1, 2022, and will be phased in on a pro-rata basis over a three-year period ending January 1, 2025. Additionally, 25 percent, or \$19.1 million on an after tax basis of the reserve build (i.e., provision for credit losses less net charge-offs) since CECL adoption through December 31, 2021 is being phased in over the same time frame. We estimate these deferrals when fully phased in will reduce our risk based capital ratios by approximately 14 basis points.

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 60.7 percent and 52.7 percent for the years ended December 31, 2021 and 2020, respectively.

Cash dividends declared amounted to \$0.44 per common share for both years ended December 31, 2021 and 2020. 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 has 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,	
	2021	2020
	(in thousands except for share data)	
<b>Assets</b>		
Cash and due from banks	\$ 205,156	\$ 257,845
Interest bearing deposits with banks	1,844,764	1,071,360
Investment securities:		
Equity securities	36,473	29,378
Trading debt securities	38,130	—
Available for sale debt securities	1,128,809	1,339,473
Held to maturity debt securities (net of allowance for credit losses of \$1,165 at December 31, 2021 and \$1,428 at December 31, 2020)	2,667,532	2,171,583
Total investment securities	3,870,944	3,540,434
Loans held for sale, at fair value	139,516	301,427
Loans	34,153,657	32,217,112
Less: Allowance for loan losses	(359,202)	(340,243)
Net loans	33,794,455	31,876,869
Premises and equipment, net	326,306	319,797
Lease right of use assets	259,117	252,053
Bank owned life insurance	566,770	535,209
Accrued interest receivable	96,882	106,230
Goodwill	1,459,008	1,382,442
Other intangible assets, net	70,386	70,449
Other assets	813,139	971,961
<b>Total Assets</b>	<b>\$ 43,446,443</b>	<b>\$ 40,686,076</b>
<b>Liabilities</b>		
Deposits:		
Non-interest bearing	\$ 11,675,748	\$ 9,205,266
Interest bearing:		
Savings, NOW and money market	20,269,620	16,015,658
Time	3,687,044	6,714,678
Total deposits	35,632,412	31,935,602
Short-term borrowings	655,726	1,147,958
Long-term borrowings	1,423,676	2,295,665
Junior subordinated debentures issued to capital trusts	56,413	56,065
Lease liabilities	283,106	276,675
Accrued expenses and other liabilities	311,044	381,991
<b>Total Liabilities</b>	<b>38,362,377</b>	<b>36,093,956</b>
<b>Shareholders' Equity</b>		
Preferred stock, no par value; authorized 50,000,000 shares:		
Series A (4,600,000 shares issued at December 31, 2021 and December 31, 2020)	111,590	111,590
Series B (4,000,000 shares issued at December 31, 2021 and December 31, 2020)	98,101	98,101
Common stock (no par value, authorized 650,000,000 shares; issued 423,034,027 shares at December 31, 2021 and 403,881,488 shares at December 31, 2020)	148,482	141,746
Surplus	3,883,035	3,637,468
Retained earnings	883,645	611,158
Accumulated other comprehensive loss	(17,932)	(7,718)
Treasury stock, at cost (1,596,959 common shares at December 31, 2021 and 22,490 common shares at December 31, 2020)	(22,855)	(225)
<b>Total Shareholders' Equity</b>	<b>5,084,066</b>	<b>4,592,120</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 43,446,443</b>	<b>\$ 40,686,076</b>

See accompanying notes to consolidated financial statements.

**VALLEY NATIONAL BANCORP**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31,		
	2021	2020	2019
(in thousands, except for share data)			
<b>Interest Income</b>			
Interest and fees on loans	\$ 1,257,389	\$ 1,284,707	\$ 1,198,908
Interest and dividends on investment securities:			
Taxable	56,026	70,249	86,926
Tax-exempt	11,716	14,563	17,420
Dividends	7,357	11,644	12,023
Interest on federal funds sold and other short-term investments	1,738	2,556	5,723
Total interest income	<u>1,334,226</u>	<u>1,383,719</u>	<u>1,321,000</u>
<b>Interest Expense</b>			
Interest on deposits:			
Savings, NOW and money market	42,879	76,169	145,177
Time	25,094	106,067	166,693
Interest on short-term borrowings	5,374	11,372	47,862
Interest on long-term borrowings and junior subordinated debentures	50,978	71,207	63,220
Total interest expense	<u>124,325</u>	<u>264,815</u>	<u>422,952</u>
<b>Net Interest Income</b>	<u>1,209,901</u>	<u>1,118,904</u>	<u>898,048</u>
(Credit) provision for credit losses for held to maturity securities	(263)	635	—
Provision for credit losses for loans	32,896	125,087	24,218
<b>Net Interest Income After Provision for Credit Losses</b>	<u>1,177,268</u>	<u>993,182</u>	<u>873,830</u>
<b>Non-Interest Income</b>			
Trust and investment services	14,910	12,415	12,646
Insurance commissions	7,810	7,398	10,409
Service charges on deposit accounts	21,424	18,257	23,636
Gains (losses) on securities transactions, net	1,758	524	(150)
Other-than-temporary impairment losses on securities	—	—	(2,928)
Fees from loan servicing	11,651	10,352	9,794
Gains on sales of loans, net	26,669	42,251	18,914
Gains (losses) on sales of assets, net	901	(1,891)	78,333
Bank owned life insurance	8,817	10,083	8,232
Other	61,073	83,643	55,634
Total non-interest income	<u>155,013</u>	<u>183,032</u>	<u>214,520</u>
<b>Non-Interest Expense</b>			
Salary and employee benefits expense	375,865	333,221	327,431
Net occupancy and equipment expense	132,098	129,002	118,191
FDIC insurance assessment	14,183	18,949	21,710
Amortization of other intangible assets	21,827	24,645	18,080
Professional and legal fees	38,432	32,348	20,810
Loss on extinguishment of debt	8,406	12,036	31,995
Amortization of tax credit investments	10,910	13,335	20,392
Telecommunication expenses	11,409	10,737	9,883
Other	78,412	71,875	63,063
Total non-interest expense	<u>691,542</u>	<u>646,148</u>	<u>631,555</u>
<b>Income Before Income Taxes</b>	<u>640,739</u>	<u>530,066</u>	<u>456,795</u>
Income tax expense	166,899	139,460	147,002
<b>Net Income</b>	<u>473,840</u>	<u>390,606</u>	<u>309,793</u>
Dividends on preferred stock	12,688	12,688	12,688
<b>Net Income Available to Common Shareholders</b>	<u>\$ 461,152</u>	<u>\$ 377,918</u>	<u>\$ 297,105</u>

**VALLEY NATIONAL BANCORP**  
**CONSOLIDATED STATEMENTS OF INCOME—(Continued)**

	Years Ended December 31,		
	2021	2020	2019
	(in thousands, except for share data)		
<b>Earnings Per Common Share:</b>			
Basic	\$ 1.13	\$ 0.94	\$ 0.88
Diluted	1.12	0.93	0.87
<b>Cash Dividends Declared Per Common Share</b>	0.44	0.44	0.44
<b>Weighted Average Number of Common Shares Outstanding:</b>			
Basic	407,445,379	403,754,356	337,792,270
Diluted	410,018,328	405,046,207	340,117,808

See accompanying notes to consolidated financial statements.

**VALLEY NATIONAL BANCORP**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31,		
	2021	2020	2019
	(in thousands)		
Net income	\$ 473,840	\$ 390,606	\$ 309,793
Other comprehensive income, net of tax:			
<b>Unrealized gains and losses on debt securities available for sale</b>			
Net (losses) gains arising during the period	(23,613)	27,845	39,262
Less reclassification adjustment for net (gains) losses included in net income	(491)	(377)	119
Total	(24,104)	27,468	39,381
<b>Unrealized gains and losses on derivatives (cash flow hedges)</b>			
Net gains (losses) on derivatives arising during the period	127	(2,251)	(989)
Less reclassification adjustment for net losses included in net income	2,447	2,074	1,291
Total	2,574	(177)	302
<b>Defined benefit pension plan</b>			
Net gains (losses) arising during the period	10,306	(3,418)	(2,561)
Amortization of prior service credit	(96)	(98)	(93)
Amortization of actuarial net loss	1,106	721	188
Total	11,316	(2,795)	(2,466)
Total other comprehensive (loss) income	(10,214)	24,496	37,217
<b>Total comprehensive income</b>	<b>\$ 463,626</b>	<b>\$ 415,102</b>	<b>\$ 347,010</b>

See accompanying notes to consolidated financial statements.

**VALLEY NATIONAL BANCORP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	<u>Common Stock</u>				Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
	Preferred Stock	Shares	Amount	Surplus				
	(\$ in thousands)							
<b>Balance - December 31, 2018</b>	\$ 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)
<b>Balance - January 1, 2019</b>	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
<b>Balance - December 31, 2019</b>	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)
<b>Balance - January 1, 2020</b>	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
<b>Balance - December 31, 2020</b>	209,691	403,859	141,746	3,637,468	611,158	(7,718)	(225)	4,592,120
Net income	—	—	—	—	473,840	—	—	473,840
Other comprehensive loss, net of tax	—	—	—	—	—	(10,214)	—	(10,214)
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	—	—	—	—	(182,370)	—	—	(182,370)
Effect of stock incentive plan, net	—	3,484	1,238	39,931	(6,295)	—	484	35,358
Common stock issued in acquisition	—	15,709	5,498	205,636	—	—	—	211,134
Purchase of treasury stock	—	(1,615)	—	—	—	—	(23,114)	(23,114)
<b>Balance - December 31, 2021</b>	\$ 209,691	421,437	\$ 148,482	\$ 3,883,035	\$ 883,645	\$ (17,932)	\$ (22,855)	\$ 5,084,066

See accompanying notes to consolidated financial statements.

**VALLEY NATIONAL BANCORP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		
	2021	2020	2019
	(in thousands)		
<b>Cash flows from operating activities:</b>			
Net income	\$ 473,840	\$ 390,606	\$ 309,793
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	54,934	57,615	53,317
Stock-based compensation	20,887	16,154	14,726
Provision for credit losses	32,633	125,722	24,218
Net amortization of premiums and accretion of discounts on securities and borrowings	30,251	38,315	29,512
Amortization of other intangible assets	21,827	24,645	18,080
(Gains) losses on securities transactions, net	(1,758)	(524)	150
Proceeds from sales of loans held for sale	1,180,912	1,019,841	509,448
Gains on sales of loans, net	(26,669)	(42,251)	(18,914)
Net impairment losses on securities recognized in earnings	—	—	2,928
Originations of loans held for sale	(1,003,818)	(1,211,227)	(537,985)
(Gains) losses on sales of assets, net	(901)	1,891	(78,333)
Loss on extinguishment of debt	8,406	12,036	31,995
Net deferred income tax expense (benefit)	26,827	(5,060)	15,228
Net change in:			
Fair value of borrowings hedged by derivative transactions	(3,397)	—	—
Trading debt securities	(38,130)	—	—
Cash surrender value of bank owned life insurance	(8,817)	(10,083)	(8,232)
Accrued interest receivable	11,527	(593)	1,440
Other assets	122,241	(311,760)	(163,330)
Accrued expenses and other liabilities	(63,653)	58,234	57,882
Net cash provided by operating activities	<u>837,142</u>	<u>163,561</u>	<u>261,923</u>
<b>Cash flows from investing activities:</b>			
Net loan originations and purchases	(1,036,949)	(2,490,937)	(2,538,909)
Equity securities:			
Purchases	(4,051)	(8,337)	(14,776)
Sales	2,233	28,439	24,748
Held to maturity debt securities:			
Purchases	(1,311,973)	(682,509)	(701,879)
Maturities, calls and principal repayments	802,167	824,477	424,475
Available for sale debt securities:			
Purchases	(387,210)	(333,971)	(30,392)
Sales	91,978	30,020	271,901
Maturities, calls and principal repayments	462,273	555,589	316,024
Death benefit proceeds from bank owned life insurance	5,128	15,043	9,560
Proceeds from sales of real estate property and equipment	8,935	19,111	109,043
Proceeds from sales of loans held for investments	4,498	30,020	1,234,022
Purchases of real estate property and equipment	(39,428)	(24,607)	(23,375)
Cash and cash equivalents acquired in acquisitions, net	321,618	—	22,239
Net cash used in investing activities	<u>\$ (1,080,781)</u>	<u>\$ (2,037,662)</u>	<u>\$ (897,319)</u>

**VALLEY NATIONAL BANCORP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**

	Years Ended December 31,		
	2021	2020	2019
	(in thousands)		
<b>Cash flows from financing activities:</b>			
Net change in deposits	\$ 2,534,826	\$ 2,749,765	\$ 1,808,148
Net change in short-term borrowings	(492,232)	54,678	(1,036,134)
Proceeds from issuance of long-term borrowings, net	295,922	838,388	950,000
Repayments of long-term borrowings	(1,168,465)	(679,775)	(921,995)
Cash dividends paid to preferred shareholders	(12,688)	(12,688)	(12,688)
Cash dividends paid to common shareholders	(179,667)	(177,965)	(146,537)
Purchase of common shares to treasury	(23,907)	(5,374)	(1,805)
Common stock issued, net	11,245	2,202	2,957
Other, net	(680)	(612)	(492)
Net cash provided by financing activities	964,354	2,768,619	641,454
Net change in cash and cash equivalents	720,715	894,518	6,058
Cash and cash equivalents at beginning of year	1,329,205	434,687	428,629
Cash and cash equivalents at end of year	\$ 2,049,920	\$ 1,329,205	\$ 434,687
<b>Supplemental disclosures of cash flow information:</b>			
Cash payments for:			
Interest on deposits and borrowings	\$ 138,364	\$ 279,042	\$ 415,649
Federal and state income taxes	163,370	148,383	106,336
<b>Supplemental schedule of non-cash investing activities:</b>			
Transfer of loans to other real estate owned	\$ 141	\$ 4,040	\$ 5,100
Loans transferred to loans held for sale	—	30,020	1,234,022
Lease right of use assets obtained in exchange for operating lease liabilities	48,453	16,062	312,143
Acquisitions:			
Non-cash assets acquired:			
Equity securities	\$ —	\$ —	\$ 51,382
Available for sale debt securities	—	—	335,894
Held to maturity debt securities	9,197	—	4,877
Loans, net	908,023	—	3,378,358
Premises and equipment	1,356	—	23,585
Lease right of use assets	6,745	—	—
Bank owned life insurance	28,756	—	101,896
Accrued interest receivable	2,179	—	11,781
Goodwill	76,566	—	297,777
Other intangible assets	10,277	—	20,690
Other assets	23,093	—	50,873
Total non-cash assets acquired	\$ 1,066,192	\$ —	\$ 4,277,113
Liabilities assumed:			
Deposits	\$ 1,161,984	\$ —	\$ 2,924,716
Short-term borrowings	—	—	10,500
Long-term borrowings	—	—	430,130
Accrued expenses and other liabilities	14,692	—	98,751
Total liabilities assumed	\$ 1,176,676	\$ —	\$ 3,464,097
Net (liabilities assumed) non-cash assets acquired	\$ (110,484)	\$ —	\$ 813,016
Cash and cash equivalents acquired in acquisitions, net	\$ 321,618	\$ —	\$ 22,239
Common stock issued in acquisition	\$ 211,134	\$ —	\$ 835,255

See accompanying notes to consolidated financial statements.

**VALLEY NATIONAL BANCORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Note 1)**

***Business***

Valley National Bancorp, a New Jersey Corporation (Valley), is a financial 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, Westchester County, New York, 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;
- an advisory firm specializing in the investment and management of tax credits;
- 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 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.

Valley’s previously reported consolidated statements of cash flows for the years ended December 31, 2020 and 2019 were revised to reflect a change in the presentation for loss on extinguishment of debt. The revisions resulted in increases of \$12.0 million and \$32.0 million in “Loss on extinguishment of debt” and corresponding decreases in “Repayments of the long-term borrowings” for the years ended December 31, 2020 and 2019, respectively. Management determined that the effect of the changes in presentation was immaterial to these periods.

**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. Effective March 26, 2020, the Federal Reserve Board reduced reserve requirement ratios to zero, effectively eliminating the requirements, due to a change in its approach to monetary policy. The Federal Reserve Board indicated that it has no plans to re-impose reserve requirements but could in the future if conditions warrant. Prior to March 2020, the Bank was required by the Federal Reserve System to maintain cash reserves equal to a percentage of certain deposits.

### ***Investment Securities***

Debt securities are classified at the time of purchase based on management's intention, as securities held-to-maturity, securities available-for-sale or trading securities. 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 within non-interest income.

Trading debt securities wholly consisting of municipal bonds are reported at fair value with the unrealized gains or losses due to changes in fair value reported within non-interest income. Net trading gains and losses are included in net gains and losses on securities transactions within non-interest income.

Equity securities are presented on the statements of financial condition 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 "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", 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 Note 4 for more details regarding 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.

### ***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 previously noted, Valley adopted ASU No. 2016-13 on January 1, 2020, and, as a result, the 2021 and 2020 periods presented in the consolidated financial statements follow the current expected credit losses methodology. The 2019 period has 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.

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 are below a "Pass" grade are adversely classified. Once a loan becomes adversely classified, it automatically transitions from the "Pass" segment of the model to the corresponding adversely rated pool segment. Within the transition matrix model, each adverse classification or segment (Special Mention, Substandard, Doubtful, and Loss) has its own lifetime expected credit loss rate derived from loan-level historical transitions between the different loan risk ratings categories.

**Reserves for loans 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.

### ***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. Direct financing and sales-type leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased assets, net of unearned income, charge-offs and unamortized deferred costs of origination. 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 \$2.3 million and \$5.1 million at December 31, 2021 and 2020, respectively. OREO included foreclosed residential real estate properties totaling \$1.0 million at December 31, 2020. There were no foreclosed residential real estate properties included in OREO at December 31, 2021.

Residential mortgage and consumer loans secured by residential real estate properties for which formal foreclosure proceedings are in process totaled \$2.5 million and \$1.9 million at December 31, 2021 and 2020, 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.

On January 1, 2020, Valley adopted ASU No. 2017-04 "Intangibles—Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment," 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, various other types of intangibles 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. Valley's long-term incentive compensation plan includes 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 and 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. 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.

### ***Business Combinations***

Business combinations are accounted for under the acquisition method of accounting. Acquired assets, including separately identifiable intangible assets, and assumed liabilities are recorded at their acquisition-date estimated fair values. The excess of the cost of acquisition over these fair values is recognized as goodwill. During the measurement period, which cannot exceed one year from the acquisition date, changes to estimated fair values are recognized as an adjustment to goodwill. Certain transaction costs are expensed as incurred.

### ***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, including tax credit, advisory services, 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, 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 debt 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, 2021, 2020 and 2019:

	2021	2020	2019
	(in thousands, except for share data)		
Net income available to common shareholders	\$ 461,152	\$ 377,918	\$ 297,105
Basic weighted-average number of common shares outstanding	407,445,379	403,754,356	337,792,270
Plus: Common stock equivalents	2,572,949	1,291,851	2,325,538
Diluted weighted-average number of common shares outstanding	410,018,328	405,046,207	340,117,808
Earnings per common share:			
Basic	\$ 1.13	\$ 0.94	\$ 0.88
Diluted	1.12	0.93	0.87

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 411 thousand, 1.7 million, and 288 thousand for the years ended December 31, 2021, 2020 and 2019, 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.

**Cash Flow 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. 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.

**Fair Value Hedges.** 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.

**Interest Rate Contracts and Other Non-designated Hedges.** Derivatives not designated as hedges do not meet the hedge accounting requirements under U.S. GAAP. Contracts in an asset position are included in other assets and contracts in a liability position are included in other liabilities. Changes in fair value of derivatives not designated in hedging relationships are recorded directly in earnings within other non-interest expense.

### ***New Authoritative Accounting Guidance***

**New Accounting Guidance Issued and Adopted 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.

Valley's LIBOR project working group, consisting of key stakeholders from throughout Valley, continue to monitor new developments for transitioning to alternative reference rates to align with regulatory guidelines. Valley has provided both internal and external communications that reference and educate customers and associates regarding the LIBOR transition and continues to update fall back language that reference LIBOR-based rates to ensure full reference rates change readiness. Valley's technology systems have been updated to handle the new replacement rates. Valley started originating and renewing loans at new alternative benchmark rates after December 31, 2021. SOFR and Term SOFR are the preferred rates for loans and derivatives. Loans that were closed before December 31, 2021, may continue to be priced using LIBOR until June 30, 2023. Management is still assessing the expected impact of LIBOR cessation on Valley's consolidated financial statements.

**New Accounting Guidance Adopted in 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 and the new guidance did not have a significant impact on Valley’s consolidated financial statements

**New Accounting Guidance Issued in 2021.** ASU No. 2021-01 "Reference Rate Reform (Topic 848)" extends some of Accounting Standards Codification 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 and it can be applied through December 31, 2022, similar to the other reference rate reform relief provided under Topic 848. ASU No. 2021-01 is not expected to have a significant impact on Valley’s consolidated financial statements.

ASU No. 2021-05 "Lessors – Certain Leases with Variable Lease Payments". ASU No. 2021-05 updates guidance in Accounting Standards Codification (ASC) 842, Leases and requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate as an operating lease at lease commencement if: (i) the lease would have been classified as a sales-type lease or direct financing lease under ASC 842 classification criteria; and (ii) the lessor would have recognized a selling loss at lease commencement. ASU No. 2021-05 is effective for Valley for fiscal years and interim periods beginning after December 15, 2021, with early adoption permitted. ASU No. 2021-05 is not expected to have a significant impact on Valley’s consolidated financial statements

## **BUSINESS COMBINATIONS (Note 2)**

### **Acquisitions**

#### ***The Westchester Bank Holding Corporation***

On December 1, 2021, Valley completed its acquisition of The Westchester Bank Holding Corporation (Westchester) and its principal subsidiary, The Westchester Bank which was headquartered in White Plains, New York. As of December 1, 2021, Westchester had approximately \$1.4 billion in assets, \$915.0 million in loans, and \$1.2 billion in deposits, after purchase accounting adjustments, and a branch network of seven locations in Westchester County, New York. The common shareholders of Westchester received 229,645 shares of Valley common stock for each Westchester share they owned prior to the merger. The total consideration for the merger was \$211.1 million, consisting of approximately 15.7 million shares of Valley common stock.

The transaction was accounted for under the acquisition method of accounting and accordingly the results of Westchester's operations have been included in Valley's consolidated financial statements for the year ended December 31, 2021 from the date of acquisition.

The following table sets forth assets acquired, and liabilities assumed in the Westchester acquisition, at their estimated fair values as of the closing date of the transaction:

	<b>December 1, 2021</b>	
	(\$ in thousands)	
<b>Assets acquired:</b>		
Cash and cash equivalents	\$	332,221
Held to maturity debt securities		9,197
Loans, net		908,023
Premises and equipment		1,356
Right of use asset		5,873
Bank owned life insurance		28,756
Accrued interest receivable		2,179
Goodwill		63,469
Other intangible assets		8,130
Other assets		22,861
Total assets acquired	\$	<u>1,382,065</u>
<b>Liabilities assumed:</b>		
Deposits:		
Non-interest bearing	\$	434,780
Savings, NOW and money market		636,569
Time deposits		90,635
Total deposits		<u>1,161,984</u>
Lease liabilities		5,873
Accrued expense and other liabilities		3,074
Total liabilities assumed	\$	<u>1,170,931</u>
Common stock issued in acquisition	\$	<u>211,134</u>

The determination of the fair value of the assets acquired and liabilities assumed required management to make estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and subject to change. The fair value estimates are subject to change for up to one year after the closing date of the transaction if additional information (existing at the date of closing) relative to closing date fair values becomes available.

#### Fair Value Measurement of Assets Acquired and Liabilities Assumed

Described below are the methods used to determine the fair values of the significant assets acquired and liabilities assumed in Westchester acquisition.

**Cash and cash equivalents.** The estimated fair values of cash and cash equivalents approximate their stated face amounts, as these financial instruments are either due on demand or have short-term maturities.

**Investment securities.** The investment securities acquired from Westchester were classified as held to maturity debt securities based on Valley's intent at the acquisition date. The estimated fair values of the investment securities were calculated utilizing Level 2 inputs similar to the valuation techniques used for Valley's investment portfolios detailed in Note 3.

**Loans.** The acquired loan portfolio was recorded at its estimated value based on a discounted cash flow methodology. The acquired loan portfolio was segregated into categories for valuation purposes primarily based on loan type (commercial and industrial, commercial real estate, multifamily, construction, home equity and other consumer) and credit risk rating. The estimated fair value incorporates adjustments related to market loss assumptions and prevailing market interest rates for comparable assets and other market factors such as liquidity from the perspective of a market participant. Management estimated the cash flows expected to be collected at the acquisition date by using valuation models that incorporated loan contractual characteristics (such as payment type, amortization type, and term to maturity) as well as estimates of key valuation assumptions (such as prepayment speeds, default rates, and loss severity rates). The expected cash flows from the acquired loan

portfolios were discounted to present value based on estimated market rates. The market rates were estimated using a buildup approach based on the following components: funding cost, servicing cost, and consideration of liquidity premium. In addition, coupon rates for recently originated loans and available market data regarding origination rates were also considered in the analysis. The methods used to estimate the Level 3 fair values of loans are extremely sensitive to the assumptions and estimates used. While management attempted to use assumptions and estimates that best reflected the acquired loan portfolios and current market conditions, a greater degree of subjectivity is inherent in these values than in those determined in active markets. Also, acquired portfolio loans and leases were evaluated upon acquisition and classified as either PCD, which indicates that the loan has experienced a more-than-insignificant deterioration in credit quality since origination, or non-PCD. Valley considered a variety of factors in evaluating the acquired loans for a more-than-insignificant deterioration in credit quality, including but not limited to risk grades, delinquency, non-performing status, current or previous troubled debt restructurings, watch list credits and other qualitative factors that indicated a deterioration in credit quality since origination.

For PCD loans, an initial allowance was determined based on Valley's CECL methodology and was added to the acquisition date fair value of each PCD loan to establish its initial amortized cost basis. The difference between the unpaid principal balance of loans and the calculated amortized cost basis resulted in a net non-credit discount totaling \$8.5 million. The net discount is expected to be accreted into interest income on a level-yield method over an average contractual life of the loans totaling 8 years.

The following table provides a reconciliation of the difference between the purchase price and the par value of the PCD loans acquired from Westchester:

	<b>December 1, 2021</b>	
	(\$ in thousands)	
Purchase price of PCD loans	\$	346,883
Allowance for credit losses at acquisition		6,542
Non-credit discount at acquisition		8,457
Par value of acquired PCD loans	\$	361,882

**Other intangible assets.** Other intangible assets consisting of core deposit intangibles (CDI) are measures of the value of non-maturity checking, savings, NOW and money market customer deposits that are acquired in a business combination. The fair value for CDI was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, net maintenance cost of the deposit base, alternative costs of funds, and the interest costs associated with the customer deposits. The CDI is amortized over an estimated useful life of 10 years to approximate the existing deposit relationships acquired.

**Deposits.** The fair values of deposit liabilities with no stated maturity (i.e., non-interest bearing accounts and savings, NOW and money market accounts) are equal to the carrying amounts payable on demand. The fair values of certificates of deposit represent contractual cash flows, discounted to present value using interest rates currently offered on deposits with similar characteristics and remaining maturities.

#### ***Dudley Ventures***

On October 8, 2021, Valley acquired certain subsidiaries of Arizona-based Dudley Ventures (DV), an advisory firm specializing in the investment and management of tax credits. The transaction included the acquisition of DV Fund Advisors and DV Advisory Services which were both subsequently merged and renamed Dudley Ventures, as well as DV's community development entity, DV Community Investment. The transaction price included \$11.3 million of cash at the closing date and fixed future stock consideration totaling \$3.8 million. On November 16, 2021, Valley also acquired DV Financial Services, a registered broker-dealer regulated by FINRA, which is largely inactive. Goodwill and other intangible assets related to the acquired DV entities totaled \$13.1 million and \$2.1 million, respectively. See Note 8 for further details.

#### ***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 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.

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 in the beginning of 2019, 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 year ended December 31, 2019:

(in thousands, except per share data)	2019	
	Unaudited	
Revenues	\$	1,219,887
Net income		361,079
Basic earnings per share		0.86
Diluted earnings per share		0.85

#### Pending Acquisition (Unaudited)

##### *Bank Leumi Le-Israel Corporation*

On September 23, 2021, Valley announced that it will acquire Bank Leumi Le-Israel Corporation, the U.S. subsidiary of Bank Leumi Le-Israel B.M., and parent company of Bank Leumi USA, and collectively referred to as "Bank Leumi USA". Bank Leumi USA maintains its headquarters in New York City and also has commercial banking offices in Chicago, Los Angeles, Palo Alto, and Aventura, Florida. As of December 31, 2021, Bank Leumi USA had total assets of \$8.3 billion, total deposits of \$7.1 billion, and gross loans of \$5.7 billion. The common stockholders of Bank Leumi USA will receive 3.8025 shares of Valley common stock and \$5.08 in cash (subject to specified adjustments) for each Bank Leumi USA common share they own. Based on Valley's closing stock price on December 31, 2021, the transaction is valued at an estimated \$1.2 billion, inclusive of the value of options and upon completion of the acquisition, Bank Leumi Le-Israel B.M. will own approximately 14 percent of Valley's common stock. Valley has received regulatory approval from the Federal Reserve Bank of New York and the Office of the Comptroller of the Currency, as well as Valley shareholder approval of the issuance of Valley common stock in connection with the acquisition. The acquisition remains subject to regulatory approval by the New York State Department of Financial Services, as well as other customary closing conditions. The acquisition is anticipated to close in the second quarter 2022.

Merger expenses for all Valley acquisition related activities totaled \$8.9 million, \$1.9 million and \$16.6 million for the years ended December 31, 2021, 2020 and 2019, respectively. The merger expenses mainly consisted of salary and employee benefits, as well as professional and legal, net occupancy and equipment, and other expenses 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 Measurement" 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, 2021 and 2020. 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).

	December 31, 2021	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)				
<b>Recurring fair value measurements:</b>				
<b>Assets</b>				
Investment securities:				
Equity securities <sup>(1)</sup>	\$ 32,844	\$ 21,284	\$ —	\$ —
Trading debt securities	38,130	—	38,130	—
Available for sale debt securities:				
U.S. government agency securities	20,925	—	20,925	—
Obligations of states and political subdivisions	79,890	—	79,890	—
Residential mortgage-backed securities	904,502	—	904,502	—
Corporate and other debt securities	123,492	—	123,492	—
Total available for sale debt securities	1,128,809	—	1,128,809	—
Loans held for sale <sup>(2)</sup>	139,516	—	139,516	—
Other assets <sup>(3)</sup>	181,500	—	181,500	—
Total assets	\$ 1,520,799	\$ 21,284	\$ 1,487,955	\$ —
<b>Liabilities</b>				
Other liabilities <sup>(3)</sup>	\$ 52,376	\$ —	\$ 52,376	\$ —
Total liabilities	\$ 52,376	\$ —	\$ 52,376	\$ —
<b>Non-recurring fair value measurements:</b>				
Collateral dependent loans	\$ 47,871	\$ —	\$ —	\$ 47,871
Foreclosed assets	2,931	—	—	2,931
Total	\$ 50,802	\$ —	\$ —	\$ 50,802

	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)				
<b>Recurring fair value measurements:</b>				
<b>Assets</b>				
Investment securities:				
Equity securities <sup>(1)</sup>	\$ 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 <sup>(2)</sup>	301,427	—	301,427	—
Other assets <sup>(3)</sup>	387,452	—	387,452	—
Total assets	\$ 2,054,731	\$ 69,993	\$ 1,976,144	\$ 815
<b>Liabilities</b>				
Other liabilities <sup>(3)</sup>	\$ 156,281	\$ —	\$ 156,281	\$ —
Total liabilities	\$ 156,281	\$ —	\$ 156,281	\$ —
<b>Non-recurring fair value measurements:</b>				
Collateral dependent impaired loans	\$ 35,228	\$ —	\$ —	\$ 35,228
Loan servicing rights	15,603	—	—	15,603
Foreclosed assets	7,387	—	—	7,387
Total	\$ 58,218	\$ —	\$ —	\$ 58,218

(1) Includes equity securities measured as net asset value (NAV) per share (or its equivalent) as a practical expedient totaling \$11.6 million and \$7.8 million at December 31, 2021 and 2020, respectively. 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 \$136.3 million and \$286.4 million at December 31, 2021 and 2020, 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 consists of a publicly traded mutual fund, Community Reinvestment Act (CRA) investment fund and an investment related to the development of new financial technologies that are carried at quoted prices in active markets. Valley also has privately held CRA funds measured at NAV, which are excluded from fair value hierarchy levels in the tables above.

**Trading debt securities.** The fair value of trading debt securities, consisting of municipal bonds, is 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. 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.

**Available for sale debt securities.** 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 debt securities and attempts to identify transactions which may not be orderly or reflective of a significant level of activity and volume.

**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, 2021 and 2020 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, 2021 and 2020), 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, 2021 and 2020.

#### *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, 2021, 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 \$2.1 million and \$4.5 million for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021, collateral dependent loans with a total amortized cost of \$114.8 million and \$104.4 million at December 31, 2021 and 2020, respectively, including our taxi medallion loan portfolio, were reduced by specific allowance for loan losses allocations totaling \$66.9 million and \$69.1 million to a reported total net carrying amount of \$47.9 million and \$35.2 million at December 31, 2021 and 2020, 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, 2021, the fair value model used a blended prepayment speed (stated as constant prepayment rates) of 12.9 percent and a discount rate of 9.0 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 at December 31, 2020. There were no loan servicing rights re-measured at fair value at December 31, 2021. 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. At December 31, 2021, the adjustments to appraisals of foreclosed assets were not material as compared to adjustments ranging from 1.5 percent to 22 percent at December 31, 2020.

***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, 2021 and 2020 were as follows:

Fair Value Hierarchy	2021		2020		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
(in thousands)					
<b>Financial assets</b>					
Cash and due from banks	Level 1	\$ 205,156	\$ 205,156	\$ 257,845	\$ 257,845
Interest bearing deposits with banks	Level 1	1,844,764	1,844,764	1,071,360	1,071,360
Equity securities <sup>(1)</sup>	Level 3	3,629	3,629	2,999	2,999
<b>Held to maturity debt securities:</b>					
U.S. Treasury securities	Level 1	67,558	71,661	68,126	75,484
U.S. government agency securities	Level 2	6,265	6,378	6,222	6,513
Obligations of states and political subdivisions	Level 2	337,962	344,164	470,259	484,506
Residential mortgage-backed securities	Level 2	2,166,142	2,152,301	1,550,306	1,589,655
Trust preferred securities	Level 2	37,020	31,916	37,348	30,033
Corporate and other debt securities	Level 2	53,750	54,185	40,750	41,421
Total held to maturity debt securities <sup>(2)</sup>		2,668,697	2,660,605	2,173,011	2,227,612
Net loans	Level 3	33,794,455	33,283,251	31,876,869	31,635,060
Accrued interest receivable	Level 1	96,882	96,882	106,230	106,230
Federal Reserve Bank and Federal Home Loan Bank stock <sup>(3)</sup>	Level 2	206,450	206,450	250,116	250,116
<b>Financial liabilities</b>					
Deposits without stated maturities	Level 1	31,945,368	31,945,368	25,220,924	25,220,924
Deposits with stated maturities	Level 2	3,687,044	3,670,113	6,714,678	6,639,022
Short-term borrowings	Level 1	655,726	637,490	1,147,958	1,151,478
Long-term borrowings	Level 2	1,423,676	1,404,184	2,295,665	2,405,345
Junior subordinated debentures issued to capital trusts	Level 2	56,413	46,306	56,065	57,779
Accrued interest payable <sup>(4)</sup>	Level 1	4,909	4,909	18,839	18,839

(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 \$36.5 million and \$29.4 million at December 31, 2021 and 2020, respectively. At December 31, 2021, Valley's equity securities consisted of one publicly traded mutual fund, CRA investments and to a lesser extent, equity investments related to the development of new financial technologies. Valley's CRA and other equity investments are a mixture of both public traded entities and privately held entities without readily determinable fair market values.

##### *Trading Debt Securities*

The fair value of trading debt securities, wholly consisting of municipal bonds, totaled \$38.1 million at December 31, 2021. We had no trading debt securities at December 31, 2020. Net trading gains were included in net gains and losses on securities transactions within non-interest income. See the "Realized Gains and Losses" section below.

*Available for Sale Debt Securities*

The amortized cost, gross unrealized gains and losses and fair value of available for sale debt securities at December 31, 2021 and 2020 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
<b>December 31, 2021</b>				
U.S. government agency securities	\$ 20,323	\$ 608	\$ (6)	\$ 20,925
Obligations of states and political subdivisions:				
Obligations of states and state agencies	26,088	132	(93)	26,127
Municipal bonds	53,530	349	(116)	53,763
Total obligations of states and political subdivisions	79,618	481	(209)	79,890
Residential mortgage-backed securities	895,279	14,986	(5,763)	904,502
Corporate and other debt securities	120,871	3,177	(556)	123,492
Total	<u>\$ 1,116,091</u>	<u>\$ 19,252</u>	<u>\$ (6,534)</u>	<u>\$ 1,128,809</u>
<b>December 31, 2020</b>				
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	<u>\$ 1,293,506</u>	<u>\$ 46,886</u>	<u>\$ (919)</u>	<u>\$ 1,339,473</u>

The age of unrealized losses and fair value of related available for sale debt securities at December 31, 2021 and 2020 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)						
<b>December 31, 2021</b>						
U.S. government agency securities	\$ —	\$ —	\$ 1,326	\$ (6)	\$ 1,326	\$ (6)
Obligations of states and political subdivisions:						
Obligations of states and state agencies	10,549	(93)	—	—	10,549	(93)
Municipal bonds	19,100	(116)	—	—	19,100	(116)
Total obligations of states and political subdivisions	29,649	(209)	—	—	29,649	(209)
Residential mortgage-backed securities	371,256	(4,770)	25,960	(993)	397,216	(5,763)
Corporate and other debt securities	59,039	(556)	—	—	59,039	(556)
<b>Total</b>	<b>\$ 459,944</b>	<b>\$ (5,535)</b>	<b>\$ 27,286</b>	<b>\$ (999)</b>	<b>\$ 487,230</b>	<b>\$ (6,534)</b>
<b>December 31, 2020</b>						
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)
<b>Total</b>	<b>\$ 60,712</b>	<b>\$ (601)</b>	<b>\$ 30,400</b>	<b>\$ (318)</b>	<b>\$ 91,112</b>	<b>\$ (919)</b>

Within the available for sale debt securities portfolio, the total number of security positions in an unrealized loss position at December 31, 2021 was 139 as compared to 58 at December 31, 2020.

As of December 31, 2021, 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 \$568.7 million.

The contractual maturities of available for sale debt securities at December 31, 2021 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, 2021	
	Amortized Cost	Fair Value
(in thousands)		
Due in one year	\$ 7,057	\$ 7,121
Due after one year through five years	30,645	31,222
Due after five years through ten years	94,221	96,722
Due after ten years	88,889	89,242
Residential mortgage-backed securities	895,279	904,502
<b>Total</b>	<b>\$ 1,116,091</b>	<b>\$ 1,128,809</b>

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 5.0 years at December 31, 2021.

#### **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 the 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, 2021 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 years ended December 31, 2021 and 2020, respectively, and, as a result, there was no allowance for credit losses for available for sale debt securities at December 31, 2021 and 2020.

#### **Held to Maturity Debt Securities**

The amortized cost, gross unrealized gains and losses and fair value of debt securities held to maturity at December 31, 2021 and 2020 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
<b>December 31, 2021</b>				
U.S. Treasury securities	\$ 67,558	\$ 4,103	\$ —	\$ 71,661
U.S. government agency securities	6,265	113	—	6,378
Obligations of states and political subdivisions:				
Obligations of states and state agencies	141,015	3,065	(312)	143,768
Municipal bonds	196,947	3,536	(87)	200,396
Total obligations of states and political subdivisions	<u>337,962</u>	<u>6,601</u>	<u>(399)</u>	<u>344,164</u>
Residential mortgage-backed securities	2,166,142	14,599	(28,440)	2,152,301
Trust preferred securities	37,020	5	(5,109)	31,916
Corporate and other debt securities	53,750	559	(124)	54,185
Total	<u>\$ 2,668,697</u>	<u>\$ 25,980</u>	<u>\$ (34,072)</u>	<u>\$ 2,660,605</u>
<b>December 31, 2020</b>				
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	<u>470,259</u>	<u>14,352</u>	<u>(105)</u>	<u>484,506</u>
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	<u>\$ 2,173,011</u>	<u>\$ 62,326</u>	<u>\$ (7,725)</u>	<u>\$ 2,227,612</u>

The age of unrealized losses and fair value of related debt securities held to maturity at December 31, 2021 and 2020 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)						
<b>December 31, 2021</b>						
Obligations of states and political subdivisions:						
Obligations of states and state agencies	\$ 17,000	\$ (254)	\$ 5,517	\$ (58)	\$ 22,517	\$ (312)
Municipal bonds	9,403	(87)	—	—	9,403	(87)
Total obligations of states and political subdivisions	26,403	(341)	5,517	(58)	31,920	(399)
Residential mortgage-backed securities	1,381,405	(22,365)	206,520	(6,075)	1,587,925	(28,440)
Trust preferred securities	—	—	30,912	(5,109)	30,912	(5,109)
Corporate and other debt securities	32,627	(124)	—	—	32,627	(124)
Total	\$ 1,440,435	\$ (22,830)	\$ 242,949	\$ (11,242)	\$ 1,683,384	\$ (34,072)
<b>December 31, 2020</b>						
Obligations of states and state agencies	\$ 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)

Within the securities held to maturity portfolio, the total number of security positions in an unrealized loss position at December 31, 2021 was 108 as compared to 13 at December 31, 2020.

As of December 31, 2021, 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 \$1.2 billion.

The contractual maturities of investments in debt securities held to maturity at December 31, 2021 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, 2021	
	Amortized Cost	Fair Value
(in thousands)		
Due in one year	\$ 34,034	\$ 34,197
Due after one year through five years	231,104	238,092
Due after five years through ten years	48,465	49,318
Due after ten years	188,952	186,697
Residential mortgage-backed securities	2,166,142	2,152,301
Total	\$ 2,668,697	\$ 2,660,605

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 6.1 years at December 31, 2021.

### 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, 2021 and 2020.

	AAA/AA/A Rated	BBB rated	Non-investment grade rated	Non-rated	Total
(in thousands)					
<b>December 31, 2021</b>					
U.S. Treasury securities	\$ 67,558	\$ —	\$ —	\$ —	\$ 67,558
U.S. government agency securities	6,265	—	—	—	6,265
Obligations of states and political subdivisions:					
Obligations of states and state agencies	118,368	—	5,576	17,071	141,015
Municipal bonds	148,854	—	—	48,093	196,947
Total obligations of states and political subdivisions	267,222	—	5,576	65,164	337,962
Residential mortgage-backed securities	2,166,142	—	—	—	2,166,142
Trust preferred securities	—	—	—	37,020	37,020
Corporate and other debt securities	2,000	6,000	—	45,750	53,750
Total	\$ 2,509,187	\$ 6,000	\$ 5,576	\$ 147,934	\$ 2,668,697
<b>December 31, 2020</b>					
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	\$ 2,019,348	\$ 5,000	\$ 5,650	\$ 143,013	\$ 2,173,011

Obligations of states and political subdivisions include municipal bonds and revenue bonds issued by various municipal corporations. At December 31, 2021, 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. government 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.

Held to maturity debt securities are carried net of an allowance for credit losses. The following table details the activity in the allowance for credit losses for the years ended December 31, 2021 and 2020:

	December 31,	
	2021	2020
	(in thousands)	
Beginning balance	\$ 1,428	\$ —
Adoption of ASU No. 2016-13 on January 1, 2020	—	793
(Credit) provision for credit losses	(263)	635
Ending balance	\$ 1,165	\$ 1,428

There were no net charge-offs of held to maturity debt securities in the respective periods presented in the table above.

#### **Realized Gains and Losses**

Gross gains and losses realized on sales, maturities and other securities transactions related to non-trading securities and net gains on trading debt securities included in earnings for the years ended December 31, 2021, 2020 and 2019 were as follows:

	2021	2020	2019
	(in thousands)		
<b>Sales transactions:</b>			
Gross gains	\$ 1,370	\$ 665	\$ —
Gross losses	(550)	(9)	—
Total	\$ 820	\$ 656	\$ —
<b>Maturities and other securities transactions:</b>			
Gross gains	\$ 10	\$ 34	\$ 67
Gross losses	(285)	(166)	(217)
Total	(275)	(132)	(150)
Net gains on trading debt securities	1,213	—	—
Net gains (losses) on securities transactions	\$ 1,758	\$ 524	\$ (150)

Net gains on sales transactions (as presented in the table above) include sales of available for sale debt securities related to \$92.0 million of U.S. Treasury securities and residential mortgage-backed securities for the year ended December 31, 2021, and \$30.0 million of certain municipal securities for the for the year ended December 31, 2020.

**LOANS AND ALLOWANCE FOR CREDIT LOSSES FOR LOANS (Note 5)**

The detail of the loan portfolio as of December 31, 2021 and 2020 was as follows:

	2021	2020
	(in thousands)	
<b>Loans:</b>		
Commercial and industrial:		
Commercial and industrial	\$ 5,411,601	\$ 4,709,569
Commercial and industrial PPP loans *	435,950	2,152,139
<b>Total commercial and industrial loans</b>	<b>5,847,551</b>	<b>6,861,708</b>
Commercial real estate:		
Commercial real estate	18,935,486	16,724,998
Construction	1,854,580	1,745,825
<b>Total commercial real estate loans</b>	<b>20,790,066</b>	<b>18,470,823</b>
Residential mortgage	4,545,064	4,183,743
Consumer:		
Home equity	400,779	431,553
Automobile	1,570,036	1,355,955
Other consumer	1,000,161	913,330
<b>Total consumer loans</b>	<b>2,970,976</b>	<b>2,700,838</b>
<b>Total loans</b>	<b>\$ 34,153,657</b>	<b>\$ 32,217,112</b>

\* Represents SBA Paycheck Protection Program (PPP) loans, net of unearned fees totaling \$12.1 million and \$43.2 million at December 31, 2021 and 2020, respectively.

Total loans include net unearned discounts and deferred loan fees of \$78.5 million and \$95.8 million at December 31, 2021 and 2020, respectively. Net unearned discounts and deferred loan fees include the non-credit discount on purchased credit deterioration (PCD) loans and net unearned fees related to PPP loans at December 31, 2021 and 2020.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled \$83.7 million and \$90.2 million at December 31, 2021 and 2020, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition.

Valley transferred and sold approximately \$30.0 million of residential mortgage loans from the loan portfolio to loans held for sale in 2020. Excluding the loan transfers, there were no other sales of loans from the held for investment portfolio during the years December 31, 2021 and 2020.

**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, 2021.

The following table summarizes the changes in the total amounts of loans and advances to the related parties during the year ended December 31, 2021:

	2021
	(in thousands)
Outstanding at beginning of year	\$ 239,625
New loans and advances	7,613
Repayments	(13,799)
<b>Outstanding at end of year</b>	<b>\$ 233,439</b>



## 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 \$1.0 billion and \$2.7 billion at December 31, 2021 and 2020, respectively (including \$436.0 million and \$2.2 billion of SBA guaranteed PPP loans, respectively). The commercial portfolio also includes taxi medallion loans totaling approximately \$86.0 million with related reserves of \$58.5 million at December 31, 2021. 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 the 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 \$54.0 million and \$49.4 million, including \$12.8 million and \$8.8 million of credit card loans, at December 31, 2021 and 2020, respectively. Management believes the aggregate risk exposure to unsecured loans and lines of credit was not significant at December 31, 2021.

### Credit Quality

The following table presents past due, current and non-accrual loans without an allowance for loan losses by loan portfolio class at December 31, 2021 and 2020:

	Past Due and Non-Accrual Loans					Current Loans	Total Loans	Non-Accrual Loans Without Allowance for Loan Losses
	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			
(in thousands)								
<b>December 31, 2021</b>								
Commercial and industrial	\$ 6,717	\$ 7,870	\$ 1,273	\$ 99,918	\$ 115,778	\$ 5,731,773	\$ 5,847,551	\$ 9,066
Commercial real estate:								
Commercial real estate	14,421	—	32	83,592	98,045	18,837,441	18,935,486	70,719
Construction	1,941	—	—	17,641	19,582	1,834,998	1,854,580	—
Total commercial real estate loans	16,362	—	32	101,233	117,627	20,672,439	20,790,066	70,719
Residential mortgage	10,999	3,314	677	35,207	50,197	4,494,867	4,545,064	20,401
Consumer loans:								
Home equity	242	98	—	3,517	3,857	396,922	400,779	4
Automobile	6,391	656	271	240	7,558	1,562,478	1,570,036	—
Other consumer	178	266	518	101	1,063	999,098	1,000,161	—
Total consumer loans	6,811	1,020	789	3,858	12,478	2,958,498	2,970,976	4
Total	\$ 40,889	\$ 12,204	\$ 2,771	\$ 240,216	\$ 296,080	\$ 33,857,577	\$ 34,153,657	\$ 100,190

**Past Due and Non-Accrual Loans**

	<b>30-59 Days Past Due Loans</b>	<b>60-89 Days Past Due Loans</b>	<b>90 Days or More Past Due Loans</b>	<b>Non-Accrual Loans</b>	<b>Total Past Due Loans</b>	<b>Current Loans</b>	<b>Total Loans</b>	<b>Non-Accrual Loans Without Allowance for Loan Losses</b>
<b>(in thousands)</b>								
<b>December 31, 2020</b>								
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
<b>Total</b>	<b>\$ 69,712</b>	<b>\$ 15,752</b>	<b>\$ 13,541</b>	<b>\$ 185,282</b>	<b>\$ 284,287</b>	<b>\$ 31,932,825</b>	<b>\$ 32,217,112</b>	<b>\$ 48,151</b>

If interest on non-accrual loans had been accrued in accordance with the original contractual terms, such interest income would have amounted to approximately \$7.1 million, \$6.2 million, and \$2.5 million for the years ended December 31, 2021, 2020 and 2019, 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. Pass rated loans 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 based on the most recent analysis performed at December 31, 2021 and 2020:

December 31, 2021	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
	2021	2020	2019	2018	2017	Prior to 2017			
	(in thousands)								
<b>Commercial and industrial</b>									
Risk Rating:									
Pass	\$ 1,563,050	\$ 743,165	\$ 461,022	\$ 362,748	\$ 143,753	\$ 337,713	\$ 1,968,513	\$ 247	\$ 5,580,211
Special Mention	4,182	1,195	3,217	14,143	1,726	9,869	102,145	40	136,517
Substandard	8,248	4,823	3,139	7,077	910	408	19,642	109	44,356
Doubtful	—	—	2,733	—	16,355	67,379	—	—	86,467
<b>Total commercial and industrial</b>	<b>\$ 1,575,480</b>	<b>\$ 749,183</b>	<b>\$ 470,111</b>	<b>\$ 383,968</b>	<b>\$ 162,744</b>	<b>\$ 415,369</b>	<b>\$ 2,090,300</b>	<b>\$ 396</b>	<b>\$ 5,847,551</b>
<b>Commercial real estate</b>									
Risk Rating:									
Pass	\$ 4,517,917	\$ 2,983,140	\$ 2,702,580	\$ 1,734,922	\$ 1,474,770	\$ 4,557,011	\$ 195,851	\$ 13,380	\$ 18,179,571
Special Mention	7,700	50,019	46,911	44,187	65,623	143,540	50,168	—	408,148
Substandard	735	34,655	29,029	41,231	70,941	169,041	1,949	—	347,581
Doubtful	—	—	—	—	—	186	—	—	186
<b>Total commercial real estate</b>	<b>\$ 4,526,352</b>	<b>\$ 3,067,814</b>	<b>\$ 2,778,520</b>	<b>\$ 1,820,340</b>	<b>\$ 1,611,334</b>	<b>\$ 4,869,778</b>	<b>\$ 247,968</b>	<b>\$ 13,380</b>	<b>\$ 18,935,486</b>
<b>Construction</b>									
Risk Rating:									
Pass	\$ 274,097	\$ 98,609	\$ 48,555	\$ 32,781	\$ 6,061	\$ 28,419	\$ 1,313,555	\$ —	\$ 1,802,077
Special Mention	4,131	—	1,009	—	—	—	18,449	—	23,589
Substandard	199	19	6	246	—	17,842	10,602	—	28,914
<b>Total construction</b>	<b>\$ 278,427</b>	<b>\$ 98,628</b>	<b>\$ 49,570</b>	<b>\$ 33,027</b>	<b>\$ 6,061</b>	<b>\$ 46,261</b>	<b>\$ 1,342,606</b>	<b>\$ —</b>	<b>\$ 1,854,580</b>

**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)									
<b>Commercial and industrial</b>									
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
<b>Total commercial and industrial</b>	<b>\$ 3,064,630</b>	<b>\$ 624,427</b>	<b>\$ 570,901</b>	<b>\$ 240,525</b>	<b>\$ 179,522</b>	<b>\$ 434,485</b>	<b>\$ 1,746,355</b>	<b>\$ 863</b>	<b>\$ 6,861,708</b>
<b>Commercial real estate</b>									
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
<b>Total commercial real estate</b>	<b>\$ 3,165,678</b>	<b>\$ 3,137,328</b>	<b>\$ 2,305,380</b>	<b>\$ 1,875,959</b>	<b>\$ 1,876,523</b>	<b>\$ 4,145,217</b>	<b>\$ 203,381</b>	<b>\$ 15,532</b>	<b>\$ 16,724,998</b>
<b>Construction</b>									
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
<b>Total construction</b>	<b>\$ 145,246</b>	<b>\$ 121,869</b>	<b>\$ 111,420</b>	<b>\$ 18,125</b>	<b>\$ 57,984</b>	<b>\$ 37,823</b>	<b>\$ 1,253,358</b>	<b>\$ —</b>	<b>\$ 1,745,825</b>

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 based on payment activity by origination year as of December 31, 2021 and 2020:

December 31, 2021	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
	2021	2020	2019	2018	2017	Prior to 2017			
(in thousands)									
<b>Residential mortgage</b>									
Performing	\$ 1,448,602	\$ 635,531	\$ 572,911	\$ 425,152	\$ 368,164	\$ 1,014,190	\$ 70,342	\$ —	\$ 4,534,892
90 days or more past due	—	357	2,627	2,056	2,794	2,338	—	—	10,172
<b>Total residential mortgage</b>	<b>\$ 1,448,602</b>	<b>\$ 635,888</b>	<b>\$ 575,538</b>	<b>\$ 427,208</b>	<b>\$ 370,958</b>	<b>\$ 1,016,528</b>	<b>\$ 70,342</b>	<b>\$ —</b>	<b>\$ 4,545,064</b>
<b>Consumer loans</b>									
Home equity									
Performing	\$ 13,847	\$ 5,723	\$ 6,994	\$ 7,384	\$ 5,359	\$ 13,597	\$ 303,888	\$ 42,822	\$ 399,614
90 days or more past due	—	—	—	—	—	35	536	594	1,165
<b>Total home equity</b>	<b>13,847</b>	<b>5,723</b>	<b>6,994</b>	<b>7,384</b>	<b>5,359</b>	<b>13,632</b>	<b>304,424</b>	<b>43,416</b>	<b>400,779</b>
Automobile									
Performing	735,446	309,856	278,828	157,450	72,753	15,171	—	—	1,569,504
90 days or more past due	129	—	78	163	81	81	—	—	532
<b>Total automobile</b>	<b>735,575</b>	<b>309,856</b>	<b>278,906</b>	<b>157,613</b>	<b>72,834</b>	<b>15,252</b>	<b>—</b>	<b>—</b>	<b>1,570,036</b>
Other consumer									
Performing	2,949	6,717	6,468	7,017	1,009	14,483	961,027	—	999,670
90 days or more past due	—	—	—	—	—	—	491	—	491
<b>Total other consumer</b>	<b>2,949</b>	<b>6,717</b>	<b>6,468</b>	<b>7,017</b>	<b>1,009</b>	<b>14,483</b>	<b>961,518</b>	<b>—</b>	<b>1,000,161</b>
<b>Total consumer</b>	<b>\$ 752,371</b>	<b>\$ 322,296</b>	<b>\$ 292,368</b>	<b>\$ 172,014</b>	<b>\$ 79,202</b>	<b>\$ 43,367</b>	<b>\$ 1,265,942</b>	<b>\$ 43,416</b>	<b>\$ 2,970,976</b>

December 31, 2020	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans	Total
	2020	2019	2018	2017	2016	Prior to 2016			
(in thousands)									
<b>Residential mortgage</b>									
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
<b>Total residential mortgage</b>	<b>\$ 730,764</b>	<b>\$ 781,246</b>	<b>\$ 688,973</b>	<b>\$ 586,114</b>	<b>\$ 384,867</b>	<b>\$ 946,981</b>	<b>\$ 64,798</b>	<b>\$ —</b>	<b>\$ 4,183,743</b>
<b>Consumer loans</b>									
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
<b>Total home equity</b>	<b>8,580</b>	<b>10,634</b>	<b>11,756</b>	<b>8,886</b>	<b>5,365</b>	<b>15,476</b>	<b>319,247</b>	<b>51,609</b>	<b>431,553</b>
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
<b>Total automobile</b>	<b>426,140</b>	<b>438,289</b>	<b>272,248</b>	<b>151,746</b>	<b>50,888</b>	<b>16,644</b>	<b>—</b>	<b>—</b>	<b>1,355,955</b>
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
<b>Total other consumer</b>	<b>12,271</b>	<b>5,558</b>	<b>6,815</b>	<b>1,112</b>	<b>1,077</b>	<b>5,336</b>	<b>880,753</b>	<b>408</b>	<b>913,330</b>
<b>Total consumer</b>	<b>\$ 446,991</b>	<b>\$ 454,481</b>	<b>\$ 290,819</b>	<b>\$ 161,744</b>	<b>\$ 57,330</b>	<b>\$ 37,456</b>	<b>\$ 1,200,000</b>	<b>\$ 52,017</b>	<b>\$ 2,700,838</b>

**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).

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 \$71.3 million and \$57.4 million as of December 31, 2021 and 2020, respectively. Non-performing TDRs totaled \$117.2 million and \$92.8 million as of December 31, 2021 and 2020, respectively.

The following table presents pre- and post-modification amortized cost of loans by loan class modified as TDRs during the years ended December 31, 2021 and 2020. Post-modification amounts are presented as of December 31, 2021 and 2020, respectively.

Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment	
		(\$ in thousands)			
<b>December 31, 2021</b>					
Commercial and industrial	70	\$	52,790	\$	48,764
Commercial real estate:					
Commercial real estate	12		29,480		29,313
Construction	3		22,049		18,418
Total commercial real estate	15		51,529		47,731
Residential mortgage	14		9,663		9,578
Consumer	1		170		161
Total	100	\$	114,152	\$	106,234
<b>December 31, 2020</b>					
Commercial and industrial	42	\$	46,090	\$	42,679
Commercial real estate:					
Commercial real estate	6		24,683		21,654
Construction	—		—		—
Total 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

The total TDRs presented in the table above had allocated a specific allowance for loan losses that totaled \$29.1 million and \$21.1 million at December 31, 2021 and 2020, respectively. There were \$6.0 million and \$7.7 million of charge-offs related to TDRs for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021, 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, 2021.

Loans modified as TDRs within the previous 12 months and for which there was a payment default (90 or more days past due) in the years ended December 31, 2021 and 2020 were as follows:

Troubled Debt Restructurings Subsequently Defaulted	Years Ended December 31,			
	2021		2020	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
(\$ in thousands)				
Commercial and industrial	—	\$ —	27	\$ 23,247
Commercial real estate:				
Commercial real estate	1	10,261	—	—
Construction	2	17,599	—	—
Total commercial real estate	3	27,860	—	—
Residential mortgage	—	—	1	247
Total	3	\$ 27,860	28	\$ 23,494

**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, when requested by customers, all of which were insignificant. As of December 31, 2021, Valley had approximately \$28 million of outstanding loans remaining in their payment deferral period under short-term modifications as compared to



approximately \$361 million of loans in deferral at December 31, 2020. Under the applicable guidance, none of these loans were classified as TDRs at December 31, 2021 and 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, 2021 and 2020:

	2021	2020
	(in thousands)	
<b>Collateral dependent loans:</b>		
Commercial and industrial *	\$ 95,335	\$ 106,239
Commercial real estate	110,174	41,562
Residential mortgage	35,745	28,176
Home equity	4	50
Total	<u>\$ 241,258</u>	<u>\$ 176,027</u>

\* Commercial and industrial loans are primarily collateralized by taxi medallions.

#### *Allowance for Credit Losses for Loans*

The following table summarizes the allowance for credit losses for loans at December 31, 2021 and 2020:

	2021	2020
	(in thousands)	
<b>Components of allowance for credit losses for loans:</b>		
Allowance for loan losses	\$ 359,202	\$ 340,243
Allowance for unfunded credit commitments	16,500	11,111
Total allowance for credit losses for loans	<u>\$ 375,702</u>	<u>\$ 351,354</u>

The following table summarizes the provision for credit losses for loans for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
	(in thousands)		
<b>Components of provision for credit losses for loans:</b>			
Provision for loan losses	\$ 27,507	\$ 123,922	\$ 25,809
Provision for unfunded credit commitments	5,389	1,165	(1,591)
Total provision for credit losses for loans	<u>\$ 32,896</u>	<u>\$ 125,087</u>	<u>\$ 24,218</u>

The following table details the activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2021 and 2020:

	Commercial and Industrial	Commercial Real Estate	Residential Mortgage	Consumer	Total
(in thousands)					
<b>December 31, 2021</b>					
<b>Allowance for loan losses:</b>					
Beginning balance	\$ 131,070	\$ 164,113	\$ 28,873	\$ 16,187	\$ 340,243
Allowance for purchased credit deteriorated (PCD) loans	3,528	2,953	57	4	6,542
Loans charged-off	(21,507)	(382)	(140)	(4,303)	(26,332)
Charged-off loans recovered	3,934	2,557	676	4,075	11,242
Net (charge-offs) recoveries	(17,573)	2,175	536	(228)	(15,090)
(Credit) provision for loan losses	(13,935)	48,249	(4,346)	(2,461)	27,507
Ending balance	<u>\$ 103,090</u>	<u>\$ 217,490</u>	<u>\$ 25,120</u>	<u>\$ 13,502</u>	<u>\$ 359,202</u>
<b>December 31, 2020</b>					
<b>Allowance for loan losses:</b>					
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	<u>\$ 131,070</u>	<u>\$ 164,113</u>	<u>\$ 28,873</u>	<u>\$ 16,187</u>	<u>\$ 340,243</u>

\* Includes a \$61.6 million increase representing the estimated expected credit losses for PCD loans as a result of the ASU 2016-13 adoption on January 1, 2020.

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, 2021 and 2020.

	Commercial and Industrial	Commercial Real Estate	Residential Mortgage	Consumer	Total
(in thousands)					
<b>December 31, 2021</b>					
<b>Allowance for loan losses:</b>					
Individually evaluated for credit losses	\$ 64,359	\$ 6,277	\$ 470	\$ 390	\$ 71,496
Collectively evaluated for credit losses	38,731	211,213	24,650	13,112	287,706
Total	<u>\$ 103,090</u>	<u>\$ 217,490</u>	<u>\$ 25,120</u>	<u>\$ 13,502</u>	<u>\$ 359,202</u>
<b>Loans:</b>					
Individually evaluated for credit losses	\$ 119,760	\$ 134,135	\$ 42,469	\$ 2,431	\$ 298,795
Collectively evaluated for credit losses	5,727,791	20,655,931	4,502,595	2,968,545	33,854,862
Total	<u>\$ 5,847,551</u>	<u>\$ 20,790,066</u>	<u>\$ 4,545,064</u>	<u>\$ 2,970,976</u>	<u>\$ 34,153,657</u>
<b>December 31, 2020</b>					
<b>Allowance for loan losses:</b>					
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	<u>\$ 131,070</u>	<u>\$ 164,113</u>	<u>\$ 28,873</u>	<u>\$ 16,187</u>	<u>\$ 340,243</u>
<b>Loans:</b>					
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	<u>\$ 6,861,708</u>	<u>\$ 18,470,823</u>	<u>\$ 4,183,743</u>	<u>\$ 2,700,838</u>	<u>\$ 32,217,112</u>

#### 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, 2021 and 2020.

	December 31,	
	2021	2020
(in thousands)		
<b>ROU assets:</b>		
Operating leases	\$ 258,714	\$ 251,293
Finance leases	403	760
Total	<u>\$ 259,117</u>	<u>\$ 252,053</u>
<b>Lease liabilities:</b>		
Operating leases	\$ 282,339	\$ 275,248
Finance leases	767	1,427
Total	<u>\$ 283,106</u>	<u>\$ 276,675</u>

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, 2021, 2020, and 2019:

	2021	2020	2019
	(in thousands)		
<b>Finance lease cost:</b>			
Amortization of ROU assets	\$ 378	\$ 363	\$ 291
Interest on lease liabilities	91	146	191
Operating lease cost	34,842	36,094	34,175
Short-term lease cost	700	783	410
Variable lease cost	3,417	4,296	3,573
Sublease income	(3,044)	(2,520)	(3,422)
Total lease cost (included in net occupancy and equipment expense)	<u>\$ 36,384</u>	<u>\$ 39,162</u>	<u>\$ 35,218</u>

The following table presents supplemental cash flow information related to leases for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
	(in thousands)		
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flows from operating leases	\$ 35,173	\$ 35,943	\$ 34,380
Operating cash flows from finance leases	92	146	192
Financing cash flows from finance leases	681	612	492

The following table presents supplemental information related to leases at December 31, 2021 and 2020:

	December 31,	
	2021	2020
<b>Weighted-average remaining lease term</b>		
Operating leases	11.7 years	12.3 years
Finance leases	1.0 year	2.0 years
<b>Weighted-average discount rate</b>		
Operating leases	3.28 %	3.56 %
Finance leases	7.24 %	7.45 %

The following table presents a maturity analysis of lessor and lessee arrangements outstanding as of December 31, 2021:

	Lessor		Lessee	
	Direct Financing and Sales-Type Leases	Operating Leases	Finance Leases	
	(in thousands)			
2022	\$ 224,840	\$ 35,629	\$	773
2023	198,546	33,461		16
2024	161,704	31,718		5
2025	116,715	30,403		3
2026	69,691	29,375		—
Thereafter	33,611	185,226		—
Total lease payments	<u>805,107</u>	<u>345,812</u>	<u></u>	<u>797</u>
Less: present value discount	(57,311)	(63,473)		(30)
Total	<u>\$ 747,796</u>	<u>\$ 282,339</u>	<u>\$</u>	<u>767</u>

The total net investment in direct financing and sales-type leases was \$747.8 million and \$643.5 million at December 31, 2021 and 2020, respectively, comprised of \$745.2 million and \$641.3 million in lease receivables and \$2.6 million and \$2.2 million in unguaranteed residuals, respectively. Total lease income was \$28.1 million, \$25.2 million and \$19.4 million for the years ended December 31, 2021, 2020, and 2019, respectively.

#### PREMISES AND EQUIPMENT, NET (Note 7)

At December 31, 2021 and 2020, premises and equipment, net consisted of:

	2021	2020
	(in thousands)	
Land	\$ 89,444	\$ 90,379
Buildings	212,658	214,476
Leasehold improvements	92,186	88,898
Furniture and equipment	312,693	282,701
Total premises and equipment	706,981	676,454
Accumulated depreciation and amortization	(380,675)	(356,657)
Total premises and equipment, net	\$ 326,306	\$ 319,797

Depreciation and amortization of premises and equipment included in non-interest expense for the years ended December 31, 2021, 2020 and 2019 was approximately \$28.8 million, \$30.6 million, and \$29.4 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)				
<b>Balance at December 31, 2019</b>	\$ 21,218	\$ 306,572	\$ 825,767	\$ 220,068	\$ 1,373,625
Goodwill from business combinations	—	597	8,175	45	8,817
<b>Balance at December 31, 2020</b>	\$ 21,218	\$ 307,169	\$ 833,942	\$ 220,113	\$ 1,382,442
Goodwill from business combinations	13,097	1,079	62,073	317	76,566
<b>Balance at December 31, 2021</b>	\$ 34,315	\$ 308,248	\$ 896,015	\$ 220,430	\$ 1,459,008

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

The goodwill from business combinations set forth in the table above during 2021 related to the Westchester and DV acquisitions and totaled \$63.5 million and \$13.1 million, respectively. Goodwill resulting from the DV acquisition was allocated entirely to the Wealth Management reporting unit. During 2020, goodwill from business combinations reflected the effect of the combined adjustments to the estimated fair values of certain loans, current taxes payable and deferred tax assets related to the Oritani acquisition on December 1, 2019. See Note 2 for further details related to these acquisitions.

There was no impairment of goodwill during the years ended December 31, 2021, 2020 and 2019.

The following tables summarize other intangible assets as of December 31, 2021 and 2020:

	Gross Intangible Assets	Accumulated Amortization	Valuation Allowance	Net Intangible Assets
(in thousands)				
<b>December 31, 2021</b>				
Loan servicing rights	\$ 114,636	\$ (90,951)	\$ —	\$ 23,685
Core deposits	109,290	(65,488)	—	43,802
Other	6,092	(3,193)	—	2,899
Total other intangible assets	<u>\$ 230,018</u>	<u>\$ (159,632)</u>	<u>\$ —</u>	<u>\$ 70,386</u>
<b>December 31, 2020</b>				
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	<u>\$ 208,255</u>	<u>\$ (136,941)</u>	<u>\$ (865)</u>	<u>\$ 70,449</u>

Core deposits are amortized using an accelerated method and have a weighted average amortization period of 9.2 years. The line item labeled “Other” included in the table above primarily consists of certain financial asset servicing contracts, customer lists and covenants not to compete, which are amortized over their expected lives generally using a straight-line method and have a weighted average amortization period of 6.0 years. Valley recorded \$8.1 million of core deposit intangibles resulting from the Westchester 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, 2021, 2020 and 2019.

The following table summarizes the change in loan servicing rights during the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
(in thousands)			
<b>Loan servicing rights:</b>			
Balance at beginning of year	\$ 22,810	\$ 24,732	\$ 24,193
Origination of loan servicing rights	11,486	8,322	7,473
Amortization expense	(10,611)	(10,244)	(6,934)
Balance at end of year	<u>\$ 23,685</u>	<u>\$ 22,810</u>	<u>\$ 24,732</u>
<b>Valuation allowance:</b>			
Balance at beginning of year	\$ (865)	\$ (47)	\$ (83)
Impairment adjustment	865	(818)	36
Balance at end of year	<u>\$ —</u>	<u>\$ (865)</u>	<u>\$ (47)</u>
Balance at end of year, net of valuation allowance	<u>\$ 23,685</u>	<u>\$ 21,945</u>	<u>\$ 24,685</u>

Loan servicing rights are accounted for using the amortization method. As shown in the above table, Valley recorded net recoveries of impairment charges totaling \$865 thousand and \$36 thousand for the years ended December 31, 2021 and 2019, respectively, and net impairment charges on its loan servicing rights totaling \$818 thousand for the year ended December 31, 2020.

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 \$3.6 billion, \$3.5 billion and \$3.4 billion at December 31, 2021, 2020 and 2019, 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 \$21.8 million, \$24.6 million and \$18.1 million for the years ended December 31, 2021, 2020 and 2019, 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)		
2022	\$ 4,234	\$ 11,401	\$ 705
2023	3,433	9,510	572
2024	2,817	7,740	484
2025	2,321	5,970	396
2026	1,917	4,225	304

#### DEPOSITS (Note 9)

Included in time deposits are certificates of deposit over \$250 thousand totaling \$861.5 million and \$1.4 billion at December 31, 2021 and 2020, respectively. Interest expense on time deposits of \$250 thousand or more totaled approximately \$1.1 million, \$4.5 million and \$5.8 million in 2021, 2020 and 2019, respectively.

The scheduled maturities of time deposits as of December 31, 2021 were as follows:

Year	Amount
	(in thousands)
2022	\$ 2,986,056
2023	434,952
2024	72,499
2025	40,134
2026	88,132
Thereafter	65,271
Total time deposits	\$ 3,687,044

Deposits from certain directors, executive officers and their affiliates totaled \$92.3 million and \$97.3 million at December 31, 2021 and 2020, respectively.

#### BORROWED FUNDS (Note 10)

##### Short-Term Borrowings

Short-term borrowings at December 31, 2021 and 2020 consisted of the following:

	2021	2020
FHLB advances	\$ 500,000	\$ 1,000,000
Securities sold under agreements to repurchase	155,726	147,958
Total short-term borrowings	\$ 655,726	\$ 1,147,958

The weighted average interest rate for short-term FHLB advances was 0.37 percent and 0.38 percent at December 31, 2021 and 2020, respectively. The interest payments on the FHLB advances totaling \$500 million were hedged with interest rate swaps at December 31, 2021. See Note 15 for additional details.

### Long-Term Borrowings

Long-term borrowings at December 31, 2021 and 2020 consisted of the following:

	2021	2020
FHLB advances, net <sup>(1)</sup>	\$ 789,033	\$ 1,592,252
Subordinated debt, net <sup>(2)</sup>	634,643	403,413
Securities sold under agreements to repurchase	—	300,000
Total long-term borrowings	\$ 1,423,676	\$ 2,295,665

(1) FHLB advances are presented net of unamortized premiums totaling \$1.0 million at December 31, 2021 and prepayment penalties, and other purchase accounting adjustments totaling \$2.6 million at December 31, 2020.

(2) Subordinated debt is presented net of unamortized debt issuance costs totaling \$5.8 million and \$2.7 million at December 31, 2021 and 2020, respectively.

**FHLB Advances.** Long-term FHLB advances had a weighted average interest rate of 1.88 percent and 2.02 percent at December 31, 2021 and 2020, 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.

In June 2021, Valley prepaid \$247.5 million of long-term FHLB advances with maturities scheduled through 2025 and a weighted average effective interest rate of 1.82 percent. 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 June 2021 and December 2020 transactions were funded with excess cash liquidity and accounted for as an early debt extinguishment resulting in losses of \$8.4 million and \$9.7 million reported within non-interest expense for the years ended December 31, 2021 and 2020, respectively.

### Long-Term Borrowings

The long-term FHLB advances at December 31, 2021 are scheduled for contractual balance repayments as follows:

Year	Amount
	(in thousands)
2023	\$ 350,000
2024	165,000
2025	273,000
Total long-term FHLB advances	\$ 788,000

There are no FHLB advances with scheduled repayments in years 2023 and thereafter, reported in the table above, which are callable for early redemption by the FHLB during 2022.

**Subordinated Debt.** On April 1, 2021, Valley redeemed, at par value, \$60 million of its callable 6.25 percent subordinated notes originally due April 1, 2026. No gain or loss was incurred on this transaction.

At December 31, 2021, Valley had the following subordinated debt outstanding by its maturity date:

- \$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 \$125.2 million and \$130.5 million at December 31, 2021 and 2020, respectively.
- \$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 \$99.6 million and \$99.5 million at December 31, 2021 and 2020, respectively.



- \$115 million of 5.25 percent Fixed-to-Floating Rate subordinated notes issued in June 2020 and due June 15, 2030 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 Secured Overnight Financing Rate (SOFR) plus 514 basis points and paid quarterly through maturity of the notes. The subordinated notes had a net carrying value of \$113.4 million and \$113.3 million at December 31, 2021 and 2020, respectively.
- \$300 million of 3.00 percent Fixed-to-Floating Rate subordinated notes issued in May 2021 and due June 15, 2031. The subordinated notes are callable in whole or in part on or after June 15, 2026 or upon the occurrence of certain events. Interest on the subordinated notes during the initial five year term through June 15, 2026 is payable semi-annually on June 15 and December 15. Thereafter, interest is expected to be set based on three-month SOFR plus 236 basis points and paid quarterly through maturity of the notes. At December 31, 2021, the subordinated notes had a carrying value of \$296.4 million, net of unamortized debt issuance costs. During June 2021, Valley entered into an interest rate swap transaction used to hedge the change in the fair value of the \$300 million in subordinated notes. See Note 15 for additional details.

**Long-term securities sold under agreements to repurchase (repos).** The long-term institutional repos had a weighted average interest rate of 3.37 percent at December 31, 2020. Long-term repos outstanding as of December 31, 2020 were repaid upon their respective contractual maturity dates during the third quarter 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 \$1.7 billion and \$2.1 billion for December 31, 2021 and 2020, 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, 2021 and 2020:

	GCB Capital Trust III	State Bancorp Capital Trust I	State Bancorp Capital Trust II	Aliant Statutory Trust II
(\$ in thousands)				
<b>Junior Subordinated Debentures:</b>				
<b>December 31, 2021</b>				
Carrying value <sup>(1)</sup>	\$ 24,743	\$ 9,225	\$ 8,730	\$ 13,715
Contractual principal balance	24,743	10,310	10,310	15,464
<b>December 31, 2020</b>				
Carrying value <sup>(1)</sup>	\$ 24,743	\$ 9,125	\$ 8,599	\$ 13,598
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
<b>Trust Preferred Securities:</b>				
<b>December 31, 2021 and 2020</b>				
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 <sup>(2)</sup>	Quarterly	Quarterly	Quarterly	Quarterly

<sup>(1)</sup> The carrying values include unamortized purchase accounting adjustments at December 31, 2021 and 2020.

<sup>(2)</sup> 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, 2021 and 2020.

## 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, 2021 and 2020:

	2021	2020
	(in thousands)	
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of year	\$ 190,849	\$ 175,405
Interest cost	3,510	4,941
Actuarial loss	(5,418)	18,813
Benefits paid	(8,737)	(8,310)
Projected benefit obligation at end of year	<u>\$ 180,204</u>	<u>\$ 190,849</u>
<b>Change in fair value of plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 260,651	\$ 236,621
Actual return on plan assets	25,057	30,987
Employer contributions	1,449	1,353
Benefits paid	(8,737)	(8,310)
Fair value of plan assets at end of year*	<u>\$ 278,420</u>	<u>\$ 260,651</u>
<b>Funded status of the plan</b>		
Asset recognized	\$ 98,216	\$ 69,802
Accumulated benefit obligation	180,204	190,849

\* Includes accrued interest receivable of \$783 thousand and \$623 thousand as of December 31, 2021 and 2020, 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 \$698 thousand of the net actuarial loss reported in the following table as of December 31, 2021 as a component of net periodic pension expense during 2022.

	2021	2020
	(in thousands)	
Net actuarial loss	\$ 34,623	\$ 50,272
Prior service cost	286	321
Deferred tax benefit	(9,703)	(14,132)
Total	<u>\$ 25,206</u>	<u>\$ 36,461</u>

The non-qualified plans had a projected benefit obligation, accumulated benefit obligation, and fair value of plan assets as follows:

	2021	2020
	(in thousands)	
Projected benefit obligation	\$ 18,911	\$ 20,513
Accumulated benefit obligation	18,911	20,513
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 2.87 percent and 2.52 percent as of December 31, 2021 and 2020, 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, 2021, 2020 and 2019:

	2021	2020	2019
	(in thousands)		
Interest cost	\$ 3,510	\$ 4,941	\$ 6,113
Expected return on plan assets	(16,364)	(17,200)	(16,453)
Amortization of net loss	1,538	1,003	264
Total net periodic pension income	<u>\$ (11,316)</u>	<u>\$ (11,256)</u>	<u>\$ (10,076)</u>

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 (loss) income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
	(in thousands)	
Net (gain) loss	\$ (14,381)	\$ 4,754
Amortization of prior service cost	135	136
Amortization of actuarial loss	(1,538)	(1,003)
Total recognized in other comprehensive (loss) income	<u>\$ (15,784)</u>	<u>\$ 3,887</u>
Total recognized in net periodic pension income and other comprehensive (loss) income (before tax)	<u>\$ (26,965)</u>	<u>\$ (7,233)</u>

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)
2022	\$ 9,043
2023	9,319
2024	9,533
2025	9,800
2026	9,928
Thereafter	49,629

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, 2021, 2020 and 2019 were as follows:

	2021	2020	2019
Discount rate - projected benefit obligation	2.50 %	3.29 %	4.30 %
Discount rate - interest cost	1.88 %	2.62 %	3.99 %
Expected long-term return on plan assets	6.75 %	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.

	% of Total Investments	December 31, 2021	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)					
<b>Assets:</b>					
Investments:					
Mutual funds	28 %	\$ 79,462	\$ 79,462	\$ —	\$ —
Corporate bonds	23	64,715	—	64,715	—
U.S. Treasury securities	22	59,931	59,931	—	—
Equity securities	21	57,987	57,987	—	—
U.S. government agency securities	4	10,590	—	10,590	—
Cash and money market funds	2	4,952	4,952	—	—
<b>Total investments</b>	<b>100 %</b>	<b>\$ 277,637</b>	<b>\$ 202,332</b>	<b>\$ 75,305</b>	<b>\$ —</b>

	% of Total Investments	December 31, 2020	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)					
<b>Assets:</b>					
Investments:					
Mutual funds	18 %	\$ 48,041	\$ 48,041	\$ —	\$ —
Corporate bonds	20	51,410	—	51,410	—
U.S. Treasury securities	20	52,549	52,549	—	—
Equity securities	37	94,434	94,434	—	—
U.S. government agency securities	3	8,174	—	8,174	—
Cash and money market funds	2	5,420	5,420	—	—
<b>Total investments</b>	<b>100 %</b>	<b>\$ 260,028</b>	<b>\$ 200,444</b>	<b>\$ 59,584</b>	<b>\$ —</b>

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 tables above utilizing exchange quoted prices in active markets for identical instruments (Level 1 inputs). Mutual funds are measured at their respective net asset values, which represents fair values of the securities held in the funds based on exchange quoted prices available in active markets (Level 1 inputs).

Corporate bonds and U.S. government agency securities are reported at fair value utilizing Level 2 inputs. The prices for these investments are derived from market quotations and matrix pricing obtained through an independent pricing service. Such fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Based upon actuarial estimates, Valley does not expect to make any contributions to the qualified plan. Funding requirements for subsequent years are uncertain and will significantly depend on whether the plan's actuary changes any assumptions used to calculate plan funding levels, the actual return on plan assets, changes in the employee groups covered by the plan, and any legislative or regulatory changes affecting plan funding requirements. For tax planning, financial planning, cash flow management or cost reduction purposes, Valley may increase, accelerate, decrease or delay contributions to the plan to the extent permitted by law.

#### ***Other Non-Qualified Plans***

Valley maintains separate non-qualified plans for former directors and senior management of Merchants Bank of New York acquired in January of 2001. At December 31, 2021 and 2020, the remaining obligations under these plans were \$1.3 million and \$1.4 million, respectively, of which \$348 thousand and \$399 thousand, respectively, were funded by Valley. As of December 31, 2021 and 2020, all of the obligations were included in other liabilities and \$660 thousand (net of a \$257 thousand tax benefit) and \$731 thousand (net of a \$286 thousand tax benefit), respectively, were recorded in accumulated other comprehensive loss. The \$917 thousand 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 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 \$979 thousand and \$1.3 million at December 31, 2021 and 2020, 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 \$13.9 million and \$13.6 million at December 31, 2021 and 2020, respectively. Valley recorded \$357 thousand and \$1.5 million of expenses related to the SERP for the year ended December 31, 2021 and 2020, respectively.

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, 2021 and 2020.

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 \$1.7 million and \$1.8 million at December 31, 2021 and 2020, respectively. Valley recorded \$104 thousand and \$812 thousand of expenses related to the Split-Dollar plan for the years ended December 31, 2021 and 2020, respectively.

#### ***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 \$29.0 million, \$25.1 million and \$19.1 million during 2021, 2020 and 2019, 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 \$10.7 million, \$10.1 million and \$8.6 million in expense for contributions to the plan for the years ended December 31, 2021, 2020 and 2019, 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 Internal Revenue 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 \$415 thousand, \$372 thousand and \$273 thousand for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021 and 2020, Valley had an unsecured general liability of \$2.4 million and \$1.7 million, respectively, included in accrued expenses and other liabilities in connection with this plan.

### ***Stock Based Compensation***

On April 19, 2021, Valley's shareholders approved the Valley National Bancorp 2021 Incentive Compensation Plan (the 2021 Plan) administered by the Compensation and Human Capital Management Committee (the Committee) as appointed by Valley's Board of Directors. The purposes of the 2021 Plan are to provide additional incentives 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 officers, other employees and non-employee directors whose efforts will result in the continued and long-term growth of Valley's business. Upon shareholder approval of the 2021 Plan, Valley ceased granting new awards under the Valley National Bancorp 2016 Long-Term Stock Incentive Plan (the 2016 Plan).

Under the 2021 Plan, Valley may issue awards to its officers, employees and non-employee directors in amounts up to 9 million shares of common stock (less one share for every share granted after December 31, 2020 under the 2016 Plan) in the form of stock appreciation rights, both incentive and non-qualified stock options, restricted stock and restricted stock units (RSUs). If after December 31, 2020 any award granted under the 2016 Plan is forfeited, expires, settled for cash, withheld for tax obligations, or otherwise does not result in the issuance of all or a portion of the shares subject to such award, the shares will be added to the 2021 Plan's share reserve. As of December 31, 2021, 7.4 million shares of common stock were available for issuance under the 2021 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.

Valley recorded total stock-based compensation expense of \$20.9 million, \$16.5 million and \$15.0 million for the years ended December 31, 2021, 2020 and 2019, respectively. The stock-based compensation expense for 2021, 2020 and 2019 included \$1.6 million, \$1.5 million and \$2.1 million, respectively, related to stock awards granted to retirement eligible employees. Compensation expense for awards to retirement eligible employees is amortized monthly over a one year required service period after the grant date. The fair values of all other stock awards are expensed over the shorter of the vesting or required service period. As of December 31, 2021, the unrecognized amortization expense for all stock-based compensation totaled approximately \$18.6 million and will be recognized over an average remaining vesting period of approximately 1.82 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 \$12.36, \$10.99 and \$10.14 per share for the years ended December 31, 2021, 2020, and 2019, respectively. The grant date fair value of time-based RSUs was \$12.01, \$10.29, \$10.32 for the years ended December 31, 2021, 2020, and 2019, respectively.

The following table sets forth the changes in RSUs outstanding for the years ended December 31, 2021, 2020 and 2019:

	Restricted Stock Units Outstanding		
	2021	2020	2019
Outstanding at beginning of year	3,228,659	2,158,255	1,378,886
Granted	1,999,376	2,030,026	1,412,941
Vested	(1,239,797)	(879,085)	(500,204)
Forfeited	(98,482)	(80,537)	(133,368)
Outstanding at end of year	3,889,756	3,228,659	2,158,255

**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 outstanding for the years ended December 31, 2021, 2020 and 2019:

	Restricted Stock Awards Outstanding		
	2021	2020	2019
Outstanding at beginning of year	413,701	1,058,681	1,720,968
Vested	(191,104)	(610,607)	(547,653)
Forfeited	(8,689)	(34,373)	(114,634)
Outstanding at end of year	213,908	413,701	1,058,681

**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, 2021, 2020 and 2019 and changes during the years ended on those dates:

Stock Options	2021		2020		2019	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	2,986,347	\$ 7	3,453,516	\$ 8	1,051,787	\$ 7
Acquired in business combinations	—	—	—	—	3,130,171	8
Exercised	(2,768,792)	7	(249,308)	8	(716,920)	7
Forfeited or expired	—	—	(217,861)	11	(11,522)	8
Outstanding at end of year	217,555	7	2,986,347	7	3,453,516	8
Exercisable at year-end	217,555	7	2,986,347	7	3,339,517	8

The following table summarizes information about stock options outstanding and exercisable at December 31, 2021:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
\$2-4	1,830	1.0	\$ 4
4-6	50,892	4.1	6
6-8	107,233	5.2	7
8-10	32,000	6.3	10
10-12	25,600	6.7	10
	217,555	5.2	7



**INCOME TAXES (Note 13)**

Income tax expense for the years ended December 31, 2021, 2020 and 2019 consisted of the following:

	2021	2020	2019
	(in thousands)		
<b>Current expense:</b>			
Federal	\$ 92,823	\$ 96,057	\$ 95,317
State	47,249	48,463	36,457
	<u>140,072</u>	<u>144,520</u>	<u>131,774</u>
<b>Deferred expense (benefit):</b>			
Federal	19,709	(3,109)	10,444
State	7,118	(1,951)	4,784
	<u>26,827</u>	<u>(5,060)</u>	<u>15,228</u>
<b>Total income tax expense</b>	<u>\$ 166,899</u>	<u>\$ 139,460</u>	<u>\$ 147,002</u>

The tax effects of temporary differences that gave rise to the significant portions of the deferred tax assets and liabilities as of December 31, 2021 and 2020 were as follows:

	2021	2020
	(in thousands)	
<b>Deferred tax assets:</b>		
Allowance for credit losses	\$ 102,704	\$ 96,508
Employee benefits	22,587	20,888
Net operating loss carryforwards	15,859	17,814
Purchase accounting	8,971	10,354
Other	11,689	24,677
<b>Total deferred tax assets</b>	<u>161,810</u>	<u>170,241</u>
<b>Deferred tax liabilities:</b>		
Pension plans	30,119	22,705
Depreciation	10,343	3,829
Investment securities	3,728	12,690
Other investments	12,069	9,584
Core deposit intangibles	11,888	12,960
Other	14,133	12,226
<b>Total deferred tax liabilities</b>	<u>82,280</u>	<u>73,994</u>
Valuation Allowance	916	916
<b>Net deferred tax asset (included in other assets)</b>	<u>\$ 78,614</u>	<u>\$ 95,331</u>

Valley's federal net operating loss carryforwards totaled approximately \$56.0 million at December 31, 2021 and expire during the period from 2029 through 2034. Valley's capital loss carryforwards totaled \$3.1 million at December 31, 2021 and begin to expire at December 31, 2022. State net operating loss carryforwards totaled approximately \$86.2 million at December 31, 2021 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, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
	(in thousands)		
Federal income tax at expected statutory rate	\$ 134,556	\$ 111,314	\$ 95,927
Increase (decrease) due to:			
State income tax expense, net of federal tax effect	42,950	36,744	32,581
Tax-exempt interest, net of interest incurred to carry tax-exempt securities	(2,298)	(2,786)	(3,118)
Bank owned life insurance	(1,759)	(2,026)	(1,637)
Tax credits from securities and other investments	(9,942)	(10,071)	(11,636)
FDIC insurance premium	2,457	3,283	2,507
Addition to reserve for uncertainties	—	—	31,123
Other, net	935	3,002	1,255
Income tax expense	<u>\$ 166,899</u>	<u>\$ 139,460</u>	<u>\$ 147,002</u>

We invest in certain tax-advantaged investments that support qualified affordable housing projects and community development. 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 Valley 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 pleaded guilty to fraud in early 2020.

As of December 31, 2021, 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 of its existing tax positions, however, there can be no assurance that Valley will not recognize additional tax provisions related to this uncertain tax liability in the future.

A reconciliation of Valley's reserve for uncertain tax liability positions for 2021, 2020 and 2019 is presented in the table below:

	2021	2020	2019
	(in thousands)		
Beginning balance	\$ 31,918	\$ 31,918	\$ —
Additions based on tax positions related to prior years	—	—	31,918
Settlements with taxing authorities	(1,559)	—	—
Ending balance	<u>\$ 30,359</u>	<u>\$ 31,918</u>	<u>\$ 31,918</u>

The entire balance of the reserve for uncertain tax liability positions, if recognized, would favorably affect Valley's effective income tax rate. It is reasonably possible that the reserve for uncertain tax liability positions could increase or decrease in the next twelve months due to completion of tax authorities' exams or the expiration of statutes of limitations. The United States Bankruptcy Court approved the sale of the mobile solar generators resulting in a tax credit recapture of \$1.6 million in 2021. Management estimates that the reserve for uncertain tax liability positions could decrease by \$7.0 million within the next twelve months. Valley's policy is to report interest and penalties, if any, related to the reserve for uncertain tax liability positions in income tax expense. Valley accrued approximately \$8.7 million, \$7.6 million, and \$6.1 million of interest expense associated with Valley's uncertain tax positions at December 31, 2021, 2020, and 2019, respectively.

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 uncertain tax liability positions as of December 31, 2021.

#### 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 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, 2021 and 2020:

	December 31,	
	2021	2020
(in thousands)		
<b>Other Assets:</b>		
Affordable housing tax credit investments, net	\$ 15,343	\$ 20,074
Other tax credit investments, net	57,006	47,301
Total tax credit investments, net	<u>\$ 72,349</u>	<u>\$ 67,375</u>
<b>Other Liabilities:</b>		
Unfunded affordable housing tax credit commitments	\$ 1,360	\$ 1,379
Total unfunded tax credit commitments	<u>\$ 1,360</u>	<u>\$ 1,379</u>

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, 2021, 2020 and 2019:

	2021	2020	2019
	(in thousands)		
<b>Components of Income Tax Expense:</b>			
Affordable housing tax credits and other tax benefits	\$ 3,525	\$ 5,414	\$ 6,757
Other tax credit investment credits and tax benefits	9,320	8,065	10,205
Total reduction in income tax expense	<u>\$ 12,845</u>	<u>\$ 13,479</u>	<u>\$ 16,962</u>
<b>Amortization of Tax Credit Investments:</b>			
Affordable housing tax credit investment losses	\$ 1,895	\$ 2,714	\$ 2,184
Affordable housing tax credit investment impairment losses	1,416	2,209	3,295
Other tax credit investment losses	811	2,234	5,668
Other tax credit investment impairment losses	6,788	6,178	9,245
Total amortization of tax credit investments recorded in non-interest expense	<u>\$ 10,910</u>	<u>\$ 13,335</u>	<u>\$ 20,392</u>

### **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 periodic basis, Valley obtains financial reporting on its underlying tax credit investment assets for each fund. 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 an impairment charge for the entire aggregate unamortized investment of \$2.4 million in 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, 2021 and 2020:

	2021	2020
	(in thousands)	
Commitments under commercial loans and lines of credit	\$ 7,460,742	\$ 5,595,561
Home equity and other revolving lines of credit	1,689,315	1,485,911
Standby letters of credit	311,285	293,900
Outstanding residential mortgage loan commitments	355,523	244,286
Commitments to sell loans	210,468	155,627
Commitments under unused lines of credit—credit card	96,734	68,735
Commercial letters of credit	7,603	1,663
Total	<u>\$ 10,131,670</u>	<u>\$ 7,845,683</u>

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, 2021, Valley had 6 interest rate swap agreements, with a total notional amount of \$700 million, 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 0.63 percent and receives variable rates of interest that reset quarterly based on three-month LIBOR. Expiration dates for the swaps range from March 2022 to August 2022.

**Fair Value Hedges of Fixed Rate Assets and Liabilities.** Valley is exposed to changes in the fair value of fixed rate subordinated debt due to changes in interest rates. From time to time, Valley uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. 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.

In June 2021, Valley entered into a \$300 million forward-starting interest rate swap agreement with a notional amount of \$300 million, maturing in June 2026, to hedge the change in the fair value of the 3.00 percent subordinated debt issued on May 28, 2021. Under the swap agreement, beginning in January 2022, Valley will receive fixed rate payments and pay variable rate amounts based on SOFR plus 2.187 percent.

**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, 2021, Valley had 24 credit swaps with an aggregate notional amount of \$232.8 million related to risk participation agreements.

At December 31, 2021, 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, 2021			December 31, 2020		
	Fair Value		Notional Amount	Fair Value		Notional Amount
	Other Assets	Other Liabilities		Other Assets	Other Liabilities	
	(in thousands)					
<b>Derivatives designated as hedging instruments:</b>						
Cash flow hedge interest rate swaps	\$ —	\$ 310	\$ 700,000	\$ —	\$ 179	\$ 1,100,000
Fair value hedge interest rate swaps	—	3,335	300,000	—	—	—
Total derivatives designated as hedging instruments	\$ —	\$ 3,645	\$ 1,000,000	\$ —	\$ 179	\$ 1,100,000
<b>Derivatives not designated as hedging instruments:</b>						
Interest rate swaps and other contracts *	\$ 181,012	\$ 47,277	\$ 10,301,460	\$ 387,008	\$ 154,025	\$ 8,889,557
Mortgage banking derivatives	488	1,454	312	444	2,077	321,486
Total derivatives not designated as hedging instruments	\$ 181,500	\$ 48,731	\$ 10,301,772	\$ 387,452	\$ 156,102	\$ 9,211,043

\* Other derivatives 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 applicable derivative assets and liabilities are reported net of variation margin at December 31, 2021 and 2020 in the table above.

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:

	2021	2020	2019
	(in thousands)		
Amount of loss reclassified from accumulated other comprehensive loss to interest expense	\$ (3,436)	\$ (2,912)	\$ (1,808)
Amount of gain (loss) recognized in other comprehensive income	138	(3,169)	(1,380)

The net gains or losses related to cash flow hedge ineffectiveness were immaterial during the years ended December 31, 2021, 2020 and 2019. The accumulated net after-tax losses related to effective cash flow hedges included in accumulated other comprehensive loss were \$1.3 million and \$3.9 million at December 31, 2021 and 2020, 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 \$1.1 million will be reclassified as an increase to interest expense in 2022.

Gains (losses) included in the consolidated statements of income related to interest rate derivatives designated as hedges of fair value were as follows:

	2021	2020	2019
	(in thousands)		
<b>Derivative—interest rate swaps:</b>			
Interest income	\$ —	\$ 229	\$ 133
Interest expense	(3,335)	—	—
<b>Hedged item—subordinated debt and loans:</b>			
Interest income	\$ —	\$ (229)	\$ (133)
Interest expense	3,397	—	—

The changes in the fair value of the hedged item designated as a qualifying hedge are captured as an adjustment to the carrying amount of the hedged item (basis adjustment). The following table presents the hedged items related to interest rate derivatives designated as fair value hedges and the cumulative basis fair value adjustment included in the net carrying amount of the hedged items at December 31, 2021:

Line Item in the Statement of Financial Position in Which the Hedged Item is Included	Carrying Amount of the Hedged Liability	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability
	(in thousands)	
Long-term borrowings	\$ 296,603	\$ (3,397)

The net losses included in the consolidated statements of income related to derivative instruments not designated as hedging instruments were as follows:

	2021	2020	2019
	(in thousands)		
Non-designated hedge interest rate and credit derivatives			
Other non-interest expense	\$ 54	\$ 1,067	\$ 898

Fee income related to derivative interest rate swaps executed with commercial loan customers totaled \$26.9 million, \$59.0 million and \$33.4 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021, Valley was in compliance with all of the provisions of its derivative counterparty agreements. As of December 31, 2021, 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 \$44.2 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 swap or repurchase agreement should Valley be in default. Total amount of collateral held or pledged cannot exceed the net derivative fair values with the counterparty.



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, 2021 and 2020.

	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset		Net Amount
				Financial Instruments	Cash Collateral <sup>(1)</sup>	
(in thousands)						
<b>December 31, 2021</b>						
<b>Assets:</b>						
Interest rate swaps	\$ 181,012	\$ —	\$ 181,012	\$ —	\$ —	\$ 181,012
<b>Liabilities:</b>						
Interest rate swaps	\$ 50,922	\$ —	\$ 50,922	\$ —	\$ (44,231)	\$ 6,691
Total liabilities	\$ 50,922	\$ —	\$ 50,922	\$ —	\$ (44,231)	\$ 6,691
<b>December 31, 2020</b>						
<b>Assets:</b>						
Interest rate swaps	\$ 387,008	\$ —	\$ 387,008	\$ —	\$ —	\$ 387,008
<b>Liabilities:</b>						
Interest rate swaps	\$ 154,204	\$ —	\$ 154,204	\$ —	\$ (150,487)	\$ 3,717
Repurchase agreements	300,000	—	300,000	(300,000) <sup>(2)</sup>	—	—
Total liabilities	\$ 454,204	\$ —	\$ 454,204	\$ (300,000)	\$ (150,487)	\$ 3,717

<sup>(1)</sup> Cash collateral pledged to our counterparties in relation to market value exposures of OTC derivative contracts in a liability position.

<sup>(2)</sup> 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, 2021 and 2020, Valley and Valley National Bank exceeded all capital adequacy requirements (see table below).

For regulatory capital purposes, in accordance 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 was deferred for a two-year period ending January 1, 2022, and will be phased in on a pro-rata basis over a three-year period ending January 1, 2025. Additionally, 25 percent, or \$19.1 million on an after tax basis of the reserve build (i.e., provision for credit losses less net charge-offs) since CECL adoption through December 31, 2021 is being 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, 2021 and 2020:

	Actual		Minimum Capital Requirements		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(\$ in thousands)						
<b>As of December 31, 2021</b>						
Total Risk-based Capital						
Valley	\$ 4,454,485	13.10 %	\$ 3,569,144	10.50 %	N/A	N/A
Valley National Bank	4,571,448	13.45	3,567,618	10.50	\$ 3,397,732	10.00 %
Common Equity Tier 1 Capital						
Valley	3,417,930	10.06	2,379,429	7.00	N/A	N/A
Valley National Bank	4,308,734	12.68	2,378,412	7.00	2,208,526	6.50
Tier 1 Risk-based Capital						
Valley	3,632,771	10.69	2,889,307	8.50	N/A	N/A
Valley National Bank	4,308,734	12.68	2,888,072	8.50	2,718,185	8.00
Tier 1 Leverage Capital						
Valley	3,632,771	8.88	1,635,508	4.00	N/A	N/A
Valley National Bank	4,308,734	10.53	1,636,097	4.00	2,045,121	5.00
<b>As of December 31, 2020</b>						
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

#### COMMON AND PREFERRED STOCK (Note 18)

**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. During the fourth quarter 2021, Valley repurchased approximately 1.6 million of its common shares on the open market at an average price of \$14.31 per share totaling \$23.1 million. Valley made no share repurchases under the plan during the years ended December 31, 2020 and 2019.

**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, 2021, 2020 and 2019, Valley purchased approximately 510 thousand, 510 thousand and 175 thousand shares, respectively, of its outstanding common stock at an average price of \$10.85, \$10.61 and \$10.45, 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, 2021 and 2020.

## 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, 2021, 2020 and 2019. 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.

	2021			2020			2019		
	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax	Before Tax	Tax Effect	After Tax
(in thousands)									
<b>Unrealized gains and losses on available for sale (AFS) debt securities</b>									
Net (losses) gains arising during the period	\$ (32,586)	\$ 8,973	\$ (23,613)	\$ 38,477	\$ (10,632)	\$ 27,845	\$ 54,723	\$ (15,461)	\$ 39,262
Less reclassification adjustment for net (gains) losses included in net income <sup>(1)</sup>	(663)	172	(491)	(524)	147	(377)	150	(31)	119
Net change	<u>(33,249)</u>	<u>9,145</u>	<u>(24,104)</u>	<u>37,953</u>	<u>(10,485)</u>	<u>27,468</u>	<u>54,873</u>	<u>(15,492)</u>	<u>39,381</u>
<b>Unrealized gains and losses on derivatives (cash flow hedges)</b>									
Net gains (losses) arising during the period	138	(11)	127	(3,169)	918	(2,251)	(1,380)	391	(989)
Less reclassification adjustment for net losses (gains) included in net income <sup>(2)</sup>	3,436	(989)	2,447	2,912	(838)	2,074	1,808	(517)	1,291
Net change	<u>3,574</u>	<u>(1,000)</u>	<u>2,574</u>	<u>(257)</u>	<u>80</u>	<u>(177)</u>	<u>428</u>	<u>(126)</u>	<u>302</u>
<b>Defined benefit pension plan</b>									
Net gains (losses) arising during the period	14,381	(4,075)	10,306	(5,719)	2,301	(3,418)	(2,385)	(176)	(2,561)
Amortization of prior service (cost) credit <sup>(3)</sup>	(135)	39	(96)	(136)	38	(98)	(135)	42	(93)
Amortization of net loss <sup>(3)</sup>	1,538	(432)	1,106	1,003	(282)	721	264	(76)	188
Net change	<u>15,784</u>	<u>(4,468)</u>	<u>11,316</u>	<u>(4,852)</u>	<u>2,057</u>	<u>(2,795)</u>	<u>(2,256)</u>	<u>(210)</u>	<u>(2,466)</u>
Total other comprehensive (loss) income	<u>\$ (13,891)</u>	<u>\$ 3,677</u>	<u>\$ (10,214)</u>	<u>\$ 32,844</u>	<u>\$ (8,348)</u>	<u>\$ 24,496</u>	<u>\$ 53,045</u>	<u>\$ (15,828)</u>	<u>\$ 37,217</u>

(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, 2021, 2020 and 2019:

	<b>Components of Accumulated Other Comprehensive Loss</b>			<b>Total Accumulated Other Comprehensive Loss</b>
	<b>Unrealized Gains and Losses on AFS Securities</b>	<b>Unrealized Gains and Losses on Derivatives</b>	<b>Defined Benefit Pension Plan</b>	
	(in thousands)			
<b>Balance-December 31, 2018</b>	\$ (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
<b>Balance-December 31, 2019</b>	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 (loss) income	(377)	2,074	623	2,320
Other comprehensive income (loss), net	27,468	(177)	(2,795)	24,496
<b>Balance-December 31, 2020</b>	33,290	(3,906)	(37,102)	(7,718)
Other comprehensive (loss) income before reclassifications	(23,613)	127	10,306	(13,180)
Amounts reclassified from other comprehensive (loss) income	(491)	2,447	1,010	2,966
Other comprehensive (loss) income, net	(24,104)	2,574	11,316	(10,214)
<b>Balance-December 31, 2021</b>	\$ 9,186	\$ (1,332)	\$ (25,786)	\$ (17,932)

#### PARENT COMPANY INFORMATION (Note 20)

##### Condensed Statements of Financial Condition

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	(in thousands)	
<b>Assets</b>		
Cash	\$ 77,760	\$ 130,163
Interest bearing deposits with banks	250	—
Equity securities	6,135	2,999
Investments in and receivables due from subsidiaries	5,764,957	4,998,795
Other assets	23,521	11,133
<b>Total Assets</b>	<b>\$ 5,872,623</b>	<b>\$ 5,143,090</b>
<b>Liabilities and Shareholders' Equity</b>		
Dividends payable to shareholders	\$ 49,265	\$ 46,591
Long-term borrowings	634,643	403,413
Junior subordinated debentures issued to capital trusts	56,413	56,065
Accrued expenses and other liabilities	48,236	44,901
Shareholders' equity	5,084,066	4,592,120
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 5,872,623</b>	<b>\$ 5,143,090</b>

*Condensed Statements of Income*

	Years Ended December 31,		
	2021	2020	2019
	(in thousands)		
<b>Income</b>			
Dividends from subsidiary	\$ 150,000	\$ 186,000	\$ 160,000
Income from subsidiary	—	4,436	4,550
Other interest and income	1,498	21	51
Total Income	151,498	190,457	164,601
<b>Total Expenses</b>	28,524	23,484	27,998
Income before income tax and equity in undistributed earnings of subsidiary	122,974	166,973	136,603
Income tax (benefit) expense	(9,501)	(3,946)	24,524
Income before equity in undistributed earnings of subsidiary	132,475	170,919	112,079
Equity in undistributed earnings of subsidiary	341,365	219,687	197,714
<b>Net Income</b>	473,840	390,606	309,793
Dividends on preferred stock	12,688	12,688	12,688
<b>Net Income Available to Common Shareholders</b>	<u>\$ 461,152</u>	<u>\$ 377,918</u>	<u>\$ 297,105</u>

**Condensed Statements of Cash Flows**

	Years Ended December 31,		
	2021	2020	2019
(in thousands)			
<b>Cash flows from operating activities:</b>			
Net Income	\$ 473,840	\$ 390,606	\$ 309,793
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(341,365)	(219,687)	(197,714)
Stock-based compensation	20,887	16,154	14,726
Net amortization of premiums and accretion of discounts on borrowings	1,152	230	124
Net change in:			
Other assets	2,134	121	19,768
Accrued expenses and other liabilities	(7,079)	17,905	8,803
Net cash provided by operating activities	<u>149,569</u>	<u>205,329</u>	<u>155,500</u>
<b>Cash flows from investing activities:</b>			
Purchases of equity securities	(1,644)	(2,500)	—
Cash and cash equivalents (paid) acquired in acquisitions, net	(3,983)	—	11,947
Repayment of subordinated debt by subsidiary	—	100,000	—
Capital contributions to subsidiary	(227,000)	(210,000)	—
Other, net	—	(1,200)	—
Net cash (used in) provided by investing activities	<u>(232,627)</u>	<u>(113,700)</u>	<u>11,947</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term borrowings, net	295,922	113,146	—
Repayment of long-term borrowings	(60,000)	—	—
Dividends paid to preferred shareholders	(12,688)	(12,688)	(12,688)
Dividends paid to common shareholders	(179,667)	(177,965)	(146,537)
Purchase of common shares to treasury	(23,907)	(5,374)	(1,805)
Common stock issued, net	11,245	2,202	2,957
Net cash provided by (used in) financing activities	<u>30,905</u>	<u>(80,679)</u>	<u>(158,073)</u>
Net change in cash and cash equivalents	(52,153)	10,950	9,374
Cash and cash equivalents at beginning of year	130,163	119,213	109,839
Cash and cash equivalents at end of year	<u>\$ 78,010</u>	<u>\$ 130,163</u>	<u>\$ 119,213</u>

**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 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 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 Valley's balance sheet.

The amounts disclosed as "corporate and other adjustments" represent income and expense items not directly attributable to a specific segment, including net gains and losses on available for sale and held to maturity securities transactions 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, 2021, 2020 and 2019:

	<b>Year Ended December 31, 2021</b>				
	<b>Consumer Lending</b>	<b>Commercial Lending</b>	<b>Investment Management</b>	<b>Corporate and Other Adjustments</b>	<b>Total</b>
	(\$ in thousands)				
Average interest earning assets (unaudited)	\$ 7,262,808	\$ 25,554,177	\$ 5,410,830	\$ —	\$ 38,227,815
Interest income	\$ 238,715	\$ 1,018,674	\$ 80,051	\$ (3,214)	\$ 1,334,226
Interest expense	19,117	67,265	14,243	23,700	124,325
Net interest income (loss)	219,598	951,409	65,808	(26,914)	1,209,901
(Credit) provision for credit losses	(6,807)	39,703	(263)	—	32,633
Net interest income (loss) after provision for credit losses	226,405	911,706	66,071	(26,914)	1,177,268
Non-interest income	72,063	35,600	10,575	36,775	155,013
Non-interest expense	78,853	108,577	3,632	500,480	691,542
Internal transfer expense (income)	81,423	286,335	60,573	(428,331)	—
Income (loss) before income taxes	\$ 138,192	\$ 552,394	\$ 12,441	\$ (62,288)	\$ 640,739
Return on average interest earning assets (pre-tax) (unaudited)	1.90 %	2.16 %	0.23 %	N/A	1.68 %

**Year Ended December 31, 2020**

	<b>Consumer Lending</b>	<b>Commercial Lending</b>	<b>Investment Management</b>	<b>Corporate and Other Adjustments</b>	<b>Total</b>
	(\$ 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**

	<b>Consumer Lending</b>	<b>Commercial Lending</b>	<b>Investment Management</b>	<b>Corporate and Other Adjustments</b>	<b>Total</b>
	(\$ 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 %



## 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, 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, 2021, 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 28, 2022 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 5 to the consolidated financial statements, the Company's total allowance for loan losses as of December 31, 2021 was \$359.2 million, of which \$287.7 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
- continued use and appropriateness of changes made to the transition matrix model
- performance monitoring of the transition matrix model
- identification and determination of the significant assumptions used in the model
- continued use 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 assessment 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
- 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 \$1.5 billion as of December 31, 2021. 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 28, 2022

**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 (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Valley's management, with the participation of the CEO and CFO, has evaluated the effectiveness of Valley's disclosure controls and procedures. Based on such evaluation, Valley's CEO and CFO have concluded that such disclosure controls and procedures were effective as of December 31, 2021 (the end of the period covered by this Annual Report on Form 10-K).

Valley's management, including the CEO and CFO, 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, 2021, 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, 2021, 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, 2021 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, 2021. The report is included in this item under the heading "Report of Independent Registered Public Accounting Firm."

***Changes in Internal Control over Financial Reporting***

On July 1, 2021, Valley completed the implementation of its SAP S/4HANA general ledger and enterprise resource planning system. The new system was subject to various testing and review procedures before, during and after implementation. As a result of this implementation, Valley has experienced certain changes to its processes and procedures which in turn, resulted in changes to its internal control over financial reporting. Valley's CEO and CFO have concluded that except for those changes there were no changes in Valley's internal control over financial reporting in the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, Valley's internal control over financial reporting.

We have 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 have largely worked 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, 2021, 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, 2021, 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, 2021 and 2020, 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, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2022 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 28, 2022

**Item 9B. Other Information**

Not applicable.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

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 2022 Proxy Statement is incorporated herein by reference.

**Item 11. Executive Compensation**

The information set forth under the captions “Compensation of Directors,” “Compensation Committee Interlocks and Insider Participation” and “Advisory Vote on Our Named Executive Officer Compensation” in the 2022 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 2022 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 2022 Proxy Statement is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

Our independent registered public accounting firm is KPMG LLP, Short Hills, NJ, Auditor Firm ID: 185.

The information set forth under the caption “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the 2022 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:

	<u>Page</u>
Consolidated Statements of Financial Condition	<a href="#">73</a>
Consolidated Statements of Income	<a href="#">74</a>
Consolidated Statements of Comprehensive Income	<a href="#">76</a>
Consolidated Statements of Changes in Shareholders’ Equity	<a href="#">77</a>
Consolidated Statements of Cash Flows	<a href="#">78</a>
Notes to Consolidated Financial Statements	<a href="#">80</a>
Report of Independent Registered Public Accounting Firm	<a href="#">145</a>

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):

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

- A. [Agreement and Plan of Merger, dated as of September 22, 2021, by and among Valley National Bancorp, Bank Leumi Le-Israel Corporation, a New York corporation and Volcano Merger Sub Corporation, a New York corporation and subsidiary of Valley, incorporated herein by reference to Exhibit 2.1 to the Registrant's Form 8-K Current Report filed on September 27, 2021.](#)

(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 \(Valley 5.25% sub debt due June 15, 2030\).](#)
- I. [Indenture, dated as of May 28, 2021, between Valley and U. S. Bank, N.A., as Trustee, incorporated herein by reference to Exhibit 4.1 to the Registrant's Form 8-K Current Report filed on May 28, 2021.](#)
- J. [First Supplemental Indenture, dated as of May 28, 2021, between Valley and U. S. Bank, N.A., as Trustee, including the form of Notes attached thereto, incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K Current Report filed on May 28, 2021. \(Valley 3.00% sub debt due June 15, 2031\).](#)

(10) Material Contracts:

- A. [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 Bernadette M. Mueller. +](#)
- B. [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.+](#)
- C. [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 \(No. 001-11277\).+](#)
- D. [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 \(in use prior to 2019\).+](#)
- E. [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 \(in use prior to 2019\).+](#)
- F. [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.+](#)
- G. [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.+](#)
- H. [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 \(applicable until December 31, 2022\).+](#)



- I. [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.+](#)
- J. [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 \(applicable until December 31, 2022\).+](#)
- K. [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.+](#)
- L. [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 \(applicable until December 31, 2022\).+](#)
- M. [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.+](#)
- N. [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.+](#)
- O. [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. +](#)
- P. [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. +](#)
- Q. [Form of Agreement to Reduce Change in Control Severance, effective January 1, 2023 \(applicable to Ira Robbins, Thomas A. Iadanza, Ronald H. Janis and Bernadette M. Mueller\), incorporated herein by reference to Exhibit EE to the Registrant's Form 10-K filed on February 28, 2019. +](#)
- R. [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. +](#)

- S. [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. +](#)
- T. [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. +](#)
- U. [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. +](#)
- V. [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. +](#)
- W. [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. +](#)
- X. [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. +](#)
- Y. [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. +](#)
- Z. [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. +](#)
- AA. [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. +](#)
- BB. [Valley National Bancorp 2021 Incentive Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q filed on May 7, 2021. +](#)
- CC. [Form of Valley National Bancorp Director Restricted Stock Unit Award Agreement, in connection with Valley National Bancorp 2021 Incentive Compensation Plan, incorporated herein by reference to Exhibit 10.4 of the Registrant's Form 10-Q filed on May 7, 2021. +](#)
- DD. [Form of Valley National Bancorp Time-Based Restricted Stock Unit Award Agreement, in connection with Valley National Bancorp 2021 Incentive Compensation Plan + \\*](#)
- EE. [Form of Valley National Bancorp Performance-Based Restricted Stock Unit Award Agreement, in connection with Valley National Bancorp 2021 Incentive Compensation Plan. +\\*](#)

## (21) List of Subsidiaries as of December 31, 2021:

	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%
	Dudley Ventures, LLC	Delaware	100%
	DV Financial Services, LLC	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%
	DV Community Investment, LLC	Delaware	100%
(c)	Subsidiaries of Valley Insurance Services, Inc.:		
	RISC One, Inc.	New York	90%
	Valley Insurance Services of Florida, LLC	Florida	90%
(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 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 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) \*

\* 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  
and Chief Executive Officer*

By: \_\_\_\_\_ /s/ MICHAEL D. HAGEDORN  
*Michael D. Hagedorn,  
Senior Executive Vice President  
and Chief Financial Officer*

Dated: February 28, 2022

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:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ /s/ IRA ROBBINS <b>Ira Robbins</b>	Chairman of the Board and Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2022
_____ /s/ MICHAEL D. HAGEDORN <b>Michael D. Hagedorn</b>	Senior Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 28, 2022
_____ /s/ MITCHELL L. CRANDELL <b>Mitchell L. Crandell</b>	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2022
_____ ANDREW B. ABRAMSON* <b>Andrew B. Abramson</b>	Director	February 28, 2022
_____ PETER J. BAUM* <b>Peter J. Baum</b>	Director	February 28, 2022
_____ ERIC P. EDELSTEIN* <b>Eric P. Edelstein</b>	Director	February 28, 2022
_____ MARC J. LENNER* <b>Marc J. Lenner</b>	Director	February 28, 2022
_____ PETER V. MAIO* <b>Peter V. Maio</b>	Director	February 28, 2022
_____ SURESH L. SANI* <b>Suresh L. Sani</b>	Director	February 28, 2022
_____ LISA J. SCHULTZ* <b>Lisa J. Schultz</b>	Director	February 28, 2022
_____ JENNIFER W. STEANS* <b>Jennifer W. Steans</b>	Director	February 28, 2022

**Signature**

**Title**

**Date**

JEFFREY S. WILKS\*

Director

February 28, 2022

Jeffrey S. Wilks

DR. SIDNEY S. WILLIAMS, JR.\*

Director

February 28, 2022

Dr. Sidney S. Williams, Jr.

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By: /s/ MICHAEL D. HAGEDORN

February 28, 2022

Michael D. Hagedorn, attorney-in fact

Name of Employee:      No. of Shares: [# of RSUs]

VALLEY NATIONAL BANCORP  
TIME-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

VALLEY NATIONAL BANCORP, a New Jersey corporation (the “Company”), this \_\_\_\_\_, 20\_\_\_\_ (the “Award Date”), hereby grants, to \_\_\_\_\_, an employee of the Company (the “Employee”), pursuant to the Company’s 2021 Incentive Compensation Plan (the “Plan”), [# of RSUs] restricted stock units. Each restricted stock unit (“Unit”) represents the unfunded right to receive one share of the Common Stock, no par value, of the Company (“Share”), subject to the restrictions set forth herein on the terms and conditions hereinafter set forth (the “Award”).

1. Incorporation by Reference of Plan. The provisions of the Plan are incorporated by reference herein and shall govern as to all matters not expressly provided for in this Agreement. Capitalized terms not defined herein have the meanings set forth in the Plan. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern.

2. Award of Restricted Stock Units. A record of the Units awarded hereunder (the “Units”) shall be maintained for the Employee with the administrator designated by the Compensation and Human Resources Committee of the Company’s Board of Directors (the “Committee”), subject to terms deemed appropriate by the Committee to reflect the restrictions applicable to such Award (the “Restrictions”), until all the Restrictions specifically set forth in this Agreement with respect to the Units shall expire or be canceled. Upon the lapse of all Restrictions relating to any Units, the Company shall deliver Shares underlying the vested Units. The Units shall have no voting rights. The Units shall be credited with Dividend Equivalents. A “Dividend Equivalent” is an amount equal to the cash dividend payable per Share, if any, multiplied by the number of Shares then underlying the Award with respect to any cash dividends declared or paid by the Company while the Award is outstanding. Dividend Equivalents credited with respect to Shares underlying the Units (i) shall not be paid to the Employee until the Restrictions with respect to the Units upon which such Dividend Equivalents were credited, expire or are canceled, (ii) shall be paid with respect to any Units which vest along with the Shares that are delivered, and (iii) shall immediately and automatically be cancelled with respect to Units which are forfeited or canceled. No interest will be accrued, credited or paid on Dividend Equivalents.

3. Restrictions

(a) Vesting. The Units and all related Dividend Equivalents shall not be delivered to the Employee and may not be sold, assigned, transferred, pledged or otherwise encumbered by the Employee until such Units have vested in accordance with the following schedule:

Percentage of Units Which Vest	Date on Which Such Shares Vest
33%	_____, 20____
66%	_____, 20____
100%	_____, 20____

(b) Death. Upon death of the Employee while employed but before the vesting of all Units, all Restrictions upon any unvested Units shall lapse and such Units shall immediately vest and the Shares representing such vested Units shall be paid promptly to the Employee’s designated beneficiary, if one has been designated by the Employee or if not to the Employee’s executor, administrator, heirs or distributees, as the case may be. For the avoidance of doubt,

this provision with regard to the vesting of unvested Units upon death while employed shall continue to apply after a Change in Control.

(c) Retirement.

(i) Upon the Retirement of the Employee one year or more after the date of this Agreement, all Restrictions upon the Units shall lapse and such Units shall immediately vest and the Shares representing such vested Units shall be paid promptly to the Employee.

(ii) Upon the Retirement of the Employee less than one year after the date of this Agreement, all Restrictions upon a pro-rated number of Units shall lapse and such Units shall immediately vest and the Shares representing such vested Units shall be paid promptly to the Employee, with such pro-rated number determined by multiplying the outstanding Units by a fraction, the numerator of which is equal to the number of full months the Award has been outstanding and the denominator of which is twelve (12). Any Units which are not vested (and any related Dividend Equivalents) under this Section 3(c)(ii) shall be automatically and immediately forfeited upon Retirement.

(d) Other Termination Events. Units not yet vested (and any related Dividend Equivalents) shall be automatically and immediately forfeited to the Company upon the Employee's ceasing to be employed by the Company and its Subsidiaries for any reason whatsoever, other than death or Retirement of the Employee or except as otherwise determined by the Committee.

(e) Change in Control.

(i) Upon a Change in Control, all Restrictions upon the Units shall lapse and such Units shall immediately vest unless the surviving entity has made adequate provision (with the determination as to such adequacy to be made in the discretion of the Committee) in the acquisition agreement or other written agreement to assume and convert such Units to the surviving entity's equity securities.

(ii) Upon a Change of Control, Units that are assumed by the surviving entity shall remain outstanding until they vest or are forfeited in accordance with the terms set forth in this Section 3(e) and elsewhere in this Award Agreement.

(iii) Units that continue to vest under Section 3(e)(ii) shall have their Restrictions lapse and shall immediately vest if a Qualifying Termination occurs within twenty-four (24) months after the effective date of a Change in Control. A "Qualifying Termination" shall mean (a) the termination of the Employee's employment by the Company without "Cause" or (b) a resignation by the Employee for "Good Reason", in the case of (a) and (b) as each such term is defined in any employment or change in control agreement between the Employee and the Company that existed immediately prior to the Change in Control ("CIC Agreement"), or, if the Employee was not a party to a CIC Agreement or an employment agreement, a termination without Cause or a resignation for Good Reason, as defined in any Change in Control Severance Plan in effect immediately prior to the Change in Control.

4. Registration. If Shares are issued in a transaction exempt from registration under the Securities Act of 1933, as amended, then, if deemed necessary by Company's counsel, as a condition to the Company issuing the Shares, the Employee shall represent in writing to the Company that the Employee is acquiring the Shares for investment purposes only and not with a view to distribution, and Restrictions shall be imposed on the Shares to the effect that such

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Shares may not be transferred without an applicable exemption under the Securities Act of 1933 or registration thereunder.

5. Acknowledgement of Receipt of Plan and Prospectus. The Employee hereby acknowledges that the Employee has access to the Plan and the prospectus prepared by the Company with regard to the Plan (the “Prospectus”) and represents and warrants that the Employee has read and is familiar with the terms and conditions of the Plan and the Prospectus. The execution of this Agreement by the Employee constitutes the Employee’s acceptance of and agreement to all of the terms and conditions of the Plan and this Agreement.

6. Notices. Except as specifically provided in the Plan or this Agreement, all notices and other communications required or permitted under the Plan and this Agreement shall be in writing and shall be given either by (i) personal delivery or regular mail, in each case against receipt, or (ii) first class registered or certified mail, return receipt requested. Any such communication shall be deemed to have been given (i) on the date of receipt in the cases referred to in clause (i) of the preceding sentence and (ii) on the second day after the date of mailing in the cases referred to in clause (ii) of the preceding sentence. All such communications to the Company shall be addressed to it, to the attention of its Secretary or Treasurer, at its then principal office and to the Employee at the Employee’s last address appearing on the records of the Company or, in each case, to such other person or address as may be designated by like notice hereunder.

7. Tax Withholding. Shares of Common Stock delivered pursuant to this Award shall be subject to applicable tax withholdings. The Company shall withhold from the delivery of Common Stock pursuant hereto shares having a value equal to the minimum amount of federal, state and other governmental tax withholding requirements (or, if permitted by the Company, and requested by the Employee, at a rate that is higher than the minimum statutory withholding rate) related thereto (subject to rounding to a number of whole shares, in such manner as the Company may determine). Such shares shall be valued at their Fair Market Value as of the date on which the amount of tax to be withheld is determined. In lieu of such withholding, the Employee may elect, at or before such deadline as the Company may specify, and the Company require as a condition of delivery, that the Employee remit to the administrator an amount in cash sufficient to satisfy such tax withholding requirements.

8. Clawback. For a period of six years after the Award Date, this Award shall be subject to the Valley National Bancorp Clawback Policy which is attached to and made part of this Award.

In addition, to the extent required by applicable law (including, without limitation, Section 304 of the Sarbanes-Oxley Act and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act) and/or the rules and regulations of any securities exchange or inter-dealer quotation service on which the Company’s Shares are listed or quoted, or if so required pursuant to a written policy adopted by the Company, this Award shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements.

9. Restrictive Covenants: Non-Solicitation of Customers and Employees.

9.1 Definitions.

A. “Conflicting Products/Services” means any products or services that would compete with any products or services being offered, sold, or provided by the Company at the time of enforcement of this Agreement.

B. “Customer” (whether capitalized or lower-cased) shall include all individuals (“Consumers”), businesses (including the employees, owners, directors, independent contractors, consultants, and officers of any business), and/

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or any other entities (including the employees, owners, directors, independent contractors, consultants, and officers of any entity), which the Company provides, provided, or seeks to provide any type of service to, or which Employee solicited, contacted, or otherwise dealt with on behalf of the Company.

9.2 Non-Solicitation of Customers. In consideration of the Units being awarded hereunder, Employee agrees and covenants that during the period of his/her employment and for a period of twelve (12) months after that employment ends for any reason, Employee shall not in person or through others, (a) solicit, contact, or accept business including any Conflicting Product/Service from a Customer of the Company, or (b) solicit, encourage, or induce any Customer to reduce or stop doing business with the Company or its Affiliates.

9.3 Non-Solicitation of Employees. In consideration of the Units being awarded hereunder, Employee agrees and covenants that during the period of his/her employment and for a period of twelve (12) months after that employment ends for any reason, Employee shall not, in person or through others, directly or indirectly, solicit, attempt to induce to leave employment with the Company, hire, and/or employ any employees of the Company.

9.4 Enforcement of Restrictive Covenants. In the event of a breach or threatened breach by the Employee of any of the covenants contained in this Section 9:

A. The Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

B. If the Employee fails to comply with any time restriction in Section 9, the time period for that restriction will be extended by one day for each day Employee is found to have violated it, up to a maximum extension of twelve months.

C. If a court finds any of the provision of this Section 9, including, without reservation, restrictions on Employee unenforceable as written, the parties shall consent to the reformation of this Agreement to make it enforceable by, and to protect the interests of the Company to the maximum extent legally allowed.

10. Miscellaneous. This Agreement and the Plan contain a complete statement of all the arrangements between the parties with respect to the subject matter hereof, and this Agreement cannot be changed except by a writing executed by both parties. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to agreements made and to be performed exclusively in New Jersey, subject to any exclusions in Section 11. This Award and the payments set forth herein are intended to be compliant with, or exempt from, the requirements of Section 409A of the Internal Revenue Code and shall be interpreted and administered in accordance therewith, although no warranty as to such compliance is made.

11. Exclusions. If Employee resides in any of the States listed below at the time of Employee's execution of this Agreement, the following exceptions and acknowledgments shall apply:

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a. California. If Employee resides in California, Sections 9.2 and 9.3 shall not apply to Employee after Employee’s employment with the Company ends, and this Agreement shall be governed by and construed in accordance with the laws of the State of California, without applying its conflicts of law principles.

12. Severability. The Company and Employee acknowledge that it was their intent to enter into a valid and enforceable agreement. The Company and Employee thereby agree that should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining parts, terms and provisions shall not be affected thereby, and said illegal, unenforceable or invalid part, term or provision will be deemed not to be part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.  
VALLEY NATIONAL BANCORP                      EMPLOYEE

By:

\_\_\_\_\_  
/s/ Suresh Sani  
SURESH SANI

By:

\_\_\_\_\_  
[Employee Name]

Awards of incentive compensation are also subject to the Valley National Bancorp Clawback Policy which is attached.

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## **Valley National Bancorp Clawback Policy**

The Compensation and Human Resources Committee of Valley National Bancorp (the “Company”) operates under the following Clawback Policy:

- ⑩ **Triggers to Recoup Unvested Awards:** The Company may cancel any unvested stock awards granted to and cancel the payout of any unpaid cash bonus award to be paid to (recoup) any executive officer of the Company or its subsidiaries upon the following events:
  - 1. A material restatement of the Company’s financial statements and the award was based upon materially inaccurate performance metrics, in which case the recoupment applies to the relevant period.
  - 2. The Executive is terminated for cause involving material misconduct detrimental to the Company, in which case the recoupment applies to all periods on or after the material misconduct.
  
- ⑩ **Triggers to Recoup Vested Awards:** The Company may recoup vested incentive awards of stock and cash made to any executive in the following events:
  - 1. The executive engaged in intentional fraud against the Company or any of its subsidiaries, in which case the recoupment may apply to any awards from the date of the fraud.
  - 2. Because of intentional misconduct detrimental to the Company, the Company suffers a material financial loss and governmental enforcement action against the Company or its subsidiaries.
  
- ⑩ **Procedures for Applying Policy:** The Compensation and Human Resources Committee of the Company will be responsible for exercising the Company’s rights under this Policy. In exercising its authority under this policy, the Committee shall take into account uncertainties and mitigating circumstances. The Committee shall not be obligated in any case under this policy to exercise its discretion to obtain recoupment. Conversely, the Committee shall not be prevented from exercising its right to obtain recoupment due to uncertainties or mitigating circumstances.
  
- ⑩ **Amendments:** The Committee may amend or supplement this policy at any time. However no such amendment or supplement which is materially adverse to the executive may apply retroactively.

Name of Employee: [\_\_\_] No. of Shares: [Target # of RSUs]

VALLEY NATIONAL BANCORP  
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

VALLEY NATIONAL BANCORP, a New Jersey corporation (the “Company”), this \_\_\_\_\_, 20\_\_\_\_ (the “Award Date”), hereby grants, to \_\_\_\_\_, an employee of the Company (the “Employee”), pursuant to the Company’s 2021 Incentive Compensation Plan (the “Plan”), [target # of RSUs] restricted stock units at target (“Target Award Amount”). Each restricted stock unit (“Unit”) represents the unfunded right to receive one share of the Common Stock, no par value, of the Company (“Share”), subject to the restrictions set forth herein on the terms and conditions hereinafter set forth (the “Award”).

1. Incorporation by Reference of Plan. The provisions of the Plan are incorporated by reference herein and shall govern as to all matters not expressly provided for in this Agreement. Capitalized terms not defined herein have the meanings set forth in the Plan. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern.

2. Award of Restricted Stock Units. A record of the Units awarded hereunder (the “Units”) shall be maintained for the Employee with the administrator designated by the Compensation and Human Resources Committee of the Company’s Board of Directors (the “Committee”), subject to terms deemed appropriate by the Committee to reflect the restrictions applicable to such Award (the “Restrictions”), until all the Restrictions specifically set forth in this Agreement with respect to the Units shall expire or be canceled. Upon the lapse of all Restrictions relating to any Units, the Company shall deliver Shares underlying the vested Units. The Units shall have no voting rights. The Units shall be credited with Dividend Equivalents. A “Dividend Equivalent” is an amount equal to the cash dividend payable per Share, if any, multiplied by the number of Shares then underlying the Award with respect to any cash dividends declared or paid by the Company while the Award is outstanding. Dividend Equivalents credited with respect to Shares underlying the Units (i) shall not be paid to the Employee until the Restrictions with respect to the Units upon which such Dividend Equivalents were credited, expire or are canceled, (ii) shall be paid with respect to any Units which vest along with the Shares that are delivered, and (iii) shall immediately and automatically be cancelled with respect to Units which are forfeited or canceled. No interest will be accrued, credited or paid on Dividend Equivalents.

3. Restrictions.

(a) Vesting. The Units and all related Dividend Equivalents shall not be delivered to the Employee and may not be sold, assigned, transferred, pledged or otherwise encumbered by the Employee until such Units have vested based on achievement of the performance goals set forth in Schedule A and subject to the terms of this Agreement. Any Units earned based on achievement of the specific performance goals shall vest on the later of (i) \_\_\_\_\_, 20\_\_\_\_, or (ii) the date that the Committee certifies the payout level as a result of such performance achievement. The Shares representing such vested Units shall be delivered to the Employee no later than 90 days following the end of the Performance Period.

(b) Death. Upon death of the Employee while employed but before the end of the Performance Period, (i) all Restrictions upon the Target Award Amount shall lapse and such Units shall immediately vest and the Shares representing such vested Units shall be paid promptly to the Employee’s designated beneficiary if one has been designated by the Employee and if not to the Executive’s executor, administrator, heirs or distributees, as the case may be, and (ii) any Units greater than the Target Award Amount shall be automatically and immediately forfeited. In the event that Employee is continuously employed during the Performance Period

but dies prior to the Committee's certification of payout level, then the Employee's designated beneficiary or executor, administrator, heirs or distributees, as the case may be, shall vest in the number of Units that the Employee would have earned if employed on the date of such certification and the Shares representing such vested Units shall be paid promptly to the Employee's designated beneficiary or executor, administrator, heirs or distributees, as the case may be. For the avoidance of doubt, this provision with regard to the vesting of Units upon death while employed but before the end of the Performance Period shall continue to apply after a Change in Control.

(c) Retirement.

(i) Upon the Retirement of the Employee one year or more after the date of this Agreement, the Units shall remain outstanding until they vest or are forfeited in accordance with the terms set forth in Section 3(a) and Schedule A.

(ii) Upon the Retirement of the Employee less than one year after the date of this Agreement, a pro-rated number of Units shall remain outstanding until they vest or are forfeited in accordance with the terms set forth in Sections 3(a) and Schedule A, with such pro-rated number determined by multiplying the Target Award Amount by a fraction, the numerator of which is equal to the number of full months the Award has been outstanding and the denominator of which is twelve (12). Any Units which are not vested (and any related Dividend Equivalents) under this Section 3(c)(ii) shall be automatically and immediately forfeited.

(iii) Following Retirement, in the event that the Employee becomes a director, employee with or consultant for another insured depository institution or other financial institution, any Units that have not yet vested shall be automatically and immediately forfeited.

(d) Other Termination Events. Units not yet vested (and any related Dividend Equivalents) shall be automatically and immediately forfeited upon the Employee's ceasing to be employed by the Company and its Subsidiaries for any reason whatsoever, other than death or Retirement of the Employee or except as otherwise determined by the Committee. In the event that Employee is continuously employed during the relevant Performance Period but ceases to be employed (other than by reason of termination for Cause by the Company or voluntary resignation by the Employee) prior to the Committee's certification of payout level as a result of performance achievement during that Performance Period, then the Employee shall vest in any earned Units based on performance during such Performance Period and the Shares representing such vested Units shall be paid to the Employee.

(e) Change in Control.

(i) Upon a Change in Control, all Restrictions upon the Target Award Amount (as adjusted pursuant to clause (iv) below) shall lapse and such Units shall immediately vest unless the surviving entity has made adequate provision (with the determination as to such adequacy to be made in the discretion of the Committee) in the acquisition agreement or other written agreement to assume and convert such Units to the surviving entity's equity securities.

(ii) Upon a Change of Control, Units that are assumed by the surviving entity shall remain outstanding until they vest or are forfeited in accordance with the terms set forth in this Section 3(e) and elsewhere in this Award Agreement.

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(iii) Units that continue to vest under Section 3(e)(ii) shall have their Restrictions lapse and shall immediately vest if within twenty-four (24) months after the effective date of a Change in Control, a Qualifying Termination shall occur or if the Employee dies. A “Qualifying Termination” shall mean (a) the termination of the Employee’s employment by the Company without “Cause” or (b) a resignation by the Employee for “Good Reason”, in the case of (a) and (b) as each such term is defined in any employment or change in control agreement between the Employee and the Company that existed immediately prior to the Change in Control (“CIC Agreement”), or, if the Employee was not a party to a CIC Agreement or an employment agreement, a termination without Cause or a resignation for Good Reason, as defined in any Change in Control Severance Plan in effect immediately prior to the Change in Control.

(iv) With respect to Units that continue to vest under Section 3(e)(ii), the following adjustments shall be made to Schedule A:

- In calculating TSR Performance for TSR Units that are outstanding for more than one (1) year at the effective time of the Change in Control: the Employee shall be deemed to have earned a number of TSR Units based on the Company’s TSR Performance with the Performance Period ending on the effective date of the Change in Control without pro-ration;
- In calculating TSR Performance for TSR Units that are outstanding for less than one (1) year at the effective time of the Change in Control: the Employee shall be deemed to have earned the Target TSR Amount without pro-ration; and
- In calculating GITBV performance for GITBV Units that are outstanding at the effective time of the Change in Control, the Employee shall be deemed to have earned either the number of GITBV Units (i) calculated based on the GITBV with the Performance Period ending on the effective date of the Change in Control (and as appropriate estimates may be used when actual results are not available on such date), or (ii) if the Committee fails to, or cannot make a determination of GITBV, then the Target GITBV Amount as determined by the Committee prior to the effective date of the Change in Control, and in either case without pro-ration.

Shares representing any TSR Units or GITBV Units which are deemed earned in accordance with this Section 3(e)(iv) shall be paid to the Employee no later than 10 days after the end of the applicable Performance Period or the vesting date specified in Section 3(e)(iii), except in the event of the Employee’s death the Units which are deemed earned shall be paid no less than 30 days after the Employee’s death (in which case, earned Units shall be paid to the Employee’s designated beneficiary, or if none is designated to the Employee’s executor, administrator, heirs or distributees, as the case may be).

4. Registration. If Shares are issued in a transaction exempt from registration under the Securities Act of 1933, as amended, then, if deemed necessary by Company’s counsel, as a condition to the Company issuing the Shares, the Employee shall represent in writing to the Company that the Employee is acquiring the Shares for investment purposes only and not with a view to distribution, and Restrictions shall be imposed on the Shares to the effect that such Shares may not be transferred without an applicable exemption under the Securities Act of 1933 or registration thereunder.

5. Acknowledgement of Receipt of Plan and Prospectus. The Employee hereby acknowledges that the Employee has access to the Plan and the prospectus prepared by the

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Company with regard to the Plan (the “Prospectus”) and represents and warrants that the Employee has read and is familiar with the terms and conditions of the Plan and the Prospectus. The execution of this Agreement by the Employee constitutes the Employee’s acceptance of and agreement to all of the terms and conditions of the Plan and this Agreement.

6. Notices. Except as specifically provided in the Plan or this Agreement, all notices and other communications required or permitted under the Plan and this Agreement shall be in writing and shall be given either by (i) personal delivery or regular mail, in each case against receipt, or (ii) first class registered or certified mail, return receipt requested. Any such communication shall be deemed to have been given (i) on the date of receipt in the cases referred to in clause (i) of the preceding sentence and (ii) on the second day after the date of mailing in the cases referred to in clause (ii) of the preceding sentence. All such communications to the Company shall be addressed to it, to the attention of its Secretary or Treasurer, at its then principal office and to the Employee at the Employee’s last address appearing on the records of the Company or, in each case, to such other person or address as may be designated by like notice hereunder.

7. Tax Withholding. Shares of Common Stock delivered pursuant to this Award shall be subject to applicable tax withholdings. The Company shall withhold from the delivery of Common Stock pursuant hereto shares having a value equal to the minimum amount of federal, state and other governmental tax withholding requirements (or, if permitted by the Company, and requested by the Employee, at a rate that is higher than the minimum statutory withholding rate) related thereto (subject to rounding to a number of whole shares, in such manner as the Company may determine). Such shares shall be valued at their Fair Market Value as of the date on which the amount of tax to be withheld is determined. In lieu of such withholding, the Employee may elect, at or before such deadline as the Company may specify, and the Company require as a condition of delivery, that the Employee remit to the administrator an amount in cash sufficient to satisfy such tax withholding requirements.

8. Clawback. For a period of six years after the Award Date, this Award shall be subject to the Valley National Bancorp Clawback Policy which is attached to and made part of this Award.

In addition, to the extent required by applicable law (including, without limitation, Section 304 of the Sarbanes-Oxley Act and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act) and/or the rules and regulations of any securities exchange or inter-dealer quotation service on which the Company’s Shares are listed or quoted, or if so required pursuant to a written policy adopted by the Company, this Award shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements.

9. Restrictive Covenants: Non-Solicitation of Customers and Employees.

9.1 Definitions.

A. “Conflicting Products/Services” means any products or services that would compete with any products or services being offered, sold, or provided by the Company at the time of enforcement of this Agreement.

B. “Customer” (whether capitalized or lower-cased) shall include all individuals (“Consumers”), businesses (including the employees, owners, directors, independent contractors, consultants, and officers of any business), and/or any other entities (including the employees, owners, directors, independent contractors, consultants, and officers of any entity), which the Company provides, provided, or seeks to provide any type of service to, or which Employee solicited, contacted, or otherwise dealt with on behalf of the Company.

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9.2 Non-Solicitation of Customers. In consideration of the Units being awarded hereunder, Employee agrees and covenants that during the period of his/her employment and for a period of twelve (12) months after that employment ends for any reason, Employee shall not in person or through others, (a) solicit, contact, or accept business including any Conflicting Product/Service from a Customer of the Company, or (b) solicit, encourage, or induce any Customer to reduce or stop doing business with the Company or its Affiliates.

9.3 Non-Solicitation of Employees. In consideration of the Units being awarded hereunder, Employee agrees and covenants that during the period of his/her employment and for a period of twelve (12) months after that employment ends for any reason, Employee shall not, in person or through others, directly or indirectly, solicit, attempt to induce to leave employment with the Company, hire, and/or employ any employees of the Company.

9.4 Enforcement of Restrictive Covenants. In the event of a breach or threatened breach by the Employee of any of the covenants contained in this Section 9:

A. The Employee hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

B. If the Employee fails to comply with any time restriction in Section 9, the time period for that restriction will be extended by one day for each day Employee is found to have violated it, up to a maximum extension of twelve months.

C. If a court finds any of the provision of this Section 9, including, without reservation, restrictions on Employee unenforceable as written, the parties shall consent to the reformation of this Agreement to make it enforceable by, and to protect the interests of the Company to the maximum extent legally allowed.

10. Miscellaneous. This Agreement and the Plan contain a complete statement of all the arrangements between the parties with respect to the subject matter hereof, and this Agreement cannot be changed except by a writing executed by both parties. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to agreements made and to be performed exclusively in New Jersey, subject to any exclusions in Section 11. This Award and the payments set forth herein are intended to be compliant with, or exempt from, the requirements of Section 409A of the Internal Revenue Code and shall be interpreted and administered in accordance therewith, although no warranty as to such compliance is made.

11. Exclusions. If Employee resides in any of the States listed below at the time of Employee's execution of this Agreement, the following exceptions and acknowledgments shall apply:

a. California. If Employee resides in California, Sections 9.2 and 9.3 shall not apply to Employee after Employee's employment with the Company ends, and this Agreement shall be governed by and construed in accordance with the laws of the State of California, without applying its conflicts of law principles.

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12. Severability. The Company and Employee acknowledge that it was their intent to enter into a valid and enforceable agreement. The Company and Employee thereby agree that should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining parts, terms and provisions shall not be affected thereby, and said illegal, unenforceable or invalid part, term or provision will be deemed not to be part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

VALLEY NATIONAL BANCORP           EMPLOYEE

By:

/s/ Suresh Sani  
SURESH SANI

By:

\_\_\_\_\_  
[Employee Name]

Awards of incentive compensation are also subject to the Valley National Bancorp Clawback Policy which is attached.

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## Schedule A

### Vesting Conditions for Performance Restricted Stock Units

#### 1. Definitions

- a. “GITBV” means the Company’s annual growth in Tangible Book Value per share plus dividends on common stock excluding other comprehensive income, and shall be adjusted to exclude, in a manner consistent with prior practice, consistently applied, the impact of material: (i) fees and expenses relating to acquisitions and dispositions, (ii) the positive or negative impact of any merger or acquisition activity (including the impact of the increase in outstanding shares), (iii) costs or penalties associated with the voluntary prepayment of indebtedness during the Performance Period and related savings in debt service from any such prepayment of indebtedness in the performance year(s) following the year of such prepayment, (iv) the cumulative effect of accounting and tax law changes, (v) any items otherwise affecting tangible book value that are required to be reflected on the Company’s Income Statement (in accordance with Accounting Standards Update 2015-01) as unusual in nature or not reasonably expected to recur in the foreseeable future (formerly, Extraordinary Items), and (vi) other items, both positive and negative, which the Committee determines are not indicative of ongoing operational results.
- b. “Peer Group” means the companies in the KBW Regional Bank Index as of the first day of the Performance Period. If a Peer Group company is acquired by or merged with another Peer Group company, the performance of the surviving company is tracked for the remainder of the relevant Performance Period. If a Peer Group company is acquired by a non-Peer Group company, the acquired company is disregarded. For the avoidance of doubt, a Peer Group company which becomes bankrupt or insolvent during the Performance Period shall be deemed to have a TSR Performance of negative 100%.
- c. “Performance Period” means the period commencing January 1, 20\_\_ and ending December 31, 20\_\_.
- d. “Stock Price” means the average closing price of a share of common stock of the Company, as reported on the principal national stock exchange on which such common stock is traded, over the 30 consecutive calendar days immediately preceding the first day of the Performance Period and the 90 consecutive calendar days ending on (and including) the last day of the Performance Period.
- e. “TSR Performance” means the Company’s total shareholder return for the Performance Period as measured by dividing (A) the sum of (i) the cumulative amount of dividends per share for the Performance Period, assuming dividend reinvestment as of each applicable ex-dividend date, and (ii) the increase or decrease in Stock Price from the first business day of the Performance Period to the last business day of the Performance Period, by (B) the Stock Price determined as of the first business day of the Performance Period.

2. **Growth in Tangible Book Value**. [target # of RSUs] GITBV Units (representing 60% of the Target Award Amount, the “**Target GITBV Amount**”) will be subject to vesting based on performance achievement against the following metrics measured on a cumulative basis over the Performance Period (using a three-year average):
-

- 50% of the Target GITBV Amount will vest if [ ]% GITBV is achieved (threshold);
- 100% of the Target GITBV Amount will vest if [ ]% GITBV is achieved (target);
- 200% of the Target GITBV Amount will vest if [ ]% of GITBV is achieved (maximum).

The number of earned GITBV Units shall be interpolated on a straight-line basis based on achievement of GITBV levels between the performance metrics specified above. No GITBV Units shall be earned if GITBV is less than [ ]%, and the maximum GITBV Units that may be earned shall be capped at 200% of the Target GITBV Amount even if GITBV in excess of [ ]% is achieved.

The number of GITBV Units earned based on cumulative three-year GITBV performance as described above shall vest and shares representing such earned GITBV Units shall be delivered to the Employee three years from the date of this award upon the Committee's certification of performance achievement following the end of the Performance Period.

3. **Total Shareholder Return.** [target # of RSUs] TSR Units (representing 40% of the Target Award Amount, the “**Target TSR Amount**”) will be subject to vesting based on achievement of TSR Performance measured on a cumulative basis over the Performance Period as follows:

- 50% of the Target TSR Amount will vest if TSR Performance is consistent with the 25<sup>th</sup> percentile of the Peer Group (threshold);
- 100% of the Target TSR Amount will vest if TSR Performance is consistent with the 50<sup>th</sup> percentile of the Peer Group (target);
- 200% of the Target TSR Amount will vest if TSR Performance is consistent with the 87.5<sup>th</sup> percentile of the Peer Group (maximum).

The number of earned TSR Units shall be interpolated on a straight-line basis based on achievement of TSR Performance levels between the performance metrics specified above. No TSR Units shall be earned if TSR Performance is below the 25<sup>th</sup> percentile of the Peer Group, and the maximum TSR Units that may be earned shall be capped at 200% of the Target TSR Amount even if TSR Performance exceeds the 87.5<sup>th</sup> percentile of the Peer Group, *provided, however*, that if TSR Performance exceeds the 50<sup>th</sup> percentile but is negative, the maximum TSR Units that may be earned shall be capped at 100% of the Target TSR Amount.

The number of TSR Units earned based on cumulative three-year TSR Performance as described above shall vest and shares representing such earned TSR Units shall be delivered to the Employee three years from the date of this grant upon the Committee's certification of performance achievement following the end of the Performance Period.

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## **Valley National Bancorp Clawback Policy**

The Compensation and Human Resources Committee of Valley National Bancorp (the “Company”) operates under the following Clawback Policy:

- ⑩ **Triggers to Recoup Unvested Awards:** The Company may cancel any unvested stock awards granted to and cancel the payout of any unpaid cash bonus award to be paid to (recoup) any executive officer of the Company or its subsidiaries upon the following events:
  1. A material restatement of the Company’s financial statements and the award was based upon materially inaccurate performance metrics, in which case the recoupment applies to the relevant period.
  2. The Executive is terminated for cause involving material misconduct detrimental to the Company, in which case the recoupment applies to all periods on or after the material misconduct.
  
- ⑩ **Triggers to Recoup Vested Awards:** The Company may recoup vested incentive awards of stock and cash made to any executive in the following events:
  1. The executive engaged in intentional fraud against the Company or any of its subsidiaries, in which case the recoupment may apply to any awards from the date of the fraud.
  2. Because of intentional misconduct detrimental to the Company, the Company suffers a material financial loss and governmental enforcement action against the Company or its subsidiaries.
  
- ⑩ **Procedures for Applying Policy:** The Compensation and Human Resources Committee of the Company will be responsible for exercising the Company’s rights under this Policy. In exercising its authority under this policy, the Committee shall take into account uncertainties and mitigating circumstances. The Committee shall not be obligated in any case under this policy to exercise its discretion to obtain recoupment. Conversely, the Committee shall not be prevented from exercising its right to obtain recoupment due to uncertainties or mitigating circumstances.
  
- ⑩ **Amendments:** The Committee may amend or supplement this policy at any time. However no such amendment or supplement which is materially adverse to the executive may apply retroactively.

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (Nos. 333-255364, 333-235333, 333-222345 and 333-211060) on Form S-8; and No. 333-254696 on Form S-3ASR of our reports dated February 28, 2022, with respect to the consolidated financial statements of Valley National Bancorp and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Short Hills, New Jersey  
February 28, 2022

## POWER OF ATTORNEY

We, the undersigned directors and officers of Valley National Bancorp, hereby severally constitute and lawfully appoint Ira Robbins and Michael D. Hagedorn, and each of them singly, our true and lawful attorneys-in-fact with full power to them and each of them to sign for us, in our names in the capacities indicated below, the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 of Valley National Bancorp and any and all amendments thereto, and to file the same with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
<u>/s/ Ira Robbins</u> <b>Ira Robbins</b>	Chairman of the Board, Chief Executive Officer, and Director (Principal Executive Officer)	February 28, 2022
<u>/s/ Michael D. Hagedorn</u> <b>Michael D. Hagedorn</b>	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 28, 2022
<u>/s/ Mitchell L. Crandell</u> <b>Mitchell L. Crandell</b>	Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2022
<u>/s/ Andrew B. Abramson</u> <b>Andrew B. Abramson</b>	Director	February 28, 2022
<u>/s/ Peter J. Baum</u> <b>Peter J. Baum</b>	Director	February 28, 2022
<u>/s/ Eric P. Edelstein</u> <b>Eric P. Edelstein</b>	Director	February 28, 2022
<u>/s/ Marc J. Lenner</u> <b>Marc J. Lenner</b>	Director	February 28, 2022
<u>/s/ Peter V. Maio</u> <b>Peter V. Maio</b>	Director	February 28, 2022
<u>/s/ Suresh L. Sani</u> <b>Suresh L. Sani</b>	Director	February 28, 2022
<u>/s/ Lisa J. Schultz</u> <b>Lisa J. Schultz</b>	Director	February 28, 2022
<u>/s/ Jennifer W. Steans</u> <b>Jennifer W. Steans</b>	Director	February 28, 2022
<u>/s/ Jeffrey S. Wilks</u> <b>Jeffrey S. Wilks</b>	Director	February 28, 2022
<u>/s/ Dr. Sidney S. Williams, Jr</u> <b>Dr. Sidney S. Williams, Jr.</b>	Director	February 28, 2022

## CERTIFICATIONS

I, Ira Robbins, certify that:

- 1 I have reviewed this Annual Report on Form 10-K of Valley National Bancorp;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2022

/s/ Ira Robbins

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Ira Robbins  
Chairman of the Board  
and Chief Executive Officer

## CERTIFICATIONS

I, Michael D. Hagedorn, certify that:

- 1 I have reviewed this Annual Report on Form 10-K of Valley National Bancorp;
- 2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- 5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2022

/s/ Michael D. Hagedorn

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Michael D. Hagedorn  
Senior Executive Vice President and  
Chief Financial Officer



**CERTIFICATION OF CEO AND CFO PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Valley National Bancorp (the “Company”) for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Ira Robbins, as Chief Executive Officer of the Company, and Michael D. Hagedorn, as Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ira Robbins

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Ira Robbins  
Chairman of the Board  
and Chief Executive Officer  
February 28, 2022

/s/ Michael D. Hagedorn

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Michael D. Hagedorn  
Senior Executive Vice President  
and Chief Financial Officer  
February 28, 2022