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STATES SECURITIES AND EXCHANGE COMMISSIONWashington, DC 20549 FORM 10-Q (Mark One)â˜’Quarterly Report Pursuant to SectionÂ 13 or 15(d)Â of the Securities Exchange Act of 1934For the Quarterly Period Ended June 30, 2024 ORâ˜Transition Report Pursuant to SectionÂ 13 or 15(d)Â of the Securities Exchange Act of 1934For the transition period from Â to Â Commission File Number 1-11277Â Â Valley National Bancorp (Exact name of registrant as specified in its charter)New Jersey22-2477875(State or other jurisdiction ofIncorporation or Organization)(I.R.S. EmployerIdentification Number)One Penn PlazaNew York,NY10119(Address of principal executive office)(Zip code)973-305-8800 (Registrantâ€™s telephone number, including area code)Â Securities registered pursuant to SectionÂ 12(b) of the Act:Title of each classTrading SymbolsName of exchange on which registeredCommon Stock, no par valueVLYThe Nasdaq Stock Market LLCNon-Cumulative Perpetual Preferred Stock, Series A, no par valueVLYPPThe Nasdaq Stock Market LLCNon-Cumulative Perpetual Preferred Stock, Series B, no par valueVLYPOThe Nasdaq Stock Market LLCIndicate by check mark whether the registrant (1)Â has filed all reports required to be filed by SectionÂ 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2)Â has been subject to such filing requirements for the past 90 days.Â Â Â Â YesÂ Â â˜’Â Â Â Â No â˜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 (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.)Â Â Â Â YesÂ Â â˜’Â Â Â Â NoÂ Â â˜ 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 â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting companyâ€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act: Large accelerated filerâ˜’AcceleratedÂ filerâ˜SmallerÂ reportingÂ companyâ˜Non-accelerated filerâ˜Emerging growth companyâ˜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. â˜ Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Â Â Â Â YesÂ Â â˜Â Â Â Â NoÂ Â â˜’Indicate the number of shares outstanding of each of the issuerâ€™s classes of common stock, as of the latest practicable date. Common Stock (no par value), of which 509,222,110 shares were outstanding as of AugustÂ 7, 2024.TABLE OF CONTENTSÂ Â Â PageNumberPART IFINANCIAL INFORMATIONItemÂ 1.Financial Statements (Unaudited)Consolidated Statements of Financial Condition as of JuneÂ 30, 2024 and DecemberÂ 31, 2023 3Consolidated Statements of Income for the Three and Six Months Ended JuneÂ 30, 2024 and 20234Consolidated Statements of Comprehensive Income for the Three and Six Months Ended JuneÂ 30, 2024 and 20235Consolidated Statements of Changes in Shareholders' Equity for the Three and Six Months Ended JuneÂ 30, 2024 and 20236Consolidated Statements of Cash Flows for the Six Months Ended JuneÂ 30, 2024 and 20238Notes to Consolidated Financial Statements10ItemÂ 2.Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations49ItemÂ 3.Quantitative and Qualitative Disclosures About Market Risk88ItemÂ 4.Controls and Procedures88PARTÂ IIOTHER INFORMATIONItemÂ 1.Legal Proceedings89ItemÂ 1A.Risk Factors89ItemÂ 2.Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities90Item 5.Other Information90ItemÂ 6.Exhibits91SIGNATURES921Glossary of Defined TermsThe following terms may be used throughout this Report, including the consolidated financial statements and related notes.TermDefinitionACLAllowance for credit lossesAFSAvailable for saleASCAccounting Standards CodificationASUAccounting Standards UpdateBankValley National Bank (Valleyâ€™s principal subsidiary)Basel IIICapital rules under a global regulatory framework developed by the Basel Committee on Banking SupervisionBoardBoard of Directors of Valley National BancorpCDCertificate of depositCDICore deposit intangibleCECLCurrent expected credit loss modelCFPBConsumer Financial Protection BureauCPIConsumer Price IndexCRACommunity Reinvestment ActExchange ActSecurities Exchange Act of 1934, as amendedFannie MaeFederal National Mortgage AssociationFASBFinancial Accounting Standards BoardFDICFederal Deposit Insurance CorporationFederal ReserveBoard of Governors of the Federal Reserve SystemFRBFederal Reserve BankFHLBFederal Home Loan BankFreddie MacFederal Home Loan Mortgage CorporationGAAPU. S. Generally Accepted Accounting PrinciplesGDPGross domestic productGinnie MaeGovernment National Mortgage AssociationHTMHeld to MaturityMoody'sMoodyâ€™s Investor ServicesNAVNet asset valueOCCOffice of the Comptroller of the CurrencyOREOOther real estate ownedOTCOver-the-counterPCAOBPublic Company Accounting Oversight BoardROATEReturn on average tangible shareholdersâ€™ equityRSURestricted stock unitS&PStandard & Poor'sSECU.S. Securities and Exchange CommissionSOFRSecured Overnight Financing RateU.S. TreasuryUnited States Department of the TreasuryValleyMay refer to Valley National Bancorp individually, Valley National Bancorp and its consolidated subsidiaries, or certain of Valley National Bancorpâ€™s subsidiaries, as the context requires (interchangeable with the â€œCompany,â€ â€œwe,â€ â€œourâ€ and â€œusâ€). Valley's Annual ReportValley's Annual Report on Form 10-K for the year ended December 31, 20232PART I - FINANCIAL INFORMATIONItemÂ 1. Financial Statements VALLEY NATIONAL BANCORPCONSOLIDATED STATEMENTS OF FINANCIAL CONDITION(in thousands, except for share data)June 30,2024December 31,2023Assets(Unaudited)Cash and due from banks$478,006Â $284,090Â Interest bearing deposits with banks531,067Â 607,135Â Investment securities:Equity securities69,105Â 64,464Â Trading debt securities3,979Â 3,973Â Available for sale debt securities2,212,092Â 1,296,576Â Held to maturity debt securities (net of allowance for credit losses of $1,090 at JuneÂ 30, 2024 and $1,205 at DecemberÂ 31, 2023)3,650,364Â 3,739,208Â Total investment securities5,935,540Â 5,104,221Â Loans held for sale (includes fair value of $11,137 at JuneÂ 30, 2024 and $20,640 at DecemberÂ 31, 2023 for loans originated for sale)19,887Â 30,640Â Loans50,311,702Â 50,210,295Â Less: Allowance for loan losses(519,310)(446,080)Net loans49,792,392Â 49,764,215Â Premises and equipment, net363,038Â 381,081Â Lease right of use assets337,947Â 343,461Â Bank owned life insurance725,879Â 723,799Â Accrued interest receivable251,167Â 245,498Â Goodwill1,868,936Â 1,868,936Â Other intangible assets, net143,644Â 160,331Â Other assets1,611,471Â 1,421,567Â Total Assets$62,058,974Â $60,934,974Â LiabilitiesDeposits:Non-interest bearing$11,117,746Â $11,539,483Â Interest bearing:Savings, NOW and money market24,711,083Â 24,526,622Â Time14,283,348Â 13,176,724Â Total deposits50,112,177Â 49,242,829Â Short-term borrowings63,770Â 917,834Â Long-term borrowings3,264,530Â 2,328,375Â Junior subordinated debentures issued to capital trusts57,282Â 57,108Â Lease liabilities398,179Â 403,781Â Accrued expenses and other liabilities1,425,299Â 1,283,656Â Total Liabilities55,321,237Â 54,233,583Â Shareholdersâ€™ EquityPreferred stock, no par value; 50,000,000 authorized shares:Series A (4,600,000 shares issued at JuneÂ 30, 2024 and DecemberÂ 31, 2023)111,590Â 111,590Â Series B (4,000,000 shares issued at JuneÂ 30, 2024 and DecemberÂ 31, 2023)98,101Â 98,101Â Common stock (no par value, authorized 650,000,000 shares; issued 509,205,014 shares at JuneÂ 30, 2024 and 507,896,910 shares at DecemberÂ 31, 2023)178,645Â 178,187Â Surplus4,995,638Â 4,989,989Â Retained earnings1,516,376Â 1,471,371Â Accumulated other comprehensive loss(162,613)(146,456)Treasury stock, at cost (186,983 common shares at DecemberÂ 31, 2023)â€"Â (1,391)Total Shareholdersâ€™ Equity6,737,737Â 6,701,391Â Total Liabilities and Shareholdersâ€™ Equity$62,058,974Â $60,934,974Â See accompanying notes to consolidated financial statements.3 VALLEY NATIONAL BANCORPCONSOLIDATED STATEMENTS OF INCOME (Unaudited) (in thousands, except for per share data)Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Interest IncomeInterest and fees on loans$770,964Â $715,172Â $1,542,517Â $1,370,398Â Interest and dividends on investment securities:Taxable40,460Â 31,919Â 76,257Â 64,208Â Tax-exempt4,799Â 5,575Â 9,595Â 10,900Â Dividends6,341Â 7,517Â 13,169Â 12,702Â Interest on federal funds sold and other short-term investments10,902Â 27,276Â 20,584Â 49,481Â Total interest income833,466Â 787,459Â 1,662,122Â 1,507,689Â Interest ExpenseInterest on deposits:Savings, NOW and money market231,597Â 164,842Â 464,103Â 315,608Â Time160,442Â 125,764Â 311,507Â 206,062Â Interest on short-term borrowings691Â 50,208Â 21,303Â 84,156Â Interest on long-term borrowings and junior subordinated debentures39,051Â 26,880Â 69,976Â 46,078Â Total interest expense431,781Â 367,694Â 866,889Â 651,904Â Net Interest Income401,685Â 419,765Â 795,233Â 855,785Â (Credit) provision for credit losses for available for sale and held to maturity securities(41)(282)(115)4,705Â Provision for credit losses for loans82,111Â 6,332Â 127,385Â 15,782Â Net Interest Income After Provision for Credit Losses319,615Â 413,715Â 667,963Â 835,298Â Non-Interest IncomeWealth management and trust fees13,136Â 11,176Â 31,066Â 20,763Â Insurance commissions3,958Â 3,139Â 6,209Â 5,559Â Capital markets7,779Â 16,967Â 13,449Â 27,859Â Service charges on deposit accounts11,212Â 10,542Â 22,461Â 21,018Â Gains on securities transactions, net3Â 217Â 52Â 595Â Fees from loan servicing2,691Â 2,702Â 5,879Â 5,373Â Gains on sales of loans, net884Â 1,240Â 2,502Â 1,729Â (Losses) gains on sales of assets, net(2)161Â 3,692Â 285Â Bank owned life insurance4,545Â 2,443Â 7,780Â 5,027Â Other7,007Â 11,488Â 19,538Â 26,166Â Total non-interest income51,213Â 60,075Â 112,628Â 114,374Â Non-Interest ExpenseSalary and employee benefits expense140,815Â 149,594Â 282,646Â 294,580Â Net occupancy expense24,252Â 25,949Â 48,575Â 49,205Â Technology, furniture and equipment expense35,203Â 32,476Â 70,665Â 68,984Â FDIC insurance assessment14,446Â 10,426Â 32,682Â 19,581Â Amortization of other intangible assets8,568Â 9,812Â 17,980Â 20,331Â Professional and legal fees17,938Â 21,406Â 34,403Â 38,220Â Amortization of tax credit investments5,791Â 5,018Â 11,353Â 9,271Â Other30,484Â 28,290Â 59,503Â 54,965Â Total non-interest expense277,497Â 282,971Â 557,807Â 555,137Â Income Before Income Taxes93,331Â 190,819Â 222,784Â 394,535Â Income tax expense22,907Â 51,759Â 56,080Â 108,924Â Net Income70,424Â 139,060Â 166,704Â 285,611Â Dividends on preferred stock 4,108Â 4,030Â 8,227Â 7,904Â Net Income Available to Common Shareholders$66,316Â $135,030Â $158,477Â $277,707Â Earnings Per Common Share:Basic$0.13Â $0.27Â $0.31Â $0.55Â Diluted0.13Â 0.27Â 0.31Â 0.55Â See accompanying notes to consolidated financial statements.4VALLEY NATIONAL BANCORPCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)(in thousands)Â Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Net income$70,424Â $139,060Â $166,704Â $285,611Â Other comprehensive loss, net of tax:Unrealized losses and gains on available for sale securitiesNet losses arising during the period(5,600)(18,051)(15,805)(881)Less reclassification adjustment for net losses included in net income8Â 8Â â€”Â 8Â â€”Â Total(5,592)(18,051)(15,797)(881)Unrealized gains and losses on derivatives (cash flow hedges)Net losses on derivatives arising during the periodâ€”Â (3,573)â€”Â (775)Less reclassification adjustment for net (gains) losses included in net income(210)516Â (432)895Â Total(210)(3,057)(432)120Â Defined benefit pension and postretirement benefit plansAmortization of actuarial net loss37Â 8Â 72Â 16Â Total other comprehensive loss(5,765)(21,100)(16,157)(745)Total comprehensive income$64,659Â $117,960Â $150,547Â $284,866Â See accompanying notes to consolidated financial statements.5VALLEY NATIONAL BANCORPCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERSâ€™ EQUITY (Unaudited)For the Six Months Ended June 30, 2024Common StockAccumulatedPreferred StockSharesAmountSurplusRetainedEarningsOtherComprehensiveLossTreasuryStockTotalShareholdersâ€™EquityÂ ($ in thousands)Balance - December 31, 2023$209,691Â 507,710Â $178,187Â $4,989,989Â $1,471,371Â $(146,456)$(1,391)$6,701,391Â Net incomeâ€”Â â€”Â â€”Â â€”Â 96,280Â â€”Â â€”Â 96,280Â Other comprehensive loss, net of taxâ€”Â â€”Â â€”Â â€”Â â€”Â (10,392)â€”Â (10,392)Cash dividends declared:Preferred stock, Series A, $0.39 per shareâ€”Â â€”Â â€”Â â€”Â (1,797)â€”Â â€”Â (1,797)Preferred stock, Series B, $0.58 per shareâ€”Â â€”Â â€”Â â€”Â (2,322)â€”Â â€”Â (2,322)Common stock, $0.11 per shareâ€”Â â€”Â â€”Â â€”Â (56,794)â€”Â â€”Â (56,794)Effect of stock incentive plan, netâ€”Â 1,183Â 348Â (966)â€”Â â€”Â 1,391Â 773Â Balance - March 31, 2024$209,691Â 508,893Â $178,535Â $4,989,023Â $1,506,738Â $(156,848)$â€”Â $6,727,139Â Net incomeâ€”Â â€”Â â€”Â â€”Â 70,424Â â€”Â â€”Â 70,424Â Other comprehensive loss, net of taxâ€”Â â€”Â â€”Â â€”Â â€”Â (5,765)â€”Â (5,765)Cash dividends declared:Preferred stock, Series A, $0.39 per shareâ€”Â â€”Â â€”Â â€”Â (1,797)â€”Â â€”Â (1,797)Preferred stock, Series B, $0.58 per shareâ€”Â â€”Â â€”Â â€”Â (2,311)â€”Â â€”Â (2,311)Common stock, $0.11 per shareâ€”Â â€”Â â€”Â â€”Â (56,678)â€”Â â€”Â (56,678)Effect of stock incentive plan, netâ€”Â 312Â 110Â 6,615Â â€”Â â€”Â â€”Â 6,725Â Balance - June 30, 2024$209,691Â 509,205Â $178,645Â $4,995,638Â $1,516,376Â $(162,613)$â€”Â $6,737,737Â 6For the Six Months Ended June 30, 2023 Common StockAccumulatedPreferred StockSharesAmountSurplusRetainedEarningsOtherComprehensiveLossTreasuryStockTotalShareholdersâ€™EquityÂ ($ in thousands)Balance - December 31, 2022$209,691Â 506,374Â $178,185Â $4,980,231Â $1,218,445Â $(164,002)$(21,748)$6,400,802Â Adjustment due to the adoption of ASU 2022-02â€”Â â€”Â â€”Â â€”Â 990Â â€”Â â€”Â 990Â Balance - January 1, 2023209,691Â 506,374Â 178,185Â 4,980,231Â 1,219,435Â (164,002)(21,748)6,401,792Â Net incomeâ€”Â â€”Â â€”Â â€”Â 146,551Â â€”Â â€”Â 146,551Â Other comprehensive income, net of taxâ€”Â â€”Â â€”Â â€”Â â€”Â 20,355Â â€”Â 20,355Â Cash dividends declared:Preferred stock, Series A, $0.39 per shareâ€”Â â€”Â â€”Â â€”Â (1,797)â€”Â â€”Â (1,797)Preferred stock, Series B, $0.52 per shareâ€”Â â€”Â â€”Â â€”Â (2,077)â€”Â â€”Â (2,077)Common stock, $0.11 per shareâ€”Â â€”Â â€”Â â€”Â (56,488)â€”Â â€”Â (56,488)Effect of stock incentive plan, netâ€”Â 1,061Â 1Â (12,569)(3,994)â€”Â 16,057Â (505)Common stock issuedâ€”Â 327Â â€”Â (650)â€”Â 4,400Â 3,750Â Balance - March 31, 2023$209,691Â 507,762Â $178,186Â $4,967,662Â $1,300,980Â $(143,647)$(1,291)$6,511,581Â Net incomeâ€”Â â€”Â â€”Â â€”Â 139,060Â â€”Â â€”Â 139,060Â Other comprehensive loss, net of taxâ€”Â â€”Â â€”Â â€”Â â€”Â (21,100)â€”Â (21,100)Cash dividends declared:Preferred stock, Series A, $0.39 per shareâ€”Â â€”Â â€”Â â€”Â (1,797)â€”Â â€”Â (1,797)Preferred stock, Series B, $0.56 per shareâ€”Â â€”Â â€”Â â€”Â (2,233)â€”Â â€”Â (2,233)Common stock, $0.11 per shareâ€”Â â€”Â â€”Â â€”Â (56,474)â€”Â â€”Â (56,474)Effect of stock incentive plan, netâ€”Â 157Â 1Â 6,845Â (2)â€”Â 1,395Â 8,239Â Common stock repurchasedâ€”Â (300)â€”Â â€”Â â€”Â â€”Â (2,092)(2,092)Balance - June 30, 2023$209,691Â 507,619Â $178,187Â $4,974,507Â $1,379,534Â $(164,747)$(1,988)$6,575,184Â See accompanying notes to consolidated financial statements.7VALLEY NATIONAL BANCORPCONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (in thousands)Â Six Months EndedJune 30,Â 20242023Cash flows from operating activities:Net income$166,704Â $285,611Â Adjustments to reconcile net income to net cash provided by (used in) operating activities:Depreciation and amortization21,510Â 21,425Â Stock-based compensation15,718Â 16,773Â Provision for credit losses127,270Â 20,487Â Net accretion of discounts and amortization of premium on securities and borrowings(1,418)(639)Amortization of other intangible assets17,980Â 20,331Â Losses on available for sale and held to maturity debt securities, net11Â 33Â Proceeds from sales of loans held for sale at fair value145,310Â 72,925Â Gains on sales of loans, net(2,502)(1,729)Originations of loans held for sale(133,348)(76,943)Gains on sales of assets, net(3,692)(285)Net change in:Fair value of financial instruments hedged by derivative transactions6,083Â (291)Trading debt securities(6)10,029Â Lease right of use assets5,506Â (53,412)Cash surrender value of bank owned life insurance(7,748)(5,722)Accrued interest receivable(5,669)(29,312)Other assets(176,362)(230,018)Accrued expenses and other liabilities138,165Â 233,419Â Net cash provided by operating activities313,512Â 282,682Â Cash flows from investing activities:Net loan originations and purchases(496,413)(3,009,649)Equity securities:Purchases(4,691)(9,662)Sales751Â 771Â Held to maturity debt securities:Purchases(56,672)(114,544)Maturities, calls and principal repayments144,552Â 175,492Â Available for sale debt securities:Purchases(982,861)(41,470)Salesâ€”Â 17,910Â Maturities, calls and principal repayments49,102Â 44,534Â Death benefit proceeds from bank owned life insurance5,667Â 5,218Â Proceeds from sales of real estate property and equipment2,974Â 490Â Proceeds from sales of loans not originated for sale230,666Â â€”Â Proceeds from sale of commercial premium finance lending division98,060Â â€”Â Purchases of real estate property and equipment(6,378)(49,468)Net cash used in investing activities(1,015,243)(2,980,378)8VALLEY NATIONAL BANCORPCONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)(in thousands)Â Six Months EndedJune 30,Â 20242023Cash flows from financing activities:Net change in deposits$869,348Â $1,982,901Â Net change in short-term borrowings(854,064)950,170Â Proceeds from issuance of long-term borrowings, net1,000,000Â 1,250,000Â Repayments of long-term borrowings(65,000)(350,000)Cash dividends paid to preferred shareholders(8,227)(7,904)Cash dividends paid to common shareholders(114,256)(113,611)Purchase of common shares to treasury(8,271)(11,133)Common stock issued, net51Â 3,750Â Other, net(2)(15)Net cash provided by financing activities819,579Â 3,704,158Â Net change in cash and cash equivalents117,848Â 1,006,462Â Cash and cash equivalents at beginning of year891,225Â 947,947Â Cash and cash equivalents at end of period$1,009,073Â $1,954,409Â Supplemental disclosures of cash flow information:Cash payments for:Interest on deposits and borrowings$891,336Â $571,741Â Federal and state income taxes48,252Â 122,130Â Supplemental schedule of non-cash investing activities:Transfer of loans to other real estate owned$8,059Â $903Â Transfer of loans to loans held for saleâ€”Â 10,000Â Lease right of use assets obtained in exchange for operating lease liabilities15,429Â 81,727Â See accompanying notes to consolidated financial statements.9VALLEY NATIONAL BANCORPNOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Unaudited)Note 1. Basis of PresentationThe unaudited consolidated financial statements of Valley include the accounts of the Bank and all other entities in which Valley has a controlling financial interest. All inter-company transactions and balances have been eliminated. The accounting and reporting policies of Valley conform to 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. Certain prior period amounts have been reclassified to conform to the current presentation. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly Valleyâ€™s financial position, results of operations, changes in shareholders' equity and cash flows at JuneÂ 30, 2024 and for all periods presented have been made. The results of operations for the three and six months ended JuneÂ 30, 2024 are not necessarily indicative of the results to be expected for the entire fiscal year or any subsequent interim period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP and industry practice have been condensed or omitted pursuant to rules and regulations of the SEC. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Valleyâ€™s Annual Report. Significant Estimates. In preparing the unaudited consolidated financial statements in conformity with 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 managementâ€™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.Preferred Stock Series C Issuance. On August 5, 2024, Valley issued 6.0Â million shares of its Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series C, no par value per share, with a liquidation preference of $25 per share for aggregate consideration of $150Â million. Dividends on the preferred stock will accrue and be payable quarterly in arrears, at a fixed rate per annum equal to 8.250% from the date of original issue to, but excluding September 30, 2029, and thereafter at a rate per annum equal to the five-year U.S. treasury rate as of the most recent dividend payment date plus 4.182 percent. Net proceeds to Valley after deducting underwriting discounts, commissions and offering expenses were $144.7Â million.In addition, Valley has granted the underwriters a 30-day option to purchase up to an additional 900,000 shares of the preferred stock at the public offering price, less underwriting discounts and commissions, solely to cover over-allotments, if any.10Note 2. Earnings Per Common ShareThe following table shows the calculation of both basic and diluted earnings per common share for the three and six months ended JuneÂ 30, 2024 and 2023:Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â (in thousands, except for share and per share data)Net income available to common shareholders$66,316Â $135,030Â $158,477Â $277,707Â Basic weighted average number of common shares outstanding509,141,252Â 507,690,043Â 508,740,986Â 507,402,268Â Plus: Common stock equivalents1,197,250Â 952,982Â 1,696,973Â 1,674,035Â Diluted weighted average number of common shares outstanding510,338,502Â 508,643,025Â 510,437,959Â 509,076,303Â Earnings per common share:Basic$0.13Â $0.27Â $0.31Â $0.55Â Diluted0.13Â 0.27Â 0.31Â 0.55Â Common stock equivalents represent the dilutive effect of additional common shares issuable upon the assumed vesting or exercise, if applicable, of RSUs and common stock options to purchase Valleyâ€™s common shares. Common stock options with exercise prices that exceed the average market price of Valleyâ€™s common stock during the periods presented may have an anti-dilutive effect on the diluted earnings per common share calculation and therefore are excluded from the diluted earnings per share calculation along with RSUs. Potential anti-dilutive weighted common shares totaled approximately 6.9 million and 7.2 million for the three months ended June 30, 2024 and 2023, respectively, and 6.0 million and 3.0 million for the six months ended JuneÂ 30, 2024 and 2023, respectively.Note 3. Accumulated Other Comprehensive LossThe following tables present the after-tax changes in the balances of each component of accumulated other comprehensive loss for the three and six months ended JuneÂ 30, 2024 and 2023: Â ComponentsÂ ofÂ AccumulatedÂ OtherÂ Comprehensive LossTotalAccumulatedOtherComprehensiveLossÂ UnrealizedÂ Gainsand Losses onAFS SecuritiesUnrealizedÂ Gainsand Losses onDerivativesDefined BenefitPensionÂ and Postretirement Benefit PlansÂ (in thousands)March 31, 2024$(125,707)$1,892Â $(33,033)$(156,848)Other comprehensive loss before reclassification (5,600)â€”Â â€”Â (5,600)Amounts reclassified from other comprehensive loss 8Â (210)37Â (165)Other comprehensive (loss) income, net(5,592)(210)37Â (5,765)June 30, 2024$(131,299)$1,682Â $(32,996)$(162,613)March 31, 2023$(110,648)$5,410Â $(38,409)$(143,647)Other comprehensive loss before reclassification(18,051)(3,573)â€”Â (21,624)Amounts reclassified from other comprehensive lossâ€”Â 516Â 8Â 524Â Other comprehensive (loss) income, net(18,051)(3,057)8Â (21,100)June 30, 2023$(128,699)$2,353Â $(38,401)$(164,747)11ComponentsÂ ofÂ AccumulatedÂ OtherÂ Comprehensive LossTotalAccumulatedOtherComprehensiveLossUnrealizedÂ Gainsand Losses onAFS SecuritiesUnrealizedÂ Gainsand Losses onDerivativesDefined BenefitPensionÂ and Postretirement Benefit Plans(in thousands)December 31, 2023$(115,502)$2,114Â $(33,068)$(146,456)Other comprehensive loss before reclassification(15,805)â€”Â â€”Â (15,805)Amounts reclassified from other comprehensive loss8Â (432)72Â (352)Other comprehensive (loss) income, net(15,797)(432)72Â (16,157)June 30, 2024$(131,299)$1,682Â $(32,996)$(162,613)December 31, 2022$(127,818)$2,233Â $(38,417)$(164,002)Other comprehensive loss before reclassification(881)(775)â€”Â (1,656)Amounts reclassified from other comprehensive lossâ€”Â 895Â 16Â 911Â Other comprehensive (loss) income, net(881)120Â 16Â (745)June 30, 2023$(128,699)$2,353Â $(38,401)$(164,747)The following table presents amounts reclassified from each component of accumulated other comprehensive loss on a gross and net of tax basis for the three and six months ended JuneÂ 30, 2024 and 2023:Amounts Reclassified fromAccumulated Other ComprehensiveÂ LossThree Months EndedJune 30,Six Months EndedJune 30,Components of Accumulated Other Comprehensive Loss2024202320242023IncomeÂ Statement Line ItemÂ (in thousands)Â Unrealized losses on AFS securities before tax(11)â€”Â (11)â€”Â Gains on securities transactions, netTax effect3Â â€”Â 3Â â€”Â Total net of tax(8)â€”Â (8)â€”Â Unrealized gains (losses) on derivatives (cash flow hedges) before tax299Â (725)597Â (1,256)Interest incomeTax effect(89)209Â (165)361Â Total net of tax210Â (516)432Â (895)Defined benefit pensionÂ and postretirement benefit plans:Amortization of actuarial net loss(50)(11)(99)(22)*Tax effect13Â 3Â 27Â 6Â Total net of tax(37)(8)(72)(16)Total reclassifications, net of tax$165Â (524)352Â $(911)*Amortization of actuarial net loss is included in the computation of net periodic pension cost recognized within other non-interest expense.Note 4. New Authoritative Accounting GuidanceNew Accounting Guidance Adopted in the First Quarter 2024ASU No. 2023-02, â€œInvestments â€“Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method,â€ is intended to improve the accounting and disclosures for investments in certain tax credit structures. ASU No. 2023-02 allows the option to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits when certain requirements are met. ASU No. 2023-02 became effective on January 1, 2024 and did not have a significant impact on Valley's consolidated financial statements. Under the new guidance, Valley did not elect to apply the proportional amortization method as an accounting policy for its eligible 12tax credit investments and, as a result, there were no adjustments from adoption recognized in earnings on the date of adoption. See additional disclosures regarding Valley's tax credit investments in Note 14.ASU No. 2022-03, â€œFair Value Measurement of Equity Securities subject to Contractual Sale Restrictions,â€ updates guidance in ASC Topic 820, Fair Value Measurement and clarifies that a contractual sale restriction should not be considered in measuring fair value. It also requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities including (i) the nature and remaining duration of the restriction; (ii) the circumstances that could cause a lapse in restrictions; and (iii) the fair value of the securities with contractual sale restrictions. ASU No. 2022-03 became effective on January 1, 2024 and Valley's adoption did not have a significant impact on its consolidated financial statements.New Accounting Guidance Effective at December 31, 2024ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,â€ requires public entities to disclose detailed information about a reportable segmentâ€™s expenses on both an annual and interim basis. ASU No. 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in ASU No. 2023-07 should be applied retrospectively to all periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The adoption of ASU No. 2023-07 is not expected to have a significant impact on Valley's consolidated financial statements, other than enhanced disclosures.Note 5. Fair Value Measurement of Assets and LiabilitiesASC Topic 820, â€œFair Value Measurement,â€ 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:â€¢LevelÂ 1Â Â Â Â - 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.â€¢LevelÂ 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.â€¢LevelÂ 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 and Non-Recurring BasisThe 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023. The assets presented under â€œnon-recurring fair value measurementsâ€ in the tables 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).Â 13Â June 30,2024FairÂ ValueÂ MeasurementsÂ atÂ ReportingÂ DateÂ Using:Â QuotedÂ PricesinÂ ActiveÂ Marketsfor IdenticalAssets (Level 1)SignificantOtherObservableÂ Inputs(Level 2)SignificantUnobservableInputs(Level 3)Â (in thousands)Recurring fair value measurements:AssetsInvestment securities:Equity securities$23,094Â $23,094Â $â€"Â $â€"Â Equity securities at net asset value (NAV)12,159Â â€"Â â€"Â â€"Â Trading debt securities3,979Â 3,979Â â€"Â â€"Â Available for sale debt securities:U.S. Treasury securities286,274Â 286,274Â â€"Â â€"Â U.S. government agency securities22,766Â â€"Â 22,766Â â€"Â Obligations of states and political subdivisions188,688Â â€"Â 188,688Â â€"Â Residential mortgage-backed securities1,535,690Â â€"Â 1,535,690Â â€"Â Corporate and other debt securities178,674Â â€"Â 178,674Â â€"Â Total available for sale debt securities2,212,092Â 286,274Â 1,925,818Â â€"Â Loans held for sale (1)11,137Â â€"Â 11,137Â â€"Â Other assets (2)514,661Â â€"Â 514,661Â â€"Â Total assets$2,777,122Â $313,347Â $2,451,616Â $â€"Â LiabilitiesOther liabilities (2)$531,746Â $â€"Â $531,746Â $â€"Â Total liabilities$531,746Â $â€"Â $531,746Â $â€"Â Non-recurring fair value measurements:Non-performing loan held for sale (3) $8,750Â $â€"Â $8,750Â $â€"Â Collateral dependent loans 112,575Â â€"Â â€"Â 112,575Â Foreclosed assets 9,666Â â€"Â â€"Â 9,666Â Total$130,991Â $â€"Â $8,750Â $122,241Â 14Â Â FairÂ ValueÂ MeasurementsÂ atÂ ReportingÂ DateÂ Using:Â December 31,2023Quoted PricesinÂ ActiveÂ Marketsfor IdenticalAssets (Level 1)SignificantOtherObservableÂ Inputs(Level 2)SignificantUnobservableInputs(Level 3)Â (in thousands)Recurring fair value measurements:AssetsInvestment securities:Equity securities $23,307Â $23,307Â $â€"Â $â€"Â Equity securities at net asset value (NAV)12,126Â â€"Â â€"Â â€"Â Trading debt securities3,973Â 3,973Â â€"Â â€"Â Available for sale debt securities:U.S. Treasury securities288,157Â 288,157Â â€"Â â€"Â U.S. government agency securities23,702Â â€"Â 23,702Â â€"Â Obligations of states and political subdivisions191,690Â â€"Â 191,690Â â€"Â Residential mortgage-backed securities626,572Â â€"Â 626,572Â â€"Â Corporate and other debt securities166,455Â â€"Â 166,455Â â€"Â Total available for sale debt securities1,296,576Â 288,157Â 1,008,419Â â€"Â Loans held for sale (1)20,640Â â€"Â 20,640Â â€"Â Other assets (2)466,227Â â€"Â 466,227Â â€"Â Total assets$1,822,849Â $315,437Â $1,495,286Â $â€"Â LiabilitiesOther liabilities (2)$488,103Â $â€"Â $488,103Â $â€"Â Total liabilities$488,103Â $â€"Â $488,103Â $â€"Â Non-recurring fair value measurements:Non-performing loan held for sale (3) $10,000Â $â€"Â $10,000Â $â€"Â Collateral dependent loans 90,580Â â€"Â â€"Â 90,580Â Foreclosed assets 1,444Â â€"Â â€"Â 1,444Â Total$102,024Â $â€"Â $10,000Â $92,024Â (1)Represents residential mortgage loans held for sale that are carried at fair value and had contractual unpaid principal balances totaling $11.0 million and $20.1 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.(2)Derivative financial instruments are included in this category.(3)Reported at lower of cost or fair value.Assets and Liabilities Measured at Fair Value on a Recurring BasisThe following valuation techniques were used for financial instruments measured at fair value on a recurring basis. All 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 equity securities consisted of two publicly traded mutual funds, CRA investments and several other equity investments we have made in companies that develop new financial technologies and in partnerships that invest in such companies. These investments are reported at fair value utilizing Level 1 inputs.Equity securities at NAV. Valley also has privately held CRA funds at fair value measured at NAV using the most recently available financial information from the investee. Certain equity investments without readily determinable 15fair values are measured at NAV per share (or its equivalent) as a practical expedient, which are excluded from fair value hierarchy levels in the tables above.Trading debt securities. The fair value of trading debt securities, consisting of U.S. Treasury securities, are reported at fair value utilizing Level 1 inputs at JuneÂ 30, 2024 and DecemberÂ 31, 2023. 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 bondâ€™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 AFS 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.Â 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023 based on the short duration these assets were held and their credit quality.Derivatives.Â Derivatives are reported at fair value utilizing Level 2 inputs. The fair values of Valleyâ€™s derivatives are determined using third-party prices that are based on discounted cash flow analysis using observed market inputs, such as the SOFR curve at JuneÂ 30, 2024. 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023), is determined based on the current market prices for similar instruments. The fair value of a credit default swap related to a portion of Valley's automobile loan portfolio is based on estimated discounted cash flows that incorporate market data for auto credit loss forecasts and anticipated cash outflows for the instrument's premium payments. The fair value of most of the derivatives incorporate credit valuation adjustments, which consider the impactÂ 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 Valleyâ€™s derivatives at JuneÂ 30, 2024 and DecemberÂ 31, 2023. See Note 12 for additional details on Valley's derivatives.Assets and Liabilities Measured at Fair Value on a Non-recurring BasisThe 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 and foreclosed assets, which are reported at fair value upon initial recognition or subsequent impairment as described below.Non-performing loan held for sale. During the year ended DecemberÂ 31, 2023, Valley transferred a non-performing construction loan totaling $10.0 million, net of charge-offs, to loans held for sale. The transfer at the loan's fair value resulted in a $4.2 million charge-off to the allowance of loan losses. The fair value of the loan was determined using Level 2 inputs, including bids from a third-party broker engaged to solicit interest from potential purchasers. The broker coordinated loan level due diligence with interested parties and established a formal bidding process in which each participant was required to provide an indicative non-binding bid. Fair value was determined based on a non-binding sale agreement selected by Valley during the bidding process. During the second quarter 16ended JuneÂ 30, 2024, an additional $1.2Â million write-down was recorded to reflect the loan's current estimated fair value of $8.8Â million at JuneÂ 30, 2024. 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 dependent loans are reported at the fair value of the underlying 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 JuneÂ 30, 2024, 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. At JuneÂ 30, 2024, collateral dependent loans with a total amortized cost of $196.2 million, including taxi medallion loans totaling $41.6Â million, were reduced by specific allowance for loan losses allocations totaling $83.6 million to a reported total net carrying amount of $112.6 million.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 an asset occur, the asset is re-measured and reported at fair value through a write-down recorded in non-interest expense. There were no adjustments to the appraisals of foreclosed assets at JuneÂ 30, 2024 and DecemberÂ 31, 2023.Other Fair Value Disclosures ASC Topic 825, â€œFinancial Instruments,â€ 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 operations, 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.17The 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023 were as follows:Â Â FairÂ ValueHierarchyJune 30, 2024December 31, 2023Â CarryingAmountFair ValueCarryingAmountFair ValueÂ (in thousands)Financial assetsCash and due from banksLevelÂ 1$478,006Â $478,006Â $284,090Â $284,090Â Interest bearing deposits with banksLevel 1531,067Â 531,067Â 607,135Â 607,135Â Equity securities (1)Level 333,852Â 33,852Â 29,031Â 29,031Â Held to maturity debt securities:U.S. Treasury securitiesLevel 125,861Â 25,579Â 26,232Â 25,978Â U.S. government agency securitiesLevel 2304,308Â 257,457Â 305,996Â 261,555Â Obligations of states and political subdivisionsLevel 2393,163Â 366,611Â 405,470Â 387,527Â Residential mortgage-backed securitiesLevel 22,804,769Â 2,379,255Â 2,885,303Â 2,521,926Â Trust preferred securitiesLevel 237,071Â 29,848Â 37,062Â 30,650Â Corporate and other debt securitiesLevel 286,282Â 81,198Â 80,350Â 74,676Â Total held to maturity debt securities (2)3,651,454Â 3,139,948Â 3,740,413Â 3,302,312Â Net loansÂ Level 349,792,392Â 48,010,633Â 49,764,215Â 47,981,499Â Accrued interest receivableLevel 1251,167Â 251,167Â 245,498Â 245,498Â FRB and FHLB stockÂ (3)Level 2327,561Â 327,561Â 320,727Â 320,727Â Financial liabilitiesDeposits without stated maturitiesLevel 135,828,829Â 35,828,829Â 36,066,105Â 36,066,105Â Deposits with stated maturitiesLevel 214,283,348Â 14,251,483Â 13,176,724Â 13,103,381Â Short-term borrowingsLevel 263,770Â 47,379Â 917,834Â 901,617Â Long-term borrowingsLevel 23,264,530Â 3,209,974Â 2,328,375Â 2,256,997Â Junior subordinated debentures issued to capital trustsLevel 257,282Â 48,130Â 57,108Â 47,374Â Accrued interest payable (4)Level 1135,049Â 135,049Â 159,496Â 159,496Â (1)Represents equity securities without a readily determinable fair value, which are measured based on the price at which the investment was acquired plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. Total changes in the valuation of equity securities for the six months ended JuneÂ 30, 2024 and for the year ended DecemberÂ 31, 2023 were immaterial. (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.Note 6. Investment SecuritiesEquity SecuritiesEquity securities totaled $69.1 million and $64.5 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. See Note 5 for further details on equity securities.Trading Debt SecuritiesThe fair value of trading debt securities totaled $4.0 million at both JuneÂ 30, 2024 and DecemberÂ 31, 2023. Net trading gains and losses are included in net gains and losses on securities transactions within non-interest income. The net trading gains for the three and six months ended JuneÂ 30, 2024 were not material. We recorded net trading gains of $226Â thousand and $628 thousand for the three and six months ended JuneÂ 30, 2023, respectively. 18Available for Sale Debt SecuritiesThe amortized cost, gross unrealized gains and losses and fair value of AFS debt securities at JuneÂ 30, 2024 and DecemberÂ 31, 2023 were as follows:Â AmortizedCostGrossUnrealizedGainsGrossUnrealizedLossesFair ValueÂ (in thousands)June 30, 2024U.S. Treasury securities$316,642Â $â€"Â $(30,368)$286,274Â U.S. government agency securities25,177Â 23Â (2,434)22,766Â Obligations of states and political subdivisions:Obligations of states and state agencies50,154Â â€"Â (676)49,478Â Municipal bonds171,552Â â€"Â (32,342)139,210Â Total obligations of states and political subdivisions221,706Â â€"Â (33,018)188,688Â Residential mortgage-backed securities1,625,542Â 1,565Â (91,417)1,535,690Â Corporate and other debt securities202,487Â 59Â (23,872)178,674Â Total $2,391,554Â $1,647Â $(181,109)$2,212,092Â December 31, 2023U.S. Treasury securities$313,772Â $â€"Â $(25,615)$288,157Â U.S. government agency securities25,967Â 19Â (2,284)23,702Â Obligations of states and political subdivisions:Obligations of states and state agencies48,283Â â€"Â (588)47,695Â Municipal bonds170,260Â â€"Â (26,265)143,995Â Total obligations of states and political subdivisions218,543Â â€"Â (26,853)191,690Â Residential mortgage-backed securities703,875Â 728Â (78,031)626,572Â Corporate and other debt securities192,282Â â€"Â (25,827)166,455Â Total$1,454,439Â $747Â $(158,610)$1,296,576Â Accrued interest on investments, which is excluded from the amortized cost of AFS debt securities, totaled $8.9Â million and $5.9Â million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition. 19The age of unrealized losses and fair value of the related AFS debt securities at JuneÂ 30, 2024 and DecemberÂ 31, 2023 were as follows:Â Â Less than 12 MonthsMore than 12 MonthsTotalÂ FairValueUnrealizedLossesFairValueUnrealizedLossesFairValueUnrealizedLossesÂ (in thousands)June 30, 2024U.S. Treasury securities$â€"Â $â€"Â $286,274Â $(30,368)$286,274Â $(30,368)U.S. government agency securitiesâ€"Â â€"Â 21,457Â (2,434)21,457Â (2,434)Obligations of states and political subdivisions:Obligations of states and state agenciesâ€"Â â€"Â 6,608Â (676)6,608Â (676)Municipal bondsâ€"Â â€"Â 139,210Â (32,342)139,210Â (32,342)Total obligations of states and political subdivisionsâ€"Â â€"Â 145,818Â (33,018)145,818Â (33,018)Residential mortgage-backed securities543,665Â (2,396)529,338Â (89,021)1,073,003Â (91,417)Corporate and other debt securities4,803Â (197)163,811Â (23,675)168,614Â (23,872)Total$548,468Â $(2,593)$1,146,698Â $(178,516)$1,695,166Â $(181,109)December 31, 2023U.S. Treasury securities$â€"Â $â€"Â $288,156Â $(25,615)$288,156Â $(25,615)U.S. government agency securitiesâ€"Â â€"Â 22,364Â (2,284)22,364Â (2,284)Obligations of states and political subdivisions:Obligations of states and state agenciesâ€"Â â€"Â 8,276Â (588)8,276Â (588)Municipal bonds1,019Â (4)142,976Â (26,261)143,995Â (26,265)Total obligations of states and political subdivisions1,019Â (4)151,252Â (26,849)152,271Â (26,853)Residential mortgage-backed securities9,010Â (3)569,629Â (78,028)578,639Â (78,031)Corporate and other debt securities4,977Â (23)161,478Â (25,804)166,455Â (25,827)Total$15,006Â (30)1,192,879Â $(158,580)$1,207,885Â $(158,610)Within the AFS debt securities portfolio, the total number of security positions in an unrealized loss position was 706 and 687 at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.As of JuneÂ 30, 2024, the fair value of AFS securities that were pledged to secure public deposits, repurchase agreements, lines of credit, and for other purposes required by law, was $1.7 billion. The contractual maturities of AFS debt securities at JuneÂ 30, 2024 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.20Â June 30, 2024Â AmortizedCostFairValueÂ (in thousands)Due in one year$351Â $349Â Due after one year through five years292,140Â 278,674Â Due after five years through ten years183,029Â 159,565Â Due after ten years290,492Â 237,814Â Residential mortgage-backed securities1,625,542Â 1,535,690Â Total $2,391,554Â $2,212,092Â Actual maturities of AFS 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 AFS was 6.73 years at JuneÂ 30, 2024.Impairment Analysis of Available For Sale Debt SecuritiesValley's AFS 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. AFS debt securities in unrealized loss positions are evaluated for impairment related to credit losses on a quarterly basis. Valley also evaluated AFS debt securities that were in an unrealized loss position as of JuneÂ 30, 2024 included in the tables above and has determined that the declines in fair value are mainly attributable to interest rates, credit spreads, market volatility and liquidity conditions, not credit quality or other factors. Based on a comparison of the present value of expected cash flows to the amortized cost, there was no impairment recognized during the three and six months ended JuneÂ 30, 2024. During the three and six months ended JuneÂ 30, 2023, Valley recognized a credit related impairment of one corporate bond issued by Signature Bank resulting in both a provision for credit losses and full charge-off of the security totaling $5.0 million based on a comparison of the present value of expected cash flows to the amortized cost. The bond was subsequently sold and the sale resulted in a $869Â thousand gain during the fourth quarter 2023.Valley does not intend to sell any of its AFS debt securities in an unrealized loss position prior to recovery of their amortized cost basis, and it is more likely than not that Valley will not be required to sell any of its securities prior to recovery of their amortized cost basis. None of the AFS debt securities were past due as of JuneÂ 30, 2024. As a result, there was no allowance for credit losses for AFS debt securities at JuneÂ 30, 2024, DecemberÂ 31, 2023 and JuneÂ 30, 2023.21Held to Maturity Debt SecuritiesThe amortized cost, gross unrealized gains and losses and fair value of debt securities held to maturity at JuneÂ 30, 2024 and DecemberÂ 31, 2023 were as follows:Â AmortizedCostGrossUnrealizedGainsGrossUnrealizedLossesFair ValueAllowance for Credit LossesNet Carrying ValueÂ (in thousands)June 30, 2024U.S. Treasury securities$25,861Â $â€”Â (282)25,579Â $â€”Â $25,861Â U.S. government agency securities304,308Â â€”Â (46,851)257,457Â â€”Â 304,308Â Obligations of states and political subdivisions:Obligations of states and state agencies84,910Â â€”Â (5,303)79,607Â 382Â 84,528Â Municipal bonds308,253Â 3Â (21,252)287,004Â 52Â 308,201Â Total obligations of states and political subdivisions393,163Â 3Â (26,555)366,611Â 434Â 392,729Â Residential mortgage-backed securities2,804,769Â 2,008Â (427,522)2,379,255Â â€”Â 2,804,769Â Trust preferred securities37,071Â â€”Â (7,223)29,848Â 445Â 36,626Â Corporate and other debt securities86,282Â â€”Â (5,084)81,198Â 211Â 86,071Â Total $3,651,454Â $2,011Â $(513,517)$3,139,948Â $1,090Â $3,650,364Â December 31, 2023U.S. Treasury securities$26,232Â $â€”Â (254)25,978Â $â€”Â $26,232Â U.S. government agency securities305,996Â â€”Â (44,441)261,555Â â€”Â 305,996Â Obligations of states and political subdivisions:Obligations of states and state agencies88,556Â 552Â (4,155)84,953Â 395Â 88,161Â Municipal bonds316,914Â 40Â (14,380)302,574Â 49Â 316,865Â Total obligations of states and political subdivisions405,470Â 592Â (18,535)387,527Â 444Â 405,026Â Residential mortgage-backed securities2,885,303Â 6,059Â (369,436)2,521,926Â â€”Â 2,885,303Â Trust preferred securities37,062Â â€”Â (6,412)30,650Â 506Â 36,556Â Corporate and other debt securities80,350Â â€”Â (5,674)74,676Â 255Â 80,095Â Total $3,740,413Â $6,651Â $(444,752)$3,302,312Â $1,205Â $3,739,208Â Accrued interest on investments, which is excluded from the amortized cost of HTM debt securities, totaled $13.7Â million and $13.9Â million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition. HTM debt securities are carried net of an allowance for credit losses. 22The age of unrealized losses and fair value of related debt securities held to maturity at JuneÂ 30, 2024 and DecemberÂ 31, 2023 were as follows:Â Â Less than 12 MonthsMore than 12 MonthsTotalÂ Fair ValueUnrealizedLossesFairÂ ValueUnrealizedLossesFair ValueUnrealizedLossesÂ (in thousands)June 30, 2024U.S. Treasury securities$â€”Â $â€”Â $25,578Â (282)25,578Â $(282)U.S. government agency securities41,012Â (95)215,334Â (46,756)256,346Â (46,851)Obligations of states and political subdivisions:Obligations of states and state agencies23,423Â (560)55,433Â (4,743)78,856Â (5,303)Municipal bonds47,542Â (990)207,639Â (20,262)255,181Â (21,252)Total obligations of states and political subdivisions70,965Â (1,550)263,072Â (25,005)334,037Â (26,555)Residential mortgage-backed securities155,245Â (950)2,042,485Â (426,572)2,197,730Â (427,522)Trust preferred securities951Â (49)28,897Â (7,174)29,848Â (7,223)Corporate and other debt securities18,858Â (142)62,340Â (4,942)81,198Â (5,084)Total$287,031Â $(2,786)$2,637,706Â $(510,731)$2,924,737Â $(513,517)December 31, 2023U.S. Treasury securities$â€”Â $â€”Â $25,978Â (254)25,978Â $(254)U.S. government agency securities43,664Â (151)216,759Â (44,290)260,423Â (44,441)Obligations of states and political subdivisions:Obligations of states and state agencies10,700Â (102)48,149Â (4,053)58,849Â (4,155)Municipal bonds11,958Â (121)207,520Â (14,259)219,478Â (14,380)Total obligations of states and political subdivisions22,658Â (223)255,669Â (18,312)278,327Â (18,535)Residential mortgage-backed securities57,085Â (505)2,164,704Â (368,931)2,221,789Â (369,436)Trust preferred securities938Â (63)29,712Â (6,349)30,650Â (6,412)Corporate and other debt securities12,575Â (426)59,102Â (5,248)71,677Â (5,674)Total$136,920Â $(1,368)$2,751,924Â $(443,384)$2,888,844Â $(444,752)Within the HTM securities portfolio, the total number of security positions in an unrealized loss position was 816 and 762 at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. As of JuneÂ 30, 2024, the fair value of debt securities HTM that were pledged to secure public deposits, repurchase agreements, lines of credit, and for other purposes required by law was $2.7 billion.23The contractual maturities of investments in HTM debt securities at JuneÂ 30, 2024 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.Â June 30, 2024Â AmortizedCostFairValueÂ (in thousands)Due in one year$26,489Â $26,345Â Due after one year through five years109,365Â 106,796Â Due after five years through ten years165,751Â 154,096Â Due after ten years545,080Â 473,456Â Residential mortgage-backed securities2,804,769Â 2,379,255Â Total$3,651,454Â $3,139,948Â Actual maturities of HTM 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 HTM was 9.45 years at JuneÂ 30, 2024.24Credit Quality IndicatorsValley monitors the credit quality of the HTM debt securities utilizing the most current credit ratings from external rating agencies. The following table summarizes the amortized cost of HTM debt securities by external credit rating at JuneÂ 30, 2024 and DecemberÂ 31, 2023.AAA/AA/A RatedBBB ratedNon-investment grade ratedNon-ratedTotalÂ (in thousands)June 30, 2024U.S. Treasury securities$25,861Â $â€”Â $â€”Â $â€”Â $25,861Â U.S. government agency securities304,308Â â€”Â â€”Â â€”Â 304,308Â Obligations of states and political subdivisions:Obligations of states and state agencies63,002Â â€”Â 5,248Â 16,660Â 84,910Â Municipal bonds280,002Â â€”Â â€”Â 28,251Â 308,253Â Total obligations of states and political subdivisions343,004Â â€”Â 5,248Â 44,911Â 393,163Â Residential mortgage-backed securities2,804,769Â â€”Â â€”Â â€”Â 2,804,769Â Trust preferred securitiesâ€”Â â€”Â â€”Â 37,071Â 37,071Â Corporate and other debt securitiesâ€”Â 6,000Â â€”Â 80,282Â 86,282Â Total $3,477,942Â $6,000Â $5,248Â $162,264Â $3,651,454Â December 31, 2023U.S. Treasury securities$26,232Â $â€”Â $â€”Â $â€”Â $26,232Â U.S. government agency securities305,996Â â€”Â â€”Â â€”Â 305,996Â Obligations of states and political subdivisions:Obligations of states and state agencies66,502Â â€”Â 5,330Â 16,724Â 88,556Â Municipal bonds283,441Â â€”Â â€”Â 33,473Â 316,914Â Total obligations of states and political subdivisions349,943Â â€”Â 5,330Â 50,197Â 405,470Â Residential mortgage-backed securities2,885,303Â â€”Â â€”Â â€”Â 2,885,303Â Trust preferred securitiesâ€”Â â€”Â â€”Â 37,062Â 37,062Â Corporate and other debt securitiesâ€”Â 6,000Â â€”Â 74,350Â 80,350Â Total$3,567,474Â $6,000Â $5,330Â $161,609Â $3,740,413Â Obligations of states and political subdivisions include municipal bonds and revenue bonds issued by various municipal corporations. At JuneÂ 30, 2024, most of the obligations of states and political subdivisions were rated investment grade and a large portion of the â€œnon-ratedâ€ category included municipal bonds 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 SecuritiesValley has a zero loss expectation for certain securities within the HTM 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 security 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. To measure the expected credit losses on HTM debt securities that have loss expectations, Valley estimates the expected credit losses using a discounted cash flow model developed by a third-party. 25The following table details the activity in the allowance for credit losses for HTM securities for the three and six months ended JuneÂ 30, 2024 and 2023:Â Three months ended June 30,Six months ended June 30,2024202320242023(in thousands)Beginning balance$1,131Â $1,633Â $1,205Â $1,646Â Credit for credit losses(41)(282)(115)(295)Ending balance$1,090Â $1,351Â $1,090Â $1,351Â Note 7. Loans and Allowance for Credit Losses for LoansThe detail of the loan portfolio as of JuneÂ 30, 2024 and DecemberÂ 31, 2023 was as follows:Â Â June 30, 2024December 31, 2023Â (in thousands)Loans:Commercial and industrial$9,479,147Â $9,230,543Â Commercial real estate:Commercial real estate28,223,123Â 28,243,239Â Construction3,545,723Â 3,726,808Â Total commercial real estate loans31,768,846Â 31,970,047Â Residential mortgage5,627,113Â 5,569,010Â Consumer:Home equity566,467Â 559,152Â Automobile1,762,852Â 1,620,389Â Other consumer1,107,277Â 1,261,154Â Total consumer loans3,436,596Â 3,440,695Â Total loans$50,311,702Â $50,210,295Â Total loans include net unearned discounts and deferred loan fees of $61.6 million and $85.4 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled $224.3 million and $222.2 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively, and is presented within total accrued interest receivable on the consolidated statements of financial condition.Loans Portfolio Sales and Transfers to Loans Held for SaleValley sells residential mortgage loans originated for sale (at fair value) primarily to Fannie Mae and Freddie Mac in the normal course of business. Under certain circumstances, Valley may decide to sell loans that were not originated with the intent to sell. During the first quarter 2024, Valley sold $151.0Â million and $45.6Â million of commercial real estate and construction loans, respectively, at par value through loan participation agreements with a related party, Bank Leumi Le-Israel B.M. (BLITA). During the first quarter 2024, Valley also transferred $34.1Â million of construction loans from loans held for investment to loans held for sale as of March 31, 2024. These loans were subsequently sold at par value through loan participation agreements with BLITA in April 2024. In February 2024, Valley completed the sale of its commercial premium finance lending business for $96.8Â million. This asset sale included $95.5Â million of assets, mainly consisting of $93.6Â million of loans, and $2.8Â million of related liabilities. The transaction generated a $3.6Â million net gain for the first quarter 2024. Valley continues to 26hold certain commercial premium finance loans totaling $67.5Â million at JuneÂ 30, 2024 which are mostly expected to run-off at their scheduled maturity dates.There were no other sales or transfers of loans from the held for investment portfolio during the three and six months ended JuneÂ 30, 2024 and JuneÂ 30, 2023. Credit Risk ManagementFor all of its loan types, Valley adheres to a credit policy designed to minimize credit risk while generating the maximum income given the level of risk appetite. Management reviews and approves these policies and procedures on a regular basis with subsequent approval by the Board 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. Additionally, Valley does not accept crypto assets as loan collateral for any of its loan portfolio classes. See Valleyâ€™s Annual Report for further details.Credit QualityThe following table presents past due, current and non-accrual loans without an allowance for loan losses by loan portfolio class at JuneÂ 30, 2024 and DecemberÂ 31, 2023:Past Due and Non-Accrual LoansÂ 30-59 Â DaysÂ Past Due Loans60-89 Â DaysÂ Past Due Loans90Â DaysÂ orÂ MorePast Due LoansNon-Accrual LoansTotal Past Due LoansCurrent LoansTotal LoansNon-Accrual Loans Without Allowance for Loan LossesÂ (in thousands)June 30, 2024Commercial and industrial$5,086Â $1,621Â $2,739Â $102,942Â $112,388Â $9,366,759Â $9,479,147Â $18,588Â Commercial real estate:Commercial real estate1,879Â â€”Â 4,242Â 123,011Â 129,132Â 28,093,991Â 28,223,123Â 93,213Â Constructionâ€”Â â€”Â 3,990Â 45,380Â 49,370Â 3,496,353Â 3,545,723Â 25,192Â Total commercial real estate loans1,879Â â€”Â 8,232Â 168,391Â 178,502Â 31,590,344Â 31,768,846Â 118,405Â Residential mortgage17,389Â 6,632Â 2,609Â 28,322Â 54,952Â 5,572,161Â 5,627,113Â 18,395Â Consumer loans:Home equity693Â 698Â â€”Â 3,402Â 4,793Â 561,674Â 566,467Â 316Â Automobile7,680Â 1,301Â 606Â 189Â 9,776Â 1,753,076Â 1,762,852Â â€”Â Other consumer13,266Â 1,672Â 292Â 33Â 15,263Â 1,092,014Â 1,107,277Â â€”Â Total consumer loans21,639Â 3,671Â 898Â 3,624Â 29,832Â 3,406,764Â 3,436,596Â 316Â Total$45,993Â $11,924Â $14,478Â $303,279Â $375,674Â $49,936,028Â $50,311,702Â $155,704Â 27Â Past Due and Non-Accrual LoansÂ Â Â 30-59Days Past Due Loans60-89Â DaysPast Due Loans90Â DaysÂ orÂ MorePast Due LoansNon-Accrual LoansTotal Past Due LoansCurrent LoansTotal LoansNon-Accrual Loans Without Allowance for Loan Losses(in thousands)December 31, 2023Commercial and industrial$9,307Â $5,095Â $5,579Â $99,912Â $119,893Â $9,110,650Â $9,230,543Â $6,594Â Commercial real estate:Commercial real estate3,008Â 1,257Â â€”Â 99,739Â 104,004Â 28,139,235Â 28,243,239Â 81,282Â Constructionâ€”Â â€”Â 3,990Â 60,851Â 64,841Â 3,661,967Â 3,726,808Â 12,007Â Total commercial real estate loans3,008Â 1,257Â 3,990Â 160,590Â 168,845Â 31,801,202Â 31,970,047Â 93,289Â Residential mortgage26,345Â 8,200Â 2,488Â 26,986Â 64,019Â 5,504,991Â 5,569,010Â 14,654Â Consumer loans:Home equity1,687Â 613Â â€”Â 3,539Â 5,839Â 553,313Â 559,152Â â€”Â Automobile11,850Â 1,855Â 576Â 212Â 14,493Â 1,605,896Â 1,620,389Â â€”Â Other consumer7,017Â 2,247Â 512Â 632Â 10,408Â 1,250,746Â 1,261,154Â 589Â Total consumer loans20,554Â 4,715Â 1,088Â 4,383Â 30,740Â 3,409,955Â 3,440,695Â 589Â Total$59,214Â $19,267Â $13,145Â $291,871Â $383,497Â $49,826,798Â $50,210,295Â $115,126Â 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 Valleyâ€™s internal risk rating system, loan relationships could be classified as â€œPass,â€ â€œSpecial Mention,â€ â€œSubstandard,â€ â€œDoubtful,â€ and â€œLoss.â€ 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.Â 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.Â 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.Â Loans that do not currently pose a sufficient risk to warrant classification in one of the aforementioned categories but pose weaknesses that deserve managementâ€™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.28The following table presents the internal loan classification risk by loan portfolio class by origination year based on the most recent analysis performed at JuneÂ 30, 2024 and DecemberÂ 31, 2023, as well as the gross loan charge-offs by year of origination for the six months ended JuneÂ 30, 2024 and for the year ended DecemberÂ 31, 2023:Â Term LoansÂ Â Amortized Cost Basis by Origination YearJune 30, 20242024202320222021 2020Prior to 2020Revolving Loans Amortized Cost BasisRevolving Loans Converted to Term LoansTotalÂ (in thousands)Commercial and industrialRisk Rating:Pass$935,588Â $1,082,487Â $836,514Â $628,483Â $312,509Â $605,263Â $4,569,348Â $10,703Â $8,980,895Â Special Mention1,569Â 19,089Â 68,632Â 12,424Â 345Â 12,956Â 84,912Â 487Â 200,414Â Substandard3,640Â 47,951Â 6,118Â 5,859Â 3,494Â 7,633Â 136,764Â 19,181Â 230,640Â Doubtful25,510Â 6,004. commercial and industrial$966,307Â $1,155,531Â $911,279Â $647,694Â $317,003Â $653,810Â $4,797,152Â $30,371Â $9,479,147Â Commercial real estateRisk Rating:Pass$968,014Â $3,659,695Â $6,091,432Â $4,424,016Â $2,588,616Â $7,029,002Â $846,354Â $121,498Â $25,728,627Â Special Mention14,118Â 268,022Â 229,614Â 170,904Â 73,508Â 352,075Â 14,721Â â€”Â 1,122,962Â Substandard24,805Â 187,914Â 248,842Â 268,394Â 232,927Â 406,610Â 2,042Â â€”Â 1,371,534Â Tota commercial real estate$1,006,937Â $4,115,631Â $6,569,888Â $4,863,314Â $2,895,051Â $7,787,687Â $863,117Â $121,498Â $28,223,123Â ConstructionRisk Rating:Pass$334,093Â $794,473Â $594,972Â $169,683Â $22,469Â $45,294Â $1,366,676Â $62,442Â $3,390,102Â Special Mention9,051Â â€”Â â€”Â â€”Â â€”Â â€”Â 19,767Â â€”Â 28,818Â Substandardâ€”Â 6,748Â â€”Â 8,933Â â€”Â â€”Â 78,985Â â€”Â 94,666Â Doubtfulâ€”Â â€”Â 12,955Â â€”Â 7,272Â 11,910Â â€”Â construction$343,144Â $801,221Â $607,927Â $178,616Â $29,741Â $57,204Â $1,465,428Â $62,442Â $3,545,723Â Gross loan charge-offs

$â€”Â $2,106Â $3,177Â $21,351Â $11,061Â $17,219Â $3,930Â $1,324Â $60,168Â 29Â Term LoansÂ Â Amortized Cost Basis by Origination YearDecember 31, 20232023202220212020 2019Prior to 2019Revolving Loans Amortized Cost BasisRevolving Loans Converted to Term LoansTotalÂ (in thousands)Commercial and industrialRisk Rating:Pass$1,494,417Â $1,047,513Â $765,335Â $377,047Â $211,504Â $523,430Â $4,382,361Â $29,798Â $8,831,405Â Special Mention70,807Â 73,423Â 15,296Â 358Â 1,870Â 915Â 99,981Â 139Â 262,789Â Substandard3,100Â 1,837Â 2,629Â 1,714Â 1,221Â 5,900Â 29,569Â 4,225Â 50,195Â Doubtful11,658Â 595Â 1,166Â (commercial and industrial$1,579,982Â $1,123,368Â $784,426Â $379,097Â $217,248Â $588,062Â $4,524,198Â $34,162Â $9,230,543Â Commercial real estateRisk Rating:Pass$4,088,835Â $6,630,322Â $4,791,190Â $2,789,275Â $2,329,385Â $5,385,809Â $618,056Â $104,839Â $26,737,711Â Special Mention125,296Â 82,917Â 248,900Â 184,720Â 69,949Â 358,059Â 26Â 183Â 1,070,050Â Substandard58,115Â 25,709Â 12,122Â 48,506Â 70,439Â 214,095Â 4,415Â 2,077Â 435,478Â Total commercial real estate$4,272,246Â $6,738,948Â $5,052,212Â $3,022,501Â $2,469,773Â $5,957,963Â $622,497Â $107,099Â $28,243,239Â ConstructionRisk Rating:Pass$753,759Â $655,198Â $267,336Â $10,318Â $40,584Â $43,560Â $1,762,890Â $139,599Â $3,673,244Â Substandard6,721Â â€”Â 9,276Â â€”Â â€”Â 17,668Â â€”Â â€”Â 33,665Â Doubtfu construction$760,480Â $675,097Â $276,612Â $10,318Â $40,584Â $61,228Â $1,762,890Â $139,599Â $3,726,808Â Gross loan charge-offs$307Â $12,919Â $28,438Â $6,946Â $5,031Â $13,446Â $3,729Â $145Â $70,961Â 30For residential mortgages, home equity, automobile and other consumer loan portfolio classes, Valley evaluates credit quality based on the aging status of the loan and by payment activity. The following table presents the amortized cost in those loan classes based on payment activity by origination year as of JuneÂ 30, 2024 and DecemberÂ 31, 2023, as well as the gross loan charge-offs by year of origination for the six months ended JuneÂ 30, 2024 and for the year ended DecemberÂ 31, 2023:Â Term LoansÂ Â Amortized Cost Basis by Origination YearJune 30, 20242024202320222021 2020Prior to 2020Revolving Loans Amortized Cost BasisRevolving Loans Converted to Term LoansTotalÂ (in thousands)Residential mortgagePerforming$210,754Â $450,310Â $1,295,317Â $1,478,365Â $513,072Â $1,583,270Â $78,117Â $1,772Â $5,610,977Â 90 days or more past dueâ€”Â â€”Â 2,864Â 1,164Â 1,141Â 10,967Â â€”Â â€”Â 16,136Â Total residential mortgage $210,754Â $450,310Â $1,298,181Â $1,479,529Â $514,213Â $1,594,237Â $78,117Â $1,772Â $5,627,113Â Consumer loansHome equityPerforming$9,088Â $33,421Â $41,705Â $10,895Â $3,690Â $52,290Â $403,918Â $10,492Â $565,499Â 90 days or more past dueâ€”Â â€”Â 51Â 13Â â€”Â 859Â â€”Â 45Â 968Â Total home equity9,088Â 33,421Â 41,756Â 10,908Â 3,690Â 53,149Â 403,918Â 10,537Â 566,467Â Automobile Performing$442,959Â $416,685Â $448,353Â $280,337Â $88,898Â $84,848Â $â€”Â $â€”Â $1,762,080Â 90 days or more past dueâ€”Â 301Â 169Â 99Â 23Â 180Â â€”Â â€”Â 772Â Total automobile442,959Â 416,986Â 448,522Â 280,436Â 88,921Â 85,028Â â€”Â â€”Â 1,762,852Â Other consumerPerforming$11,919Â $28,714Â $18,284Â $2,262Â $1,153Â $61,730Â $948,227Â $34,875Â $1,107,164Â 90 days or more past dueâ€”Â 11Â 61Â â€”Â â€”Â 38Â â€”Â 3Â 113Â Total other consumer11,919Â 28,725Â 18,345Â 2,262Â 1,153Â 61,768Â 948,227Â 34,878Â 1,107,277Â Total consumer$463,966Â $479,132Â $508,623Â $293,606Â $93,764Â $199,945Â $1,352,145Â $45,415Â $3,436,596Â Gross loan charge-offs $45Â $638Â $968Â $430Â $347Â $615Â $â€”Â $28Â $3,071Â 31Â Term LoansÂ Â Amortized Cost Basis by Origination YearDecember 31, 20232023202220212020 2019Prior to 2019Revolving Loans Amortized Cost BasisRevolving Loans Converted to Term LoansTotalÂ (in thousands)Residential mortgagePerforming$467,178Â $1,304,026Â $1,505,133Â $538,853Â $435,669Â $1,244,986Â $57,052Â $1,771Â $5,554,668Â 90 days or more past dueâ€”Â 1,968Â 1,681Â 1,357Â 3,391Â 5,945Â â€”Â â€”Â 14,342Â Total residential mortgage $467,178Â $1,305,994Â $1,506,814Â $540,210Â $439,060Â $1,250,931Â $57,052Â $1,771Â $5,569,010Â Consumer loansHome equityPerforming$40,599Â $44,893Â $14,948Â $4,096Â $4,850Â $46,274Â $396,960Â $4,608Â $557,228Â 90 days or more past dueâ€”Â 51Â 13Â â€”Â â€”Â 1,132Â â€”Â 728Â 1,924Â Total home equity40,599Â 44,944Â 14,961Â 4,096Â 4,850Â 47,406Â 396,960Â 5,336Â 559,152Â Automobile Performing$468,152Â $531,728Â $356,144Â $121,658Â $86,147Â $34,504Â $20,227Â $763Â $1,619,323Â 90 days or more past due90Â 284Â 54Â 92Â 237Â 309Â â€”Â â€”Â 1,066Â Total automobile468,242Â 532,012Â 356,198Â 121,750Â 86,384Â 34,813Â 20,227Â 763Â 1,620,389Â Other consumerPerforming$32,662Â $20,376Â $2,986Â $1,722Â $10,381Â $52,659Â $1,120,863Â $18,655Â $1,260,304Â 90 days or more past due10Â 79Â â€”Â â€”Â â€”Â 628Â â€”Â 133Â 850Â Total other consumer32,672Â 20,455Â 2,986Â 1,722Â 10,381Â 53,287Â 1,120,863Â 18,788Â 1,261,154Â Total consumer$541,513Â $597,411Â $374,145Â $127,568Â $101,615Â $135,506Â $1,538,050Â $24,887Â $3,440,695Â Gross loan charge-offs$296Â $903Â $357Â $232Â $752Â $1,921Â $31Â $â€”Â $4,492Â Loan modifications to borrowers experiencing financial difficulty. From time to time, Valley may extend, restructure, or otherwise modify the terms of existing loans, on a case-by-case basis, to remain competitive and retain certain customers, as well as assist other customers who may be experiencing financial difficulties. 32The following tables present the amortized cost basis of loans to borrowers experiencing financial difficulty at JuneÂ 30, 2024 that were modified during the three and six months ended JuneÂ 30, 2024 and 2023, disaggregated by class of financing receivable and type of modification. Term extensionTerm extension and interest rate reductionTotal% of Total Loan ClassÂ ($ in thousands)Three Months EndedJune 30, 2024Commercial and industrial$45,807Â $â€”Â $45,807Â 0.48Â %Commercial real estate180Â â€”Â 180Â â€”Â Residential mortgage898Â â€”Â 898Â 0.02Â Total$46,885Â $â€”Â $46,885Â 0.09Â %Three Months EndedJune 30, 2023Commercial and industrial$37,762Â $1,482Â $39,244Â 0.42Â %Commercial real estate3,512Â 3,754Â 7,266Â 0.03Â Residential mortgage578Â â€”Â 578Â 0.01Â Total$41,852Â $5,236Â $47,088Â 0.10Â %Six Months EndedJune 30, 2024Commercial and industrial$79,953Â $138Â $80,091Â 0.84Â %Commercial real estate224Â 16,221Â 16,445Â 0.06Â Residential mortgage898Â â€”Â 898Â 0.02Â Total$81,075Â $16,359Â $97,434Â 0.19Â %Six Months EndedJune 30, 2023Commercial and industrial$39,033Â $2,003Â $41,036Â 0.44Â %Commercial real estate49,617Â 3,754Â 53,371Â 0.19Â Residential mortgage790Â â€”Â 790Â 0.01Â Other consumer53Â â€”Â 53Â â€”Â Total$89,493Â $5,757Â $95,250Â 0.19Â %33The following tables describe the types of modifications made to borrowers experiencing financial difficulty.Types of ModificationsThree and Six months ended June 30, 2024Commercial and industrial3 to 24 month term extensions24 month term extensions combined with a reduction in interest rate from 2.10 percent to 1.00 percentCommercial real estate2 to 36 month term extensions 12 to 18 month term extensions combined with a reduction in interest rate from 8.06 percent to 7.00 percentResidential mortgage50 month term extensionsHome equity120 month term extensionThree and Six months ended June 30, 2023Commercial and industrial12 month term extensions12 month term extensions combined with a reduction in interest rate from 9.38 percent to 6.50 percentCommercial real estate6 - 36 month term extensions9 month term extension combined with a reduction in interest rate from 8.75 percent to 6.00 percentResidential mortgage12 month term extensionsConsumer60 month term extensionsValley closely monitors the performance of modified loans to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the aging analysis of loans that have been modified within the previous 12 months. At JuneÂ 30, 2024Current30-89 Days Past Due90 Days or More Past Due *TotalÂ ($ in thousands)Commercial and industrial$92,728Â $96Â $â€”Â $92,824Â Commercial real estate99,970Â â€”Â 2,153Â 102,123Â Residential mortgageâ€”Â â€”Â 898Â 898Â Home equity30Â â€”Â â€”Â 30Â Total$192,728Â $96Â $3,051Â $195,875Â *Â Â Â All loan balances in this delinquency category were non-accrual loans at JuneÂ 30, 2024. Valley did not extend any commitments to lend additional funds to borrowers experiencing financial difficulty whose loans had been modified during the three and six months ended JuneÂ 30, 2024 and 2023. Loans in process of foreclosure. During the three months ended June 30, 2024, two commercial properties were transferred to OREO at the lower of cost or fair value totaling $8.1 million at JuneÂ 30, 2024. The balance of OREO was not material at DecemberÂ 31, 2023. There were no foreclosed residential real estate properties included in OREO at JuneÂ 30, 2024 and DecemberÂ 31, 2023. Residential mortgage and consumer loans secured by residential real estate properties for which formal foreclosure proceedings are in process totaled $3.5 million and $1.6 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.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 34current 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 Bankâ€™s collection process.The following table presents collateral dependent loans by class as of JuneÂ 30, 2024 and DecemberÂ 31, 2023:Â June 30,2024December 31,2023Â (in thousands)Collateral dependent loans:Commercial and industrial *$125,186Â $96,827Â Commercial real estate153,503Â 98,785Â Construction42,151Â 46,634Â Total commercial real estate loans195,654Â 145,419Â Residential mortgage18,721Â 21,843Â Home equity316Â â€”Â Consumerâ€”Â 589Â Total $339,877Â $264,678Â *Â Â Â Includes non-accrual loans collateralized by taxi medallions totaling $52.6 million and $62.3 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. Allowance for Credit Losses for LoansThe allowance for credit losses for loans consists of the allowance for loan losses and the allowance for unfunded credit commitments. The following table summarizes the ACL for loans at JuneÂ 30, 2024 and DecemberÂ 31, 2023:Â June 30,2024December 31,2023Â (in thousands)Components of allowance for credit losses for loans:Allowance for loan losses$519,310Â $446,080Â Allowance for unfunded credit commitments13,231Â 19,470Â Total allowance for credit losses for loans$532,541Â $465,550Â The following table summarizes the provision for credit losses for loans for the periods indicated: Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â (in thousands)Components of provision for credit losses for loans:Provision for loan losses$86,901Â $8,159Â $133,624Â $18,138Â Credit for unfunded credit commitments(4,790)(1,827)(6,239)(2,356)Total provision for credit losses for loans$82,111Â $6,332Â $127,385Â $15,782Â 35The following tables detail the activity in the allowance for loan losses by portfolio segment for the three and six months ended JuneÂ 30, 2024 and 2023:Â CommercialandÂ IndustrialCommercialReal EstateResidentialMortgageConsumerTotalÂ (in thousands)Three Months EndedJune 30, 2024Allowance for loan losses:Beginning balance$138,593Â $265,847Â $44,377Â $20,431Â $469,248Â Loans charged-off(14,721)(22,356)â€”Â (1,262)(38,339)Charged-off loans recovered 742Â 150Â 5Â 603Â 1,500Â Net (charge-offs) recoveries(13,979)(22,206)5Â (659)(36,839)Provision for loan losses24,629Â 57,452Â 3,315Â 1,505Â 86,901Â Ending balance$149,243Â $301,093Â $47,697Â $21,277Â $519,310Â Three Months EndedJune 30, 2023Allowance for loan losses:Beginning balance$127,992Â $243,332Â $41,708Â $23,866Â $436,898Â Loans charged-off (3,865)(6,273)(149)(1,040)(11,327)Charged-off loans recovered 2,173Â 4Â 135Â 390Â 2,702Â Net charge-offs(1,692)(6,269)(14)(650)(8,625)Provision for loan losses1,945Â 2,632Â 2,459Â 1,123Â 8,159Â Ending balance$128,245Â $239,695Â $44,153Â $24,339Â $436,432Â Six Months EndedJune 30, 2024Allowance for loan losses:Beginning balance$133,359Â $249,598Â $42,957Â $20,166Â $446,080Â Loans charged-off(29,014)(31,154)â€”Â (3,071)(63,239)Charged-off loans recovered 1,424Â 391Â 30Â 1,000Â 2,845Â Net (charge-offs) recoveries(27,590)(30,763)30Â (2,071)(60,394)Provision for loan losses43,474Â 82,258Â 4,710Â 3,182Â 133,624Â Ending balance$149,243Â $301,093Â $47,697Â $21,277Â $519,310Â Six Months EndedJune 30, 2023Allowance for loan losses:Beginning balance$139,941Â $259,408Â $39,020Â $20,286Â $458,655Â Impact of the adoption of ASU No. 2022-02 (739)(589)(12)(28)(1,368)Beginning balance, adjusted139,202Â 258,819Â 39,008Â 20,258Â 457,287Â Loans charged-off (29,912)(11,971)(149)(1,868)(43,900)Charged-off loans recovered 3,572Â 28Â 156Â 1,151Â 4,907Â Net (charge-offs) recoveries(26,340)(11,943)7Â (717)(38,993)Provision (credit) for loan losses15,383Â (7,181)5,138Â 4,798Â 18,138Â Ending balance$128,245Â $239,695Â $44,153Â $24,339Â $436,432Â 36The 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 at JuneÂ 30, 2024 and DecemberÂ 31, 2023.Commercial andÂ IndustrialCommercialReal EstateResidentialMortgageConsumerTotalÂ (in thousands)June 30, 2024Allowance for loan losses:Individually evaluated for credit losses$50,494Â $33,096Â $29Â $â€”Â $83,619Â Collectively evaluated for credit losses98,749Â 267,997Â 47,668Â 21,277Â 435,691Â Total$149,243Â $301,093Â $47,697Â $21,277Â $519,310Â Loans:Individually evaluated for credit losses$125,186Â $195,654Â $18,721Â $316Â $339,877Â Collectively evaluated for credit losses9,353,961Â 31,573,192Â 5,608,392Â 3,436,280Â 49,971,825Â Total$9,479,147Â $31,768,846Â $5,627,113Â $3,436,596Â $50,311,702Â December 31, 2023Allowance for loan losses:Individually evaluated for credit losses$55,993Â $17,987Â $235Â $â€”Â $74,215Â Collectively evaluated for credit losses77,366Â 231,611Â 42,722Â 20,166Â 371,865Â Total$133,359Â $249,598Â $42,957Â $20,166Â $446,080Â Loans:Individually evaluated for credit losses$96,827Â $145,419Â $21,843Â $589Â $264,678Â Collectively evaluated for credit losses9,133,716Â 31,824,628Â 5,547,167Â 3,440,106Â 49,945,617Â Total$9,230,543Â $31,970,047Â $5,569,010Â $3,440,695Â $50,210,295Â Note 8. Goodwill and Other Intangible AssetsThe carrying amounts of goodwill allocated to Valley's reporting units at both JuneÂ 30, 2024 and DecemberÂ 31, 2023, were as follows: Reporting Unit *WealthManagementConsumerBankingCommercialBankingTotal(in thousands)$78,142Â $349,646Â $1,441,148Â $1,868,936Â *Â Â Â Â The Wealth Management and Consumer Banking reporting units are both components of the overall Consumer Banking operating segment, which is further described in Note 15.During the second quarter 2024, Valley performed the annual goodwill impairment test at its normal assessmentdate. The results of the 2024 annual impairment test resulted in no impairment of goodwill. During the six months ended JuneÂ 30, 2024, there were no triggering events that would more likely than not reduce the fair value of any reporting unit below its carrying amount. There was no impairment of goodwill recognized during the three and six months ended JuneÂ 30, 2024 and 2023. 37The following table summarizes other intangible assets as of JuneÂ 30, 2024 and DecemberÂ 31, 2023:Â GrossIntangibleAssetsAccumulatedAmortizationNetIntangibleAssetsÂ (in thousands)June 30, 2024Loan servicing rights$123,879Â $(102,812)$21,067Â Core deposits215,620Â (125,951)89,669Â Other50,393Â (17,485)32,908Â Total other intangible assets$389,892Â $(246,248)$143,644Â December 31, 2023Loan servicing rights$122,586Â $(100,636)$21,950Â Core deposits215,620Â (113,183)102,437Â Other50,393Â (14,449)35,944Â Total other intangible assets$388,599Â $(228,268)$160,331Â Loan servicing rights are accounted for using the amortization method. Under this method, Valley amortizes the loan servicing assets over the period of the economic life of the assets arising from 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. Impairment charges on loan servicing rights are recognized in earnings when the book value of a stratified group of loan servicing rights exceeds its estimated fair value. There was no impairment of loan servicing rights recognized during the three and six months ended JuneÂ 30, 2024 and 2023.Core deposits are amortized using an accelerated method over a period of 10.0 years. The line item labeled â€œOtherâ€ included in the table above primarily consists of customer lists, certain financial asset servicing contracts 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 approximately 13.5 years. Valley evaluates core deposits and other intangibles for impairment when an indication of impairment exists. There was no impairment of core deposits and other intangibles recognized during the three and six months ended JuneÂ 30, 2024 and 2023.The following table presents the estimated future amortization expense of other intangible assets for the remainder of 2024 through 2028:Â YearLoan ServicingRightsCoreDepositsOtherÂ (in thousands)2024$1,370Â $12,129Â $2,915Â 20252,541Â 21,048Â 5,380Â 20262,249Â 17,223Â 4,805Â 20271,969Â 13,544Â 4,205Â 20281,722Â 10,117Â 3,633Â Valley recognized amortization expense on other intangible assets totaling approximately $8.6 million and $9.8 million for the three months ended June 30, 2024 and 2023, respectively, and $18.0Â million and $20.3 million for the six months ended June 30, 2024 and 2023, respectively.38Note 9. DepositsIncluded in time deposits are certificates of deposit over $250 thousand totaling $2.1 billion and $2.6 billion at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. Interest expense on time deposits of over $250 thousand totaled $23.3 million and $5.1 million for the three months ended June 30, 2024 and 2023, respectively, and $48.1 million and $7.5 million for the six months ended June 30, 2024 and 2023, respectively.The scheduled maturities of time deposits as of JuneÂ 30, 2024 were as follows:Â YearAmountÂ (inÂ thousands)2024$8,341,448Â 20254,379,106Â 2026692,650Â 2027814,424Â 202822,111Â Thereafter33,609Â Total time deposits$14,283,348Â Note 10. Borrowed FundsShort-Term BorrowingsShort-term borrowings at JuneÂ 30, 2024 and DecemberÂ 31, 2023 consisted of the following:June 30, 2024December 31, 2023Â (in thousands)FHLB advances$â€”Â $850,000Â Securities sold under agreements to repurchase63,770Â 67,834Â Total short-term borrowings$63,770Â $917,834Â The weighted average interest rate for short-term FHLB advances was 5.62 percent at DecemberÂ 31, 2023. Long-Term BorrowingsLong-term borrowings at JuneÂ 30, 2024 and DecemberÂ 31, 2023 consisted of the following:Â Â Â Â June 30, 2024December 31, 2023Â (in thousands)FHLB advances, net (1)$2,624,911Â $1,690,013Â Subordinated debt, net (2)639,619Â 638,362Â Total long-term borrowings$3,264,530Â $2,328,375Â (1)FHLB advances are presented net of unamortized premiums totaling $107 thousand and $209 thousand at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.(2)Subordinated debt is presented net of unamortized debt issuance costs totaling $4.4 million and $5.2 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.FHLB advances. Long-term FHLB advances had a weighted average interest rate of 4.10 percent and 3.75 percent at JuneÂ 30, 2024 and DecemberÂ 31, 2023, 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 39assignment of qualifying first lien mortgage loans, consisting of both residential mortgage and commercial real estate loans.The long-term FHLB advances at JuneÂ 30, 2024 are scheduled for contractual balance repayments as follows:YearAmountÂ (inÂ thousands)2024$100,000Â 2025273,000Â 2026601,804Â 2027925,000Â 2028475,000Â Thereafter250,000Â Total long-term FHLB advances$2,624,804Â The FHLB advances reported in the table above are not callable for early redemption. Subordinated debt. There were no new issuances of subordinated debt during the six months ended June 30, 2024. See Note 10 in Valleyâ€™s Annual Report for additional information on the outstanding subordinated debt at JuneÂ 30, 2024. Note 11. Stockâ€"Based CompensationValley maintains an incentive compensation plan to provide additional long-term incentives to employees, directors and officers whose contributions are essential to the continued growth and success of Valley. Under the plan, Valley may issue awards to its officers, employees and non-employee directors in amounts up to 14.5Â million, subject to certain adjustments. As of JuneÂ 30, 2024, 9.3 million shares of common stock were available for issuance under the plan.RSUs are awarded as performance-based RSUs and time-based RSUs. The performance-based RSU awards are granted to certain officers and include RSUs subject to vesting conditions based upon certain levels of growth in Valley's tangible book value per share, plus dividends; and RSUs subject to vesting conditions based upon Valley's total shareholder return as compared to its peer group.The table below summarizes RSU awards granted and average grant date fair values for the three and six months ended JuneÂ 30, 2024 and 2023:Three Months EndedJune 30,Six Months EndedJune 30,2024202320242023(in thousands, except per share data)Award shares granted:Performance-based RSUs â€"Â â€"Â 958Â 723Â Time-based RSUs193Â 178Â 2,987Â 1,731Â Average grant date fair value per share:Performance-based RSUs $â€"Â $â€"Â $7.88Â $12.80Â Time-based RSUs$7.68Â $8.35Â $8.46Â $11.55Â Stock award fair values are expensed over the shorter of the vesting or required service period. Valley recorded total stock-based compensation expense of approximately $7.6 million and $8.7 million for the three months ended June 30, 2024 and 2023, respectively, and $15.7 million and $16.8 million for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024, the unrecognized amortization expense for all stock-based employee compensation totaled approximately $47.4 million. This expense will be recognized over an average remaining 40vesting period of approximately 2.0 years. See Note 12 in Valleyâ€™s Annual Report for additional information on the stock-based compensation awards.Note 12. Derivative Instruments and Hedging ActivitiesValley 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 and currency rates. Cash Flow Hedges of Interest Rate Risk. Valleyâ€™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, respectively. Fair Value Hedges of Fixed Rate Assets and Liabilities. Valley is exposed to changes in the fair value of certain fixed-rate assets and liabilities due to changes in interest rates and interest rate swaps to manage its exposure to changes in fair value. 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.During the second quarter 2024, Valley entered into nine forward-starting interest rate swap agreements with notional amounts totaling $404.3Â million to hedge the changes in fair value of certain fixed rate brokered time deposits. Commencing in January and February 2025, Valley will receive fixed rate amounts ranging from approximately 4.12 percent to 4.65 percent, in exchange for variable-rate payments based on the Floating SOFR Overnight Indexed Swap (OIS) compound rate. The swaps have expiration dates ranging from April 2026 to May 2027.Non-designated Hedges. Derivatives not designated as hedges may be used to manage Valleyâ€™s exposure to interest rate movements or to provide a service to customers but do not meet the requirements for hedge accounting under 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 JuneÂ 30, 2024, Valley had 49 credit swaps with an aggregate notional amount of $605.4 million related to risk participation agreements.At JuneÂ 30, 2024, Valley had two â€œsteepenerâ€ swaps, each with a current notional amount of $10.4 million where the receive rate on the swap mirrors the pay rate on the brokered deposits and 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 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 the three-month Term SOFR 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 41entered 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.Valley enters into foreign currency forward and option contracts, primarily to accommodate our customers, that are not designated as hedging instruments. Upon the origination of certain foreign currency denominated transactions (including foreign currency holdings and non-U.S. dollar denominated loans) with a client, we enter into a respective hedging contract with a third party financial institution to mitigate the economic impact of foreign currency exchange rate fluctuation. During June 2024, Valley entered into a credit default swap related to $1.5Â billion of its $1.8Â billion automobile loan portfolio at JuneÂ 30, 2024 primarily to enhance the risk profile of these assets for regulatory capital purposes. The credit default swap is a freestanding contract measured at fair value with resulting gains or losses recognized in non-interest expense. The fair value of the credit default swap upon initial recognition was zero at JuneÂ 30, 2024. Valley recorded approximately $400Â thousand of transaction costs and $1.1Â million of premium expense in other expense during the second quarter 2024 related to the credit default swap. Amounts included in the consolidated statements of financial condition related to the fair value of Valleyâ€™s derivative financial instruments were as follows:Â Â June 30, 2024December 31, 2023Â Fair ValueFair ValueOther AssetsOther LiabilitiesNotional AmountOther AssetsOther LiabilitiesNotional AmountÂ (in thousands)Derivatives designated as hedging instruments:Fair value hedge interest rate swaps $3,212Â $20,982Â $1,204,296Â $â€"Â $21,460Â $800,000Â Derivatives not designated as hedging instruments:Interest rate swaps and other contracts*$498,938Â $498,676Â $16,233,160Â $458,129Â $457,885Â $16,282,279Â Foreign currency derivatives12,466Â 11,845Â 1,939,866Â 8,024Â 8,286Â 1,557,167Â Mortgage banking derivatives45Â 243Â 58,378Â 74Â 472Â 38,797Â Credit default swapâ€"Â â€"Â 1,501,038Â â€"Â â€"Â â€"Â Total derivatives not designated as hedging instruments$511,449Â $510,764Â $19,732,442Â $466,227Â $466,643Â $17,878,243Â Total derivative financial instruments$514,661Â $531,746Â $20,936,738Â $466,227Â $488,103Â $18,678,243Â * Other derivative contracts include risk participation agreements. Gains (losses) included in the consolidated statements of income and other comprehensive loss, on a pre-tax basis, related to interest rate derivatives designated as hedges of cash flows were as follows:Â Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â (in thousands)Amount of gain (loss) reclassified from accumulated other comprehensive loss to interest income $299Â (725)597Â $(1,256)Amount of loss recognized in other comprehensive lossâ€"Â (4,991)â€"Â (1,093)The accumulated after-tax gains related to effective cash flow hedges included in accumulated other comprehensive loss were $1.7Â million and $2.1 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.42Amounts reported in accumulated other comprehensive loss related to cash flow interest rate derivatives are reclassified to interest income. The reclassification amount for the three and six months ended JuneÂ 30, 2024 represents amortization of a gain recognized from the termination of six interest rate swaps during the second quarter 2023. Valley estimates that $1.2Â million (before tax) will be reclassified as an increase to interest income over the next 12 months. Gains (losses) included in the consolidated statements of income related to interest rate derivatives designated as hedges of fair value were as follows:Â Three Months EndedJune 30,Six Months EndedJune 30,2024202320242023Â (in thousands)Derivative - interest rate swap:Interest income$676Â $â€"Â $5,555Â $â€"Â Interest expense3,004Â (3,790)1,713Â 902Â Hedged items - loans, brokered deposits and subordinated debt:Interest income(702)â€"Â $(5,626)$â€"Â Interest expense(3,063)3,952Â (1,680)(820)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 item 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 item at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. Line Item in the Statement of Financial Condition in Which the Hedged Item is IncludedNet Carrying Amount of the Hedged Asset/ LiabilityCumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset/Liability(in thousands)June 30, 2024Loans$498,251Â $(1,749)Time deposits401,673Â (1,223)Long-term borrowings *277,433Â (20,988)December 31, 2023Loans$503,877Â $3,877Â Long-term borrowings *276,572Â (21,445)*Â Â Â Â Net carrying amount includes unamortized debt issuance costs of $1.6Â million and $2.0Â million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.The net losses (gains) included in the consolidated statements of income related to derivative instruments not designated as hedging instruments were as follows:Â Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â (in thousands)Non-designated hedge interest rate swaps and credit derivativesOther non-interest expense$1,781Â (368)726Â $(160)Capital markets income reported in non-interest income included fee income related to non-designated hedge derivative interest rate swaps executed with commercial loan customers and foreign exchange contracts (not 43designated as hedging instruments) with a combined total of $6.8 million and $14.1 million for the three months ended June 30, 2024 and 2023, respectively, and $11.3 million and $24.0 million for the six months ended June 30, 2024 and 2023, respectively.Collateral Requirements and Credit Risk Related Contingent 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 Valleyâ€™s consolidated counterparty risk management process. Valleyâ€™s counterparties and the risk limits monitored by management are periodically reviewed and approved by the Board.Valley has agreements with its derivative counterparties providing that if Valley defaults on any of its indebtedness, includingÂ default where repaymentÂ of the indebtedness has not been accelerated by the lender,Â 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 Valleyâ€™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 Valleyâ€™s credit rating is reduced below investment grade, or such rating is withdrawn or suspended, then the counterparties could terminate the derivative positions and Valley would be required to settle its obligations under the agreements. As of June 30, 2024, Valley was in compliance with all of the provisions of its derivative counterparty agreements. The aggregate fair value of all derivative financial instruments with credit risk-related contingent features was in a net asset position at JuneÂ 30, 2024. Valley has derivative counterparty agreements that require minimum collateral posting thresholds for certain counterparties.Note 13. Balance Sheet OffsettingCertain 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 or received from the counterparty with net liability or asset positions, respectively, in accordance with contract thresholds. Master repurchase agreements which include â€œright of set-offâ€ provisions generally have a legally enforceable right to offset recognized amounts. In such cases, the collateral would be used 44to 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 Valleyâ€™s financial instruments eligible for offset in the consolidated statements of financial condition as of JuneÂ 30, 2024 and DecemberÂ 31, 2023. Â Â Â Â Gross Amounts Not OffsetÂ Â GrossÂ AmountsRecognizedGrossÂ AmountsOffsetNetÂ AmountsPresentedFinancialInstrumentsCashCollateral *NetAmountÂ (in thousands)June 30, 2024AssetsInterest rate swaps and other contracts$502,150Â $â€"Â $502,150Â $11,418Â $(420,020)$93,548Â LiabilitiesInterest rate swaps and other contracts$519,658Â $â€"Â $519,658Â $(11,418)$â€"Â $508,240Â December 31, 2023AssetsInterest rate swaps and other contracts$458,129Â $â€"Â $458,129Â $53,780Â $(302,180)$209,729Â LiabilitiesInterest rate swaps and other contracts$479,345Â $â€"Â $479,345Â $(53,780)$â€"Â $425,565Â *Â Â Â Â Cash collateral received from or pledged to our counterparties in relation to market value exposures of OTC derivative contracts in an asset/liability position.Note 14. Tax Credit InvestmentsValleyâ€™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 Valleyâ€™s regulatory compliance with the CRA. Valleyâ€™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.Valleyâ€™s tax credit investments are carried in other assets on the consolidated statements of financial condition. Valleyâ€™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. 45The following table presents the balances of Valleyâ€™s affordable housing tax credit investments, other tax credit investments, and related unfunded commitments at JuneÂ 30, 2024 and DecemberÂ 31, 2023:June 30,2024December 31,2023(in thousands)Other Assets:Affordable housing tax credit investments, net$20,161Â $22,158Â Other tax credit investments, net206,941Â 117,659Â Total tax credit investments, net$227,102Â $139,817Â Other Liabilities:Unfunded affordable housing tax credit commitments$â€"Â $1,305Â Â Â Â Â Total unfunded tax credit commitments$â€"Â $1,305Â The following table presents other information relating to Valleyâ€™s affordable housing tax credit investments and other tax credit investments for the three and six months ended JuneÂ 30, 2024 and 2023:Â Three Months EndedJune 30,Six Months EndedJune 30,2024202320242023(in thousands)Components of Income Tax Expense:Affordable housing tax credits and other tax benefits$1,263Â $1,460Â $2,659Â $2,919Â Other tax credit investment credits and tax benefits6,684Â 3,430Â 13,029Â 6,651Â Total reduction in income tax expense$7,947Â $4,890Â $15,688Â $9,570Â Amortization of Tax Credit Investments:Affordable housing tax credit investment losses$876Â $938Â $1,751Â $1,875Â Affordable housing tax credit investment impairment losses10Â 448Â 491Â 896Â Other tax credit investment losses1,680Â 719Â 2,280Â 725Â Other tax credit investment impairment losses3,225Â 2,913Â 6,831Â 5,775Â Total amortization of tax credit investments recorded in non-interest expense$5,791Â $5,018Â $11,353Â $9,271Â Note 15. Operating SegmentsValley manages its business operations under operating segments consisting of Consumer Banking and Commercial Banking. Activities not assigned to the operating segments are included in Treasury and Corporate Other. Each operating 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). Valley regularly assesses its strategic plans, operations and reporting structures to identify its operating segments and no changes to Valley's operating segments were determined necessary during the three and six months ended JuneÂ 30, 2024. The Consumer Banking 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. Consumer Banking also includes the Wealth Management and Insurance Services Division, comprised of trust, asset management, brokerage, insurance and tax credit advisory services.46The Commercial Banking 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 portfolioâ€™s interest rate characteristics, Commercial Banking is Valleyâ€™s operating segment that is most sensitive to movements in market interest rates.Treasury and Corporate Other largely consists of the Treasury managed HTM debt securities and AFS debt securities portfolios mainly utilized in the liquidity management needs of our lending segments and income and expense items resulting from support functions not directly attributable to a specific segment. Interest income is generated through investments in various types of securities (mainly comprised of fixed rate securities) and interest-bearing deposits with other banks (primarily the FRB of New York). Expenses related to the branch network, all other components of retail banking, along with the back office departments of the Bank are allocated from Treasury and Corporate Other to the Consumer and Commercial Banking segments. Interest expense and internal transfer expense (for general corporate expenses) are allocated to each operating segment utilizing a transfer pricing methodology, which involves the allocation of operating and funding costs based on each segment's respective mix of average interest earning assets and or liabilities outstanding for the period. The accounting for each operating segment and Treasury and Corporate Other 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 GAAP. The financial reporting for each segment contains allocations and reporting in line with Valleyâ€™s operations, which may not necessarily be comparable to any other financial institution. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data.The following tables represent the financial data for Valleyâ€™s operating segments and Treasury and Corporate Other for the three and six months ended JuneÂ 30, 2024 and 2023:Â Three Months Ended June 30, 2024Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets $9,839,291Â $40,181,610Â $6,752,049$56,772,950Â Interest income$118,668Â $652,295Â $62,503$833,466Â Interest expense72,700Â 296,872Â 62,209431,781Â Net interest income45,968Â 355,423Â 294401,685Â Provision (credit) for credit losses4,820Â 77,291Â (41)82,070Â Net interest income after provision for credit losses41,148Â 278,132Â 335319,615Â Non-interest income24,995Â 10,802Â 15,41651,213Â Non-interest expense20,666Â 36,577Â 220,254277,497Â Internal transfer expense (income)29,775Â 121,621Â (151,396)â€”Â Income (loss) before income taxes$15,702Â $130,736Â $(53,107)$93,331Â Return on average interest earning assets (pre-tax) 0.64Â %1.30Â %(3.15)%0.66Â %47Â Three Months Ended June 30, 2023Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets $9,638,329Â $39,819,608Â $7,893,871$57,351,808Â Interest income$102,678Â $612,494Â $72,287$787,459Â Interest expense59,739Â 246,331Â 61,624367,694Â Net interest income42,939Â 366,163Â 10,663419,765Â Provision (credit) for credit losses3,492Â 2,840Â (282)6,050Â Net interest income after provision for credit losses39,447Â 363,323Â 10,945413,715Â Non-interest income20,941Â 14,343Â 24,79160,075Â Non-interest expense21,365Â 36,249Â 225,357282,971Â Internal transfer expense (income)26,741Â 110,475Â (137,216)â€”Â Income (loss) before income taxes$12,282Â $230,942Â $(52,405)$190,819Â Return on average interest earning assets (pre-tax) 0.51Â %2.32Â %(2.66)%1.33Â %Â Six Months Ended June 30, 2024Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets $9,817,377Â $40,316,369Â $6,562,128$56,695,874Â Interest income$232,299Â $1,310,217Â $119,606$1,662,122Â Interest expense145,873Â 599,046Â 121,970866,889Â Net interest income86,426Â 711,171Â (2,364)795,233Â Provision (credit) for credit losses7,892Â 119,493Â (115)127,270Â Net interest income after provision for credit losses78,534Â 591,678Â (2,249)667,963Â Non-interest income51,541Â 28,796Â 32,291112,628Â Non-interest expense39,317Â 72,865Â 445,625557,807Â Internal transfer expense (income)62,886Â 258,252Â (321,138)â€”Â Income (loss) before income taxes$27,872Â $289,357Â $(94,445)$222,784Â Return on average interest earning assets (pre-tax) 0.57Â %1.44Â %(2.88)%0.79Â %48Â Six Months Ended June 30, 2023Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets $9,557,669Â $39,105,820Â $7,699,305$56,362,794Â Interest income$198,641Â $1,171,757Â $137,291$1,507,689Â Interest expense106,215Â 434,584Â 111,105651,904Â Net interest income92,426Â 737,173Â 26,186855,785Â Provision for credit losses9,936Â 5,846Â 4,70520,487Â Net interest income after provision for credit losses82,490Â 731,327Â 21,481835,298Â Non-interest income38,823Â 30,090Â 45,461114,374Â Non-interest expense40,998Â 71,972Â 442,167555,137Â Internal transfer expense (income)55,709Â 227,936Â (283,645)â€”Â Income (loss) before income taxes$24,606Â $461,509Â $(91,580)$394,535Â Return on average interest earning assets (pre-tax) 0.51Â %2.36Â %(2.38)%1.40Â % ItemÂ 2. Managementâ€™s Discussion and Analysis (MD&A) of Financial Condition and Results of OperationsThe following MD&A should be read in conjunction with the consolidated financial statements and notes thereto appearing in Part I, Item 1 of this report. The MD&A contains supplemental financial information, described in the sections that follow, which has been determined by methods other than GAAP that management uses in its analysis of our performance. Management believes these non-GAAP financial measures provide information useful to investors in understanding our underlying operational performance, our business and performance trends and facilitate comparisons with the performance of others in the financial services industry. These non-GAAP financial measures should not be considered in isolation or as a substitute for or superior to financial measures calculated in accordance with GAAP. These non-GAAP financial measures may also be calculated differently from similar measures disclosed by other companies.Cautionary Statement Concerning Forward-Looking StatementsThe foregoing 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 managementâ€™s confidence and strategies and managementâ€™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 â€œintend,â€ â€œshould,â€ â€œexpect,â€ â€œbelieve,â€ â€œview,â€ â€œopportunity,â€ â€œallow,â€ â€œcontinues,â€ â€œreflects,â€ â€œwould,â€ â€œcould,â€ â€œtypically,â€ â€œusually,â€ â€œanticipate,â€ â€œmay,â€ â€œestimate,â€ â€œoutlook,â€ â€œprojectâ€ or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from such forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, but are not limited to: â€¢the impact of monetary and fiscal policies of the U.S. federal government and its agencies, including in connection with prolonged inflationary pressures, as well as the impact of the 2024 U.S presidential election, which could have a material adverse effect on our clients, as well as our business, our employees, and our ability to provide services to our customers;â€¢the impact of unfavorable macroeconomic conditions or downturns, including an actual or threatened U.S. government shutdown, debt default or rating downgrade, instability or volatility in financial markets, unanticipated loan delinquencies, loss of collateral, decreased service revenues, increased business disruptions or failures, reductions in employment, and other potential negative effects on our business, employees or clients caused by factors outside of our control, such as geopolitical instabilities or events (including the 49Israel-Hamas war); natural and other disasters (including severe weather events); health emergencies; acts of terrorism; or other external events;â€¢the impact of potential instability within the U.S. financial sector in the aftermath of the banking failures in 2023 and continued volatility thereafter, including the possibility of a run on deposits by a coordinated deposit base, and the impact of the actual or perceived soundness, or concerns about the creditworthiness of other financial institutions, including any resulting disruption within the financial markets, increased expenses, including FDIC insurance assessments, or adverse impact on our stock price, deposits or our ability to borrow or raise capital;â€¢the impact of negative public opinion regarding Valley or banks in general that damages our reputation and adversely impacts business and revenues;â€¢changes in the statutes, regulations, policy, or enforcement priorities of the federal bank regulatory agencies;â€¢the loss of or decrease in lower-cost funding sources within our deposit base;â€¢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, trademark or other intellectual property infringement, misappropriation or other violation, employment related claims, and other matters;â€¢a prolonged downturn and contraction in the economy, as well as an unexpected decline in commercial real estate values collateralizing a significant portion of our loan portfolio;â€¢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;â€¢the inability to grow customer deposits to keep pace with loan growth;â€¢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;â€¢the need to supplement debt or equity capital to maintain or exceed internal capital thresholds;â€¢changes in our business, strategy, market conditions or other factors that may negatively impact the estimated fair value of our goodwill and other intangible assets and result in future impairment charges;â€¢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; â€¢cyberattacks, ransomware attacks, computer viruses, malware or other cybersecurity incidents that may breach the security of our websites or other systems or networks to obtain unauthorized access to personal, confidential, proprietary or sensitive information, destroy data, disable or degrade service, or sabotage our systems or networks;â€¢results of examinations by the OCC, the FRB, the CFPB and other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our allowance for credit losses, write-down assets, reimburse customers, change the way we do business, or limit or eliminate certain other banking activities;â€¢application of the OCC heightened regulatory standards for certain large insured national banks, and the expenses we will incur to develop policies, programs, and systems that comply with the enhanced standards applicable to us;â€¢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;â€¢unanticipated loan delinquencies, loss of collateral, decreased service revenues, and other potential negative effects on our business caused by severe weather, pandemics or other public health crises, acts of terrorism or other external events;â€¢our ability to successfully execute our business plan and strategic initiatives; andâ€¢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.50A detailed discussion of factors that could affect our results is included in our SEC filings, including Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended DecemberÂ 31, 2023.We undertake no duty to update any forward-looking statement to conform the statement to actual results or changes in our expectations, except as required by law. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.Critical Accounting EstimatesValleyâ€™s accounting policies are fundamental to understanding managementâ€™s discussion and analysis of its financial condition and results of operations. In preparing the consolidated financial statements, management has made estimates, judgments and assumptions in accordance with these policies 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. At JuneÂ 30, 2024, we identified our policies on the allowance for credit losses, goodwill and other intangible assets, and income taxes to be critical accounting policies 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 and estimates with the Audit Committee of Valleyâ€™s Board. Our critical accounting policies and estimates are described in detail in Part II, Item 7 in Valleyâ€™s Annual Report, and there have been no material changes in such policies and estimates since the date of Valleyâ€™s Annual Report.New Authoritative Accounting GuidanceSee Note 4 to the consolidated financial statements for a description of new authoritative accounting guidance, including the dates of adoption and effects on results of operations and financial condition.Executive SummaryCompany Overview. At JuneÂ 30, 2024, Valley had consolidated total assets of approximately $62.1 billion, total net loans of $49.8 billion, total deposits of $50.1 billion and total shareholdersâ€™ equity of $6.7 billion. Valley operates many convenient branch office locations and commercial banking offices in northern and central New Jersey, the New York City boroughs of Manhattan, Brooklyn and Queens, Long Island, Westchester County, New York, Florida, California, Alabama and Illinois. Of our current 230 branch network, 55 percent, 18 percent, and 18 percent of the branches are located in New Jersey, New York and Florida, respectively, with the remaining 9 percent of the branches in Alabama, California, and Illinois combined. Financial Condition. The combination of an inverted yield curve, a high level of competition and Federal Reserve monetary actions driven by prolonged inflationary pressures, among other factors, continued to weigh on the banking industry during the second quarter 2024. In the face of these challenges, we have positioned our balance sheet to best mitigate these negative factors, while continuing to focus on longer term earnings performance. The following items are key highlights at JuneÂ 30, 2024.â€¢Total assets increased to $62.1 billion at JuneÂ 30, 2024 from $61.0 billion at MarchÂ 31, 2024. Our liquid assets totaled $3.4 billion at JuneÂ 30, 2024, representing 6.1 percent of interest earning assets as compared with $2.7 billion, or 4.8 percent of interest earning assets at MarchÂ 31, 2024. We continue to maintain significant access to readily available, diverse funding sources to fulfill both short-term and long-term funding needs. See the â€œBank Liquidityâ€ section for additional information.â€¢Total deposits increased $1.0 billion to $50.1 billion at JuneÂ 30, 2024 as compared to $49.1 billion at MarchÂ 31, 2024 mainly due to higher indirect customer CD balances. See the â€œDeposits and Other Borrowingsâ€ section for more details.51â€¢Total loans increased $389.7 million, or 3.1 percent on an annualized basis, to $50.3 billion at JuneÂ 30, 2024 from MarchÂ 31, 2024 mainly as a result of our focus on new commercial and industrial loan production during the second quarter 2024. Strong indirect automobile loan originations from our dealer network, as well as modest organic commercial real estate loan volumes also contributed to the growth in total loans during the second quarter 2024. Loans held for sale decreased $41.9 million to $19.9 million at JuneÂ 30, 2024 from MarchÂ 31, 2024 mostly due to the previously disclosed sale of $34.1 million of construction loans at par during April 2024. See further details on our loan activities under the â€œLoan Portfolioâ€ section below.â€¢While non-accrual loans and net loan charge-offs increased during the second quarter 2024 mainly due to two commercial loan relationships, overall asset quality remained generally stable across the loan portfolio and continued to reflect our disciplined underwriting and lending practices. Non-performing assets (NPAs) as a percentage of total loans and NPAs increased to 0.62 percent at JuneÂ 30, 2024 as compared to 0.58 percent at MarchÂ 31, 2024. Total net loan charge-offs to average loans was 0.29 percent for the second quarter 2024 as compared with 0.19 percent for the first quarter 2024. See the â€œNon-Performing Assetsâ€ section for additional information.â€¢Total investment securities increased $704.6 million to $5.9 billion, or 9.6 percent of total assets, at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mainly due to purchases of residential mortgage backed securities largely issued by Ginnie Mae that were classified as available for sale. See the â€œInvestment Securities Portfolioâ€ section for more details.â€¢Total shareholders' equity increased $10.6 million to $6.7 billion at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024. Regulatory capital remained strong with ratios of both Valley and the Bank exceeding all capital adequacy requirements at JuneÂ 30, 2024. During June 2024, we completed a synthetic credit risk transfer transaction, consisting of a credit default swap, related to approximately $1.5Â billion of our $1.8 billion automobile loan portfolio at JuneÂ 30, 2024. While we retained the auto loans on-balance sheet and the transaction had no impact to our allowance for loan losses, the new credit protection significantly reduced the risk-weighted assets associated with these loans for regulatory capital purposes. As a result, Valleyâ€™s total risk-based capital, common equity Tier 1 capital and Tier 1 capital ratios benefited by approximately 20 basis points at JuneÂ 30, 2024. Subsequent Event. On August 5, 2024, Valley issued 6.0 million shares of its 8.250 percent Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series C, no par value per share, with a liquidation preference of $25 per share. Net proceeds to Valley after deducting underwriting discounts, commissions and offering expenses were $144.7 million. See Note 1 to the consolidated financial statements and the "Capital Adequacy" section below for more details.Quarterly Results. Net income for the second quarter 2024 was $70.4 million, or $0.13 per diluted common share, as compared to $139.1 million, or $0.27 per diluted common share, for the second quarter 2023. The $68.6 million decrease in quarterly net income as compared to the same quarter one year ago was mainly due to the following changes:â€¢a $76.0 million increase in our provision for credit losses mainly due to higher quantitative reserves allocated to commercial real estate loans, commercial and industrial loan growth, and additional specific reserves and charge-offs associated with the revaluation of collateral dependent commercial loans at JuneÂ 30, 2024;â€¢an $18.1 million decrease in net interest income as higher yields on both new loan originations and adjustable-rate loans were more than offset by an increase in the cost of deposits; andâ€¢an $8.9 million decrease in non-interest income that was primarily driven by a decrease in swap fees related to commercial loan transactions (within capital market fees) and lower other income, partially offset by an increase in bank owned life insurance income.52Which were partially offset by: â€¢a $28.9 million decrease in income tax expense mostly due to lower pre-tax income in the second quarter 2024 and a higher level of investment in tax credits as compared to one year ago; andâ€¢a $5.5 million decrease in non-interest expense largely due to $10.8 million decline in restructuring charges within salary and employee benefits expense, partially offset by higher FDIC assessment fees.See the â€œNet Interest Income,â€ â€œNon-Interest Income,â€ â€œNon-Interest Expenseâ€ and â€œIncome Taxesâ€ sections below for more details on the impact of the items above and other infrequent non-core items impacting our second quarter 2024 results. U.S. Economic Conditions. During the second quarter 2024, real gross GDP increased at an annual rate of 2.8 percent as compared to an increase of 1.4 percent during the first quarter 2024. The increase was driven by personal consumption, government spending and nonresidential fixed investment. Alternatively, residential fixed investment and net exports declined. In addition, most measures of inflation continued to reflect a moderation in price pressures during the quarter. Inflation rate declined to 3.0 percent in the second quarter 2024 as compared to 3.5 percent for the first quarter 2024.In June 2024, the Federal Reserve noted that economic activity was solid, job gains remained strong, and that inflation, while it remains elevated, has continued to decelerate at a modest pace. As a result, the Federal Reserve decided to maintain the target range for the federal funds rate between 5.25 and 5.50 percent. Additionally, the Federal Reserve released its updated summary of economic projections which indicated that the median participantâ€™s expectation for the federal funds rate by the end of 2024 was 5.1 percent. However, a softer than expected job report in July 2024 has increased market participant expectations for potential rate cuts by the Federal Reserve, including at their next committee meeting in September 2024.The 10-year U.S. Treasury note yield ended the second quarter 2024 at 4.36 percent, or 16 basis points higher as compared to the first quarter 2024, and the 2-year U.S. Treasury note yield ended the second quarter 2024 at 4.71 percent, or 12 basis points higher as compared to the first quarter 2024.For all commercial banks in the U.S., total loans and leases grew 0.6 percent from March 31, 2024 to June 30, 2024. Commercial and industrial lending increased 1.3 percent while commercial real estate lending declined 0.3 percent during the same period. For the second quarter of 2024, banks reported some easing to underwriting standards for most commercial loan products which may support loan growth in future months. However, banks continued to report that demand for both commercial and industrial and commercial real estate loans remained weak.Although Federal Reserve efforts to combat inflation are showing modest progress, several factors, including, but not limited to new and proposed bank regulatory actions, the inverted yield curve, potential weakening of the labor market, elevated inflation and interest rates, the upcoming U.S. presidential election and geopolitical conflicts have added a higher level of uncertainty to the future path of the U.S. economy and created a challenging bank operating environment. Should these conditions persist or further deteriorate, they may adversely impact our banking clients and our financial results, as highlighted in this MD&A.Deposits and Other BorrowingsTotal average deposits increased by $807.2 million to $49.4 billion for the second quarter 2024 as compared to the first quarter 2024 due to increases of $766.8 million and $40.4 million in average interest bearing and non-interest bearing deposits, respectively. Average time deposits balances increased $712.0 million primarily due to our increased use of indirect customer (i.e., brokered) CDs as a funding source in the second quarter 2024. Average non-interest-bearing deposits; savings, NOW and money market deposits; and time deposits represented 53approximately 23 percent, 50 percent and 27 percent of total deposits for the second quarter 2024, respectively as compared to 23 percent, 51 percent and 26 percent of total deposits for the first quarter 2024, respectively.Actual ending balances for deposits increased $1.0 billion to $50.1 billion at JuneÂ 30, 2024 from MarchÂ 31, 2024 mainly due to an increase of $1.5 billion in time deposits, partially offset by a decrease of $349.8 million in savings, NOW and money market deposits and a decrease of $155.6 million in non-interest bearing deposits. The increase in time deposits was mainly due to a $1.7 billion increase in indirect customer CDs. Non-interest bearing deposit and savings, NOW and money market deposit balances declined at JuneÂ 30, 2024 from MarchÂ 31, 2024 partly due to period-end fluctuations within certain direct commercial customer deposit accounts. During the second quarter 2024, management entered into fair value swap transactions with a combined notional value of approximately $400 million that will effectively convert a portion of its fixed rate indirect CD portfolio to variable interest rates starting in the first quarter 2025 (See Note 12 to the consolidated financial statements for more details). Non-interest bearing deposits; savings, NOW and money market deposits; and time deposits represented approximately 22 percent, 49 percent and 29 percent of total deposits as of JuneÂ 30, 2024, respectively, as compared to 23 percent, 51 percent and 26 percent of total deposits as of MarchÂ 31, 2024, respectively. The following table lists, by maturity, uninsured CDs at JuneÂ 30, 2024:June 30, 2024Â (inÂ thousands)Less than three months$677,697Â Three to six months518,046Â Six to twelve months712,456Â More than twelve months191,387Â Total$2,099,586Â Total estimated uninsured deposits, excluding collateralized government deposits and intercompany deposits (i.e., deposits eliminated in consolidation), totaled approximately $11.0 billion, or 22 percent of total deposits, at JuneÂ 30, 2024 as compared to $11.5 billion, or 24 percent of total deposits, at MarchÂ 31, 2024. While we maintained a diversified commercial and consumer deposit base at JuneÂ 30, 2024, deposit gathering initiatives and our current deposit base could remain challenged due to market competition, attractive investment alternatives, such as U.S. Treasury securities, and other factors. As a result, we cannot guarantee that we will be able to maintain deposit levels at or near those reported at JuneÂ 30, 2024. Management continuously monitors liquidity and all available funding sources including non-deposit borrowings discussed below. See the â€œLiquidity and Cash Requirementsâ€ section of this MD&A for additional information. 54The following table presents average short-term and long-term borrowings for the periods indicated:Three Months EndedSix Months EndedJune 30, 2024March 31, 2024June 30, 2023June 30, 2024June 30, 2023(in thousands)Average short-term borrowings:FHLB advances$29,396Â $1,470,879Â $3,656,593Â $750,137Â $3,088,445Â Securities sold under repurchase agreements63,710Â 67,000Â 99,327Â 65,355Â 99,436Â Federal funds purchased4,396Â â€”Â 122,537Â 2,198Â 156,188Â Total $97,502Â $1,537,879Â $3,878,457Â $817,690Â $3,344,069Â Average long-term borrowings:FHLB advances$2,624,937Â $1,930,702Â $1,523,500Â $2,277,819Â $1,201,068Â Subordinated debt637,019Â 638,008Â 759,334Â 637,514Â 757,165Â Junior subordinated debentures issued to capital trusts57,239Â 57,152Â 56,893Â 57,196Â 56,848Â Total$3,319,195Â $2,625,862Â $2,339,727Â $2,972,529Â $2,015,081Â Average short-term borrowings decreased $1.4 billion during the second quarter 2024 as compared to the first quarter 2024 mostly due to a shift from short-term FHLB advances to indirect customer time deposits in our average mix of funding sources. Average long-term borrowings (including junior subordinated debentures issued to capital trusts which are presented separately on the consolidated statements of financial condition) increased $693.3 million as compared to the first quarter 2024 mainly due to new FHLB advances totaling $1.0 billion issued in early March 2024. The new long-term FHLB borrowings have a weighted average rate of 4.54 percent and a weighted average remaining contractual term of 3.3 years at June 30, 2024. Actual ending balances for short-term borrowings decreased $11.5 million to $63.8 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mainly due to a moderate decline in securities sold under repurchase agreements. Long-term borrowings totaled $3.3 billion at JuneÂ 30, 2024 and also remained relatively unchanged as compared to MarchÂ 31, 2024. Non-GAAP Financial MeasuresThe table below presents selected performance indicators, their comparative non-GAAP measures and the (non-GAAP) efficiency ratio for the periods indicated. Valley believes that the non-GAAP financial measures provide useful supplemental information to both management and investors in understanding Valley's underlying operational performance, business, and performance trends, and may facilitate comparisons of our current and prior performance with the performance of others in the financial services industry. Management utilizes these measures for internal planning, forecasting and analysis purposes. Management believes that Valleyâ€™s presentation and discussion of this supplemental information, together with the accompanying reconciliations to the GAAP financial measures, also allows investors to view performance in a manner similar to management. These non-GAAP financial measures should not be considered in isolation, as a substitute for or superior to financial measures calculated in accordance with GAAP. These non-GAAP financial measures may also be calculated differently from similar measures disclosed by other companies.55The following table presents our annualized performance ratios:Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Selected Performance Indicators($ in thousands)GAAP measures:Net income, as reported$70,424Â $139,060Â $166,704Â $285,611Â Return on average assets0.46Â %0.90Â %0.54Â %0.94Â %Return on average shareholdersâ€™ equity4.17Â 8.50Â 4.95Â 8.80Â Non-GAAP measures:Net income, as adjusted$71,643Â $147,081Â $171,091Â $301,611Â Return on average assets, as adjusted 0.47Â %0.95Â %0.56Â %0.99Â %Return on average shareholders' equity, as adjusted 4.24Â 8.99Â 5.08Â 9.29Â Return on average tangible shareholders' equity (ROATE)5.95Â 12.37Â 7.07Â 12.87Â ROATE, as adjusted6.05Â 13.09Â 7.25Â 13.59Â Efficiency ratio, as adjusted59.62Â 55.59Â 59.36Â 54.69Â June 30,2024December 31,2023Common Equity Per Share Data:Book value per common share (GAAP)$12.82Â $12.79Â Tangible book value per common share (non-GAAP)8.87Â 8.79Â 56Adjusted net income is computed as follows:Three Months EndedJune 30,Six Months EndedJune 30,2024202320242023(in thousands)Net income, as reported (GAAP)$70,424Â $139,060Â $166,704Â $285,611Â Non-GAAP adjustments:Add: FDIC special assessment (1)1,363Â â€”Â 8,757Â â€”Â Add: Losses on available for sale and held to maturity debt securities, net (2)4Â 9Â 11Â 33Â Add: Restructuring charge (3)334Â 11,182Â 954Â 11,182Â Add: Provision for credit losses for available for sale securities (4)â€”Â â€”Â â€”Â 5,000Â Add: Merger related expenses (5)â€”Â â€”Â â€”Â 4,133Â Less: Gain on sale of commercial premium finance lending division (6)â€”Â â€”Â (3,629)â€”Â Total non-GAAP adjustments to net income$1,701Â $11,191Â $6,093Â $20,348Â Income tax adjustments related to non-GAAP adjustments (7)(482)(3,170)(1,706)(4,348)Net income, as adjusted (non-GAAP)$71,643Â $147,081Â $171,091Â $301,611Â (1)Included in the FDIC insurance expense.(2)Included in gains on securities transactions, net.(3)Represents severance expense related to workforce reductions within salary and employee benefits expense.(4)Included in provision for credit losses for available for sale and held to maturity securities (tax disallowed).(5)Represents salary and employee benefits expense during first quarter 2023. (6)Included in net (losses) gains on sale of assets.(7)Calculated using the appropriate blended statutory tax rate for the applicable period. In addition to the items used to calculate net income, as adjusted, in the table above, our net income is, from time to time, impacted by fluctuations in the level of net gains on sales of loans, wealth management and trust fees, and capital markets fees. These amounts can vary widely from period to period due to, among other factors, the amount and timing of residential mortgage loans originated for sale, brokerage and tax credit investment advisory activities and commercial loan customer demand for certain interest rate swap products. See the â€œNon-Interest Incomeâ€ section below for more details. Adjusted annualized return on average assets is computed by dividing adjusted net income by average assets, as follows:Three Months EndedJune 30,Six Months EndedJune 30,2024202320242023($ in thousands)Net income, as adjusted (non-GAAP)$71,643$147,081$171,091$301,611Average assets$61,518,639$61,877,464$61,387,754$60,877,792Annualized return on average assets, as adjusted (non-GAAP)0.47Â %0.95Â %0.56Â %0.99Â %57Adjusted annualized return on average shareholders' equity is computed by dividing adjusted net income by average shareholders' equity, as follows:Three Months EndedJune 30,Six Months EndedJune 30,2024202320242023($ in thousands)Net income, as adjusted (non-GAAP)$71,643$147,081$171,091$301,611Average shareholders' equity$6,753,981$6,546,452$6,739,838$6,493,627Annualized return on average shareholders' equity, as adjusted (non-GAAP)4.24Â %8.99Â %5.08Â %9.29Â %ROATE and adjusted ROATE are computed by dividing net income and adjusted net income, respectively, by average shareholdersâ€™ equity less average goodwill and average other intangible assets, as follows:Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â ($ in thousands)Net income, as reported (GAAP)$70,424$139,060$166,704$285,611Net income, as adjusted (non-GAAP)71,643147,081171,091301,611Average shareholdersâ€™ equity (GAAP)$6,753,981$6,546,452$6,739,838$6,493,627Less: Average goodwill and other intangible assets2,016,7662,051,5912,020,8832,056,487Average tangible shareholdersâ€™ equity (non-GAAP)$4,737,215$4,494,861$4,718,955$4,437,140Annualized ROATE (non-GAAP)5.95Â %12.37Â %7.07Â %12.87Â %Annualized ROATE, as adjusted (non-GAAP)6.05Â %13.09Â %7.25Â %13.59Â %58The efficiency ratio is computed as follows:Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â ($ in thousands)Total non-interest expense, as reported (GAAP)$277,497Â $282,971Â $557,807Â $555,137Â Less: FDIC Special assessment (1)1,363Â â€”Â 8,757Â â€”Â Less: Restructuring charge (2)334Â 11,182Â 954Â 11,182Â Less: Amortization of tax credit investments5,791Â 5,018Â 11,353Â 9,271Â Less: Merger related expenses (3)â€”Â â€”Â â€”Â 4,133Â Total non-interest expense, as adjusted (non-GAAP)$270,009Â $266,771Â $536,743Â $530,551Â Net interest income, as reported (GAAP)401,685Â 419,765Â 795,233Â 855,785Â Total non-interest income, as reported (GAAP)51,213Â 60,075Â 112,628Â 114,374Â Add: Losses on available for sale and held to maturity debt securities, net (4)4Â 9Â 11Â 33Â Less: Gain on sale of commercial premium finance lending division (5)â€”Â â€”Â (3,629)â€”Â Gross operating income, as adjusted (non-GAAP)$452,902Â $479,849Â $904,243Â $970,192Â Efficiency ratio (non-GAAP)59.62Â %55.59Â %59.36Â %54.69Â %(1)Included in the FDIC insurance expense.(2)Represents severance expense related to workforce reductions within salary and employee benefits expense.(3)Represents salary and employee benefits expense during first quarter 2023. (4)Included in gains on securities transactions, net.(5)Included in (losses) gains on sales of assets, net.Tangible book value per common share is computed by dividing shareholdersâ€™ equity less preferred stock, goodwill and other intangible assets by common shares outstanding, as follows:Â June 30,2024December 31,2023Â ($ in thousands, except for share data)Common shares outstanding509,205,014Â 507,709,927Â Shareholdersâ€™ equity (GAAP)$6,737,737Â $6,701,391Â Less: Preferred stock209,691Â 209,691Â Less: Goodwill and other intangible assets2,012,580Â 2,029,267Â Tangible common shareholdersâ€™ equity (non-GAAP)$4,515,466Â $4,462,433Â Book value per common share (GAAP)$12.82Â $12.79Â Tangible book value per common share (non-GAAP)$8.87Â $8.79Â Net Interest IncomeNet interest income on a tax equivalent basis of $403.0 million for the second quarter 2024 increased $8.1 million compared to the first quarter 2024 and decreased $18.3 million as compared to the second quarter 2023. Interest income on a tax equivalent basis increased $4.8 million to $834.8 million for the second quarter 2024 as compared to the first quarter 2024 mostly due to additional interest income from targeted investment purchases within the available for sale securities portfolio, as well as higher average overnight interest bearing deposits with banks during the second quarter 2024. A higher yield on average loans also contributed to the increase in interest income but was more than offset by the impact of lower average loan balances during the second quarter 2024 mostly caused by the sale of certain commercial loans in the first quarter 2024 and April 2024. Total interest expense decreased $3.3 million to $431.8 million for the second quarter 2024 as compared to the first quarter 2024 mainly 59due to greater utilization of long-term FHLB borrowings and indirect customer time deposits as liquidity funding sources and a reduction in higher cost short-term FHLB borrowings starting in March 2024.Average interest earning assets decreased $578.9 million to $56.8 billion for the second quarter 2024 as compared to the second quarter 2023 mainly due to a $1.4 billion decline in average interest bearing cash held overnight as our excess liquidity returned to more normalized levels in 2024 after being elevated in response to the bank failures in 2023. The decrease in average interest bearing cash was partially offset by a $563.0 million increase in average loan balances mostly driven by organic commercial loan growth since June 30, 2023 and the increase in average investment securities stemming from our second quarter 2024 purchase activity in the available for sale portfolio. Compared to the first quarter 2024, average interest earning assets increased by $154.2 million during the second quarter 2024. The increase was mainly driven by increases of $284.1 million and $100.3 million in average taxable investments and average overnight interest bearing cash balances, respectively, as compared to the prior linked quarter, partially offset by a $225.7 million decline in average loan balances. The decline in average loans was largely due to (1) the sale of $196.5 million of commercial real estate and construction loans through loan participation agreements at par value in March 2024, (2) the sale of $93.6 million of commercial and industrial loans associated with the sale of our premium finance lending division in February 2024, and (3) the sale of $34.1 million of construction loans at par during April 2024, partially offset by (4) organic loan growth in the second quarter 2024. Average interest bearing liabilities increased $650.6 million to $41.6 billion for the second quarter 2024 as compared to the second quarter 2023 mainly due to increases of $3.5 billion and $979.5 million in average interest bearing deposits and long-term borrowings, respectively, partially offset by a decrease of $3.8 billion in average short-term borrowings. The increase in average time deposits was largely due to increased usage of fully FDIC-insured indirect customer CDs and successful direct retail CD initiatives since June 30, 2023, while average long-term borrowings increased mostly due to several new FHLB advances totaling $1.0 billion in early March 2024. As compared to the first quarter 2024, average interest bearing liabilities increased by only $19.8 million for the second quarter 2024 as increases of $766.8 million and $693.3 million in average interest bearing deposits and long-term borrowings, respectively, were mostly offset by a $1.4 billion decrease in average short-term borrowings. See additional information under â€œDeposits and Other Borrowingsâ€ in the Executive Summary section above. Net interest margin on a tax equivalent basis of 2.84 percent for the second quarter 2024 increased by 5 basis points from 2.79 percent for the first quarter 2024 and decreased 10 basis points from 2.94 percent for the second quarter 2023. The increase as compared to the first quarter 2024 was largely driven by the combination of a higher yield on average interest earning assets and a decline in the cost of average interest bearing liabilities. The yield on average interest earning assets increased by 2 basis points to 5.88 percent on a linked quarter basis largely due to higher yielding investment purchases and new loan originations during the second quarter 2024. The overall cost of average interest bearing liabilities decreased 4 basis points to 4.15 percent for the second quarter 2024 as compared to the first quarter 2024 primarily due to a reduction in both higher cost short-term FHLB borrowings and government banking non-maturity deposit account balances. Our cost of total average deposits was 3.18 percent for the second quarter 2024 as compared to 3.16 percent and 2.45 percent for the first quarter 2024 and the second quarter 2023, respectively. Based upon our latest model estimates, we anticipate net interest income growth in the range of 1.5 to 3.0 percent on a quarterly basis for both the third and fourth quarter 2024 as compared to the second quarter 2024. While we remain optimistic that our net interest income should continue to stabilize and grow during the remainder of 2024 as compared to the second quarter 2024, our forecasts include several uncertain assumptions, including changes in the level of market interest rates. As such, we cannot provide any assurances that our net interest income or margin will remain at the levels reported for the second quarter 2024. For a detailed discussion on the risks related to interest rates please refer to Part I, Item 1A. â€œRisk Factorsâ€ in our Annual Report.60The following table reflects the components of net interest income for the three months ended June 30, 2024, MarchÂ 31, 2024 and JuneÂ 30, 2023:Quarterly Analysis of Average Assets, Liabilities and Shareholdersâ€™ Equity andNet Interest Income on a Tax Equivalent BasisÂ Three Months EndedÂ June 30, 2024March 31, 2024June 30, 2023Â AverageBalanceInterestAverageRateAverageBalanceInterestAverageRateAverageBalanceInterestAverageRateÂ ($ in thousands)AssetsInterest earning assets:Loans (1)(2)$50,020,901Â $770,987Â 6.17Â %$50,246,591Â $771,577Â 6.14Â %$49,457,937Â $715,195Â 5.78Â %Taxable investmentsÂ (3)5,379,101Â 46,801Â 3.48Â 5,094,978Â 42,625Â 3.35Â 5,065,812Â 39,436Â 3.11Â Tax-exempt investments (1)(3)575,272Â 6,075Â 4.22Â 579,842Â 6,071Â 4.19Â 629,342Â 7,062Â 4.49Â Interest bearing deposits with banks797,676Â 10,902Â 5.47Â 697,386Â 9,682Â 5.55Â 2,198,717Â 27,276Â 4.96Â Total interest earning assets56,772,950Â 834,765Â 5.88Â 56,618,797Â 829,955Â 5.86Â 57,351,808Â 788,969Â 5.50Â Allowance for credit losses(477,373)(450,331)(446,098)Cash and due from banks421,026Â 439,176Â 415,075Â Other assets4,972,181Â 4,805,001Â 4,709,061Â Unrealized gains on securities available for sale, net(170,145)(155,775)(152,382)Total assets$61,518,639Â $61,256,868Â $61,877,464Â Liabilities and Shareholdersâ€™ EquityInterest bearing liabilities:Savings, NOW and money market deposits$24,848,266Â $231,597Â 3.73Â %$24,793,452Â $232,506Â 3.75Â %$22,512,128Â $164,843Â 2.93Â %Time deposits13,311,381Â 160,442Â 4.82Â 12,599,395Â 151,065Â 4.80Â 12,195,479Â 125,764Â 4.12Â Total interest bearing deposits38,159,647Â 392,039Â 4.11Â 37,392,847Â 383,571Â 4.10Â 34,707,607Â 290,607Â 3.35Â Short-term borrowings97,502Â 691Â 2.83Â 1,537,879Â 20,612Â 5.36Â 3,878,457Â 50,207Â 5.18Â Long-term borrowingsÂ (4)3,319,195Â 39,051Â 4.71Â 2,625,862Â 30,925Â 4.71Â 2,339,727Â 26,880Â 4.60Â Total interest bearing liabilities41,576,344Â 431,781Â 4.15Â 41,556,588Â 435,108Â 4.19Â 40,925,791Â 367,694Â 3.59Â Non-interest bearing deposits11,223,562Â 11,183,127Â 12,756,862Â Other liabilities1,964,752Â 1,791,458Â 1,648,359Â Shareholdersâ€™ equity6,753,981Â 6,725,695Â 6,546,452Â Total liabilities and shareholdersâ€™ equity$61,518,639Â $61,256,868Â $61,877,464Â Net interest income/interest rate spread (5)$402,984Â 1.73Â %$394,847Â 1.67Â %$421,275Â 1.91Â %Tax equivalent adjustment(1,299)(1,299)(1,510)Net interest income, as reported$401,685Â $393,548Â $419,765Â Net interest margin (6)2.83Â %2.78Â %2.93Â %Tax equivalent effect0.01Â 0.01Â 0.01Â Net interest margin on a fully tax equivalent basis (6)2.84Â %2.79Â %2.94Â %61Six Months EndedJune 30, 2024June 30, 2023Average BalanceInterestAverage RateAverage BalanceInterestAverage Rate($ in thousands)AssetsInterest earning assets:Loans (1)(2)$50,133,746Â $1,542,564Â 6.15Â %$48,663,070Â $1,370,446Â 5.63Â %Taxable investmentsÂ (3)5,237,040Â 89,426Â 3.42Â 5,049,563Â 76,910Â 3.05Â Tax-exempt investments (1)(3)577,557Â 12,146Â 4.21Â 626,261Â 13,800Â 4.41Â Interest bearing deposits with banks747,531Â 20,584Â 5.51Â 2,023,900Â 49,481Â 4.89Â Total interest earning assets56,695,874Â 1,664,720Â 5.87Â 56,362,794Â 1,510,637Â 5.36Â Allowance for credit losses(463,852)(456,410)Cash and due from banks430,101Â 429,957Â Other assets4,888,590Â 4,705,742Â Unrealized gains on securities available for sale, net(162,959)(164,291)Total assets$61,387,754Â $60,877,792Â Liabilities and shareholdersâ€™ equityInterest bearing liabilities:Savings, NOW and money market deposits$24,820,859Â $464,103Â 3.74Â %$22,948,425Â $315,608Â 2.75Â %Time deposits12,955,388Â 311,507Â 4.81Â 10,973,830Â 206,062Â 3.76Â Total interest bearing deposits37,776,247Â 775,610Â 4.11Â 33,922,255Â 521,670Â 3.08Â Short-term borrowings817,690Â 21,303Â 5.21Â 3,344,069Â 84,156Â 5.03Â Long-term borrowingsÂ (4)2,972,529Â 69,976Â 4.71Â 2,015,081Â 46,078Â 4.57Â Total interest bearing liabilities41,566,466Â 866,889Â 4.17Â 39,281,405Â 651,904Â 3.32Â Non-interest bearing deposits11,203,344Â 13,387,299Â Other liabilities1,878,106Â 1,715,461Â Shareholdersâ€™ equity6,739,838Â 6,493,627Â Total liabilities and shareholdersâ€™ equity$61,387,754Â $60,877,792Â Net interest income/interest rate spread (5)$797,831Â 1.70Â %$858,733Â 2.04Â %Tax equivalent adjustment(2,598)(2,948)Net interest income, as reported$795,233Â $855,785Â Net interest margin (6)2.81Â %3.04Â %Tax equivalent effect0.00Â 0.01Â Net interest margin on a fully tax equivalent basis (6)2.81Â %3.05Â %_____________(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 AFS is based on the average historical amortized cost.(4)Includes junior subordinated debentures issued to capital trusts which are presented separately on the consolidatedstatements of financial 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 us 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.62Change in Net Interest Income on a Tax Equivalent BasisÂ Three Months Ended June 30, 2024Compared to June 30, 2023Six Months Ended June 30, 2024 Compared to June 30, 2023Â ChangeDue toVolumeChangeDue toRateTotalChangeChangeDue toVolumeChangeDue toRateTotalChangeÂ (in thousands)Interest Income:Loans*$8,220Â $47,572Â $55,792Â $42,361Â $129,757Â $172,118Â Taxable investments2,538Â 4,827Â 7,365Â (23,288)35,804Â 12,516Â Tax-exempt investments*(586)(401)(987)(1,042)(612)(1,654)Interest bearing deposits with banks(18,905)2,531Â (16,374)(34,489)5,592Â (28,897)Total (decrease) increase in interest income(8,733)54,529Â 45,796Â (16,458)170,541Â 154,083Â Interest Expense:Savings, NOW and money market deposits18,392Â 48,362Â 66,754Â 27,464Â 121,031Â 148,495Â Time deposits12,190Â 22,488Â 34,678Â 41,296Â 64,149Â 105,445Â Short-term borrowings(33,818)(15,698)(49,516)(65,719)2,866Â (62,853)Long-term borrowings and junior subordinated debentures11,509Â 662Â 12,171Â 22,501Â 1,397Â 23,898Â Total increase in interest expense8,273Â 55,814Â 64,087Â 25,542Â 189,443Â 214,985Â Total decrease in net interest income$(17,006)$(1,285)$(18,291)$(42,000)$(18,902)$(60,902)*Interest income is presented on a tax equivalent basis using 21 percent as the federal tax rate.Non-Interest IncomeNon-interest income represented 5.8 percent and 7.1 percent of total interest income plus non-interest income for the three months ended June 30, 2024 and 2023, respectively and 6.3 percent and 7.1 percent of total interest income plus non-interest income for the six months ended June 30, 2024 and 2023, respectively. For the three and six months ended JuneÂ 30, 2024, non-interest income decreased $8.9 million and $1.7 million as compared to the same periods in 2023. The following table presents the components of non-interest income for the three and six months ended JuneÂ 30, 2024 and 2023:Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â (in thousands)Wealth management and trust fees$13,136Â $11,176Â $31,066Â $20,763Â Insurance commissions3,958Â 3,139Â 6,209Â 5,559Â Capital markets7,779Â 16,967Â 13,449Â 27,859Â Service charges on deposit accounts11,212Â 10,542Â 22,461Â 21,018Â Gains on securities transactions, net3Â 217Â 52Â 595Â Fees from loan servicing2,691Â 2,702Â 5,879Â 5,373Â Gains on sales of loans, net884Â 1,240Â 2,502Â 1,729Â (Losses) gains on sales of assets, net(2)161Â 3,692Â 285Â Bank owned life insurance4,545Â 2,443Â 7,780Â 5,027Â Other7,007Â 11,488Â 19,538Â 26,166Â Total non-interest income$51,213Â $60,075Â $112,628Â $114,374Â 63Wealth management and trust fees income increased $2.0 million and $10.3 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023. The increase as compared to thesecond quarter 2023 was mainly driven by higher brokerage fees. The increase for the six months ended June 30, 2024 was mainly due to a higher volume of success fees and other related periodic revenues generated by our tax credit advisory subsidiary, as well as increased brokerage fees. Brokerage fees increased by $1.2 million to $6.1 million for the second quarter 2024 and increased $2.6 million to $12.3 million for the six months ended June 30, 2024 as compared to the same periods in 2023 due to stronger customer trading volume at our broker dealer subsidiary.Capital markets income decreased $9.2 million and $14.4 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023 mainly due to a decline in the volume of interest rate swap transactions, and resulting fees related to commercial loan customers, as well as lower loan syndication fees. Net gains on sales of assets increased $3.4 million for the six months ended June 30, 2024 as compared to the same period in 2023 largely due to a $3.6 million net gain on the sale of our commercial premium finance lending business in the first quarter 2024.Bank owned life insurance income increased $2.1 million and $2.8 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023 due to improved performance of the underlying investment securities.Other non-interest income decreased $4.5 million and $6.6 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023. The decrease as compared to thesecond quarter 2023 was due, in part, to net losses related to the decline in the valuation of certain equity method investments at JuneÂ 30, 2024. The decrease for the six months ended June 30, 2024 was mainly attributable to a $2.7 million litigation recovery in the same period in 2023, and to a lesser extent, the decline in the valuation of certain equity method investments.Non-Interest ExpenseNon-interest expense decreased $5.5 million and increased $2.7 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023. The following table presents the components of non-interest expense for the three and six months ended JuneÂ 30, 2024 and 2023:Â Three Months EndedJune 30,Six Months EndedJune 30,Â 2024202320242023Â (in thousands)Salary and employee benefits expense$140,815Â $149,594Â $282,646Â $294,580Â Net occupancy expense24,252Â 25,949Â 48,575Â 49,205Â Technology, furniture and equipment expense35,203Â 32,476Â 70,665Â 68,984Â FDIC insurance assessment14,446Â 10,426Â 32,682Â 19,581Â Amortization of other intangible assets8,568Â 9,812Â 17,980Â 20,331Â Professional and legal fees17,938Â 21,406Â 34,403Â 38,220Â Amortization of tax credit investments5,791Â 5,018Â 11,353Â 9,271Â Other30,484Â 28,290Â 59,503Â 54,965Â Total non-interest expense$277,497Â $282,971Â $557,807Â $555,137Â Salary and employee benefits expense decreased $8.8 million and $11.9 million for the three and six months ended JuneÂ 30, 2024, respectively, compared to the same periods in 2023. The decreases in both 2024 periods were largely attributable to restructuring charges of $11.2 million recognized in the second quarter 2023, consisting of severance expense related to workforce reductions, partially offset by normal increases in labor costs and a decline in deferred compensation. The net decrease for the six months ended June 30, 2024 was also due to merger related costs, 64primarily consisting of severance and retention compensation, totaling $4.1 million for the six months ended JuneÂ 30, 2023. Net occupancy expense decreased $1.7 million for the three months ended June 30, 2024 compared to the same period in 2023 mainly due to lower building repair and utilities expenses.Technology, furniture and equipment expense increased $2.7 million and $1.7 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods of 2023 mostly due to higher investments in technology, partially offset by decreases in equipment maintenance and repair expense. FDIC insurance assessment expense increased $4.0 million and $13.1 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods of 2023 due, in part, to additional estimated expenses of $1.4 million and $8.8 million recorded during the three and six months ended JuneÂ 30, 2024, respectively, related to the FDIC special assessment. Professional and legal fees decreased $3.5 million and $3.8 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023. The decreases in both periods were largely attributable to lower technology managed services and consulting expenses, partially offset by higher legal fees. Other non-interest expense increased $2.2 million and $4.5 million for the three and six months ended JuneÂ 30, 2024, respectively, as compared to the same periods in 2023 mainly due to increased interest charges on collateral related to derivative transactions and the costs related to the loan credit risk transfer transaction, consisting of a credit default swap, executed in June 2024. Total transaction costs included $400 thousand of one-time charges and $1.1 million of premium expense recorded in other expense during the second quarter 2024. The premium expense associated with the credit protection is estimated to be approximately $6.0 million for the remainder of 2024. Income TaxesIncome tax expense totaled $22.9 million for the second quarter 2024 as compared to $33.2 million and $51.8 million for the first quarter 2024 and second quarter 2023, respectively. Our effective tax rate was 24.5 percent, 25.6 percent and 27.1 percent for the second quarter 2024, first quarter 2024 and second quarter 2023, respectively. The decrease in the effective tax rate from the first quarter 2024 and second quarter 2023 was primarily due to lower pre-tax income and larger investments in tax credits. 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 managementâ€™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 be 25 to 26 percent for the full year ended December 31, 2024.Operating Segments Valley manages its business operations under operating segments consisting of Consumer Banking and Commercial Banking. Activities not assigned to the operating segments are included in Treasury and Corporate Other. Each operating segment is reviewed routinely for its asset growth, contribution to income before income taxes, return on average interest earning assets and impairment (if events or circumstances indicate a possible inability to realize the carrying amount). Valley regularly assesses its strategic plans, operations, and reporting structures to identify its operating segments and no changes to the operating segments were determined necessary during the first half of 2024.The accounting for each operating segment and Treasury and Corporate Other 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 GAAP. The financial reporting for each segment contains allocations and reporting in line with Valleyâ€™s operations, which may not necessarily be comparable to those of any other 65financial institution. Furthermore, changes in management structure or allocation methodologies and procedures may result in changes in reported segment financial data.The following tables present the financial data for Valley's operating segments, and Treasury and Corporate Other for the three months ended June 30, 2024 and 2023:Â Three Months Ended June 30, 2024Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets$9,839,291$40,181,610$6,752,049$56,772,950Income (loss) before income taxes15,702130,736(53,107)93,331Return on average interest earning assets (before tax)0.64Â %1.30Â %(3.15)%0.66Â %Â Three Months Ended June 30, 2023Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets$9,638,329$39,819,608$7,893,871$57,351,808Income (loss) before income taxes12,282230,942(52,405)190,819Return on average interest earning assets (before tax)0.51Â %2.32Â %(2.66)%1.33Â %See Note 15 to the consolidated financial statements for additional details.Consumer Banking SegmentThe Consumer Banking segment represented 18.0 percent of our loan portfolio at JuneÂ 30, 2024, 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 11.2 percent of our loan portfolio at JuneÂ 30, 2024) is subject to movements in the market level of interest rates and forecasted prepayment speeds. The weighted average life of the automobile loans portfolio (which represented 3.5 percent of total loans at JuneÂ 30, 2024) is relatively unaffected by movements in the market level of interest rates. However, the average life may be impacted by new loans as a result of the availability of credit within the automobile marketplace and consumer demand for purchasing new or used automobiles. Consumer Banking also includes the Wealth Management and Insurance Services Division, comprised of trust, asset management, brokerage, insurance and tax credit advisory services. Consumer Bankingâ€™s average interest earning assets increased $201.0 million to $9.8 billion for the three months ended June 30, 2024 as compared to the same period of 2023. The increase was largely due to new residential mortgage loan volumes originated for investment rather than sale over the last 12-month period and, to a lesser extent, an increase in average auto loan balances. Income before income taxes generated by the Consumer Banking segment increased $3.4 million to $15.7 million for the second quarter 2024 as compared to the second quarter 2023 and was mainly driven by a combination of increases in non-interest income and net interest income, partially offset by an increase in internal transfer expense and a higher provision for loan losses. The non-interest income increased $4.1 million mainly due to brokerage fees generated from certain private banking clients. See further details in the â€œNon-Interest Incomeâ€ section of this MD&A. Net interest income for this segment increased $3.0 million mainly due to higher interest rates on new and adjustable loans, largely offset by an increase in funding costs driven by higher interest rates. The provision for loan losses increased $1.3 million for the second quarter 2024 as compared to the second quarter 2023 mainly due to loan growth. See further details in the â€œAllowance for Credit Lossesâ€ section of this MD&A. 66Net interest margin on the Consumer Banking portfolio increased 7 basis points to 1.86 percent for the second quarter 2024 as compared to the second quarter 2023 mainly due to a 56 basis point increase in the yield on average loans, partially offset by a 49 basis point increase in the costs associated with our funding sources. The increase in our funding costs was mainly driven by higher interest rates on most of our interest bearing deposit products during the second quarter 2024. The 56 basis point increase in loan yield was largely due to higher yielding new loan volumes and adjustable rate loans in our portfolio. Our cost of total average deposits was 3.18 percent for the second quarter 2024 as compared to 2.45 percent for the second quarter 2023. See the â€œExecutive Summaryâ€ and the â€œNet Interest Incomeâ€ sections above for more details on our net interest margin and funding sources. The return on average interest earning assets before income taxes for the Consumer Banking segment was 0.64 percent for the second quarter 2024 compared to 0.51 percent for the second quarter 2023.Commercial Banking SegmentThe Commercial Banking 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 portfolioâ€™s interest rate characteristics, Commercial Banking is Valleyâ€™s operating segment that is most sensitive to movements in market interest rates. Commercial and industrial loans totaled approximately $9.5 billion and represented 18.8 percent of the total loan portfolio at JuneÂ 30, 2024. Commercial real estate loans and construction loans totaled $31.8 billion and represented 63.2 percent of the total loan portfolio at JuneÂ 30, 2024. Average interest earning assets in Commercial Banking segment increased $362.0 million to $40.2 billion for the three months ended June 30, 2024 as compared to the second quarter 2023 primarily due to organic loan growth over the last 12 month period largely within the commercial real estate loan portfolio. Income before income taxes for Commercial Banking decreased $100.2 million to $130.7 million for the three months ended June 30, 2024 as compared to the same period of 2023 mainly due to a combination of a higher provision for credit losses, a decrease in net interest income and higher internal transfer expense. The provision for credit losses increased $74.5 million to $77.3 million as compared to the same period in 2023 mainly due to higher quantitative reserves allocated to commercial real estate loans, commercial and industrial loan growth, and additional specific reserves and charge-offs associated with the revaluation of collateral dependent commercial loans at JuneÂ 30, 2024. See details in the â€œAllowance for Credit Losses for Loansâ€ section of this MD&A. Net interest income for this segment decreased $10.7 million to $355.4 million for the second quarter 2024 as compared to the same period in 2023 primarily due to the higher cost of funding and the inverted yield curve. Internal transfer expense also increased $11.1Â million to $121.6Â million for the three months ended June 30, 2024 as compared to the second quarter 2023. The net interest margin for this segment decreased 15 basis points to 3.53 percent for the second quarter 2024 as compared to the second quarter 2023 due to a 49 basis point increase in the cost of our funding sources, partially offset by a 34 basis point increase in the yield on average loans.The return on average interest earning assets before income taxes for the commercial banking segment was 1.30 percent for the three months ended June 30, 2024 compared to 2.32 percent for the same period in 2023.Treasury and Corporate Other Treasury and Corporate Other largely consists of the Treasury managed AFS and HTM debt securities portfolios mainly utilized in the liquidity management needs of our lending segments and income and expense items resulting from support functions not directly attributable to a specific segment. Interest income is generated through investments in various types of securities (mainly comprised of fixed rate securities) and interest-bearing deposits with other banks (primarily the FRB of New York). Expenses related to the branch network, all other components of retail banking, along with the back office departments of the Bank are allocated from Treasury and Corporate Other to the Consumer Banking and Commercial Banking segments. Interest expense and internal transfer expense (for general corporate expenses) are allocated to each operating segment utilizing a transfer pricing methodology, which 67involves the allocation of operating and funding costs based on each segment's respective mix of average interest earning assets and/or liabilities outstanding for the period. Other items disclosed in Treasury and Corporate Other include net gains and losses on AFS and HTM securities transactions, interest expense related to subordinated notes, amortization of tax credit investments, as well as other non-core items, including merger, restructuring expenses and FDIC special assessment charges.Treasury and Corporate Other's average interest earning assets decreased $1.1 billion to $6.8 billion for the three months ended June 30, 2024 primarily due to a $1.4 billion decline in average interest bearing cash held overnight as our excess liquidity returned to more normalized levels in 2024 after being elevated in response to the bank failures in most of 2023. For the three months ended June 30, 2024, loss before income taxes totaled $53.1 million compared to $52.4 million for the same period in 2023. The $702 thousand increase in the pre-tax loss during the second quarter 2024 was mainly driven by a decrease in net interest income on interest bearing deposits with banks combined with lower non-interest income. The negative impact of these items was largely offset by lower non-interest expense and higher internal transfer income. Non-interest expense decreased $5.1 million to $220.3 million during the three months ended June 30, 2024 as compared to the same period in 2023. The internal transfer income increased $14.2 million to $151.4 million for the three months ended June 30, 2024 as compared to the same period in 2023 due to higher allocations of the overhead expense to the Consumer Banking and Commercial Banking segments over the same period. See further details in the â€œNon-Interest Incomeâ€ and â€œNon-Interest Expenseâ€ sections of this MD&A. Treasury and Corporate Other's net interest margin decreased 45 basis points to 0.74 percent for the second quarter 2024 as compared to the second quarter 2023 due to a 49 basis point increase in cost of our funding sources, partly offset by a 4 basis point increase in the yield on average investments. The following tables present the financial data for Valley's operating segments and Treasury and Corporate Other for the six months ended June 30, 2024 and 2023:Â Six Months Ended June 30, 2024Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets$9,817,377$40,316,369$6,562,128$56,695,874Income (loss) before income taxes27,872289,357(94,445)222,784Annualized return on average interest earning assets (before tax)0.57Â %1.44Â %(2.88)%0.79Â %Â Six Months Ended June 30, 2023Â ConsumerBankingCommercialBankingTreasury and Corporate OtherTotalÂ ($ in thousands)Average interest earning assets$9,557,669$39,105,820$7,699,305$56,362,794Income (loss) before income taxes24,606461,509(91,580)394,535Annualized return on average interest earning assets (before tax)0.51Â %2.36Â %(2.38)%1.40Â %Consumer Banking SegmentThe Consumer Banking segment's average interest earning assets increased $259.7 million to $9.8 billion for the six months ended June 30, 2024 as compared to the same period in 2023. The increase was largely due to new residential mortgage loan volumes originated for investment rather than sale over the last 12-month period as well as growth in secured personal lines of credit and, to a lesser extent, an increase in average home equity loans. 68Income before income taxes generated by Consumer Banking increased $3.3 million to $27.9 million for the six months ended June 30, 2024 as compared to the same period in 2023 and was mainly driven by a combination of an increase in non-interest income and lower provision for loan losses, largely offset by higher internal transfer expense and lower net interest income. The non-interest income increased $12.7 million mainly due to a higher volume of success fees and other related periodic fees generated by our tax credit advisory subsidiary, as well as brokerage fees generated from certain private banking clients. See further details in the â€œNon-Interest Incomeâ€ section of this MD&A. Net interest income for this segment decreased $6.0 million mainly due to higher funding costs driven by higher interest rates. The provision for loan losses decreased $2.0 million for the six months ended June 30, 2024 mainly due to lower loan growth and an improved economic outlook as compared to one year ago. See further details in the â€œAllowance for Credit Lossesâ€ section of this MD&A. Net interest margin on the Consumer Banking portfolio decreased 18 basis points to 1.76 percent for the six months ended June 30, 2024 as compared to the same period in 2023 mainly due to a 75 basis point increase in the costs associated with our funding sources, partially offset by a 57 basis point increase in the yield on average loans. The increase in our funding costs was mainly driven by higher interest rates on most of our interest bearing deposit products, as well as the mix of our adjustable rate and other borrowings during the six months ended June 30, 2024. The 57 basis point increase in loan yield was largely due to higher yielding new loan volumes and adjustable rate loans in our portfolio. See details in the â€œExecutive Summaryâ€ and the â€œNet Interest Incomeâ€ sections above for more details on our net interest margin and funding sources. The return on average interest earning assets before income taxes for the Consumer Banking segment was 0.57 percent for the six months ended June 30, 2024 compared to 0.51 percent for the same period in 2023.Commercial Banking SegmentAverage interest earning assets in the Commercial Banking segment increased $1.2 billion to $40.3 billion for the six months ended June 30, 2024 as compared to the same period in 2023. This increase was primarily due to organic loan growth over the last 12 month period largely within the commercial real estate loan portfolio.For the six months ended June 30, 2024, income before income taxes for Commercial Banking decreased $172.2 million to $289.4 million as compared to the same period in 2023 mainly driven by higher provision for credit losses and internal transfer expense and a decrease in net interest income. The provision for credit losses increased $113.6 million to $119.5 million during the six months ended June 30, 2024 as compared to the same period in 2023 mainly due to higher quantitative reserves allocated to commercial real estate loans, commercial and industrial loan growth, and additional specific reserves and charge-offs associated with the revaluation of collateral dependent commercial loans at JuneÂ 30, 2024. See details in the â€œAllowance for Credit Losses for Loansâ€ section of this MD&A. Net interest income for this segment decreased $26.0 million to $711.2 million for the six months ended June 30, 2024 as compared to the same period in 2023 primarily due to the higher cost of funding and the inverted yield curve. Internal transfer expense also increased $30.3Â million to $258.3Â million for the six months ended June 30, 2024 as compared to the same period in 2023. See further details in the â€œNon-Interest Incomeâ€ and â€œNon-Interest Expenseâ€ sections of this MD&A. The net interest margin for this segment decreased 24 basis points to 3.53 percent for the six months ended June 30, 2024 as compared to the same period in 2023 due to a 75 basis point increase in the cost of our funding sources, partially offset by a 51 basis point increase in yield on average loans. The return on average interest earning assets before income taxes for the commercial banking segment was 1.44 percent for the six months ended June 30, 2024 compared to 2.36 percent for the same period in 2023.Treasury and Corporate Other Treasury and Corporate Other's average interest earning assets decreased $1.1 billion during the six months ended June 30, 2024 primarily due to a $1.3 billion decline in average interest bearing cash held overnight as our excess 69liquidity returned to more normalized levels in 2024 after being elevated in response to the bank failures in most of 2023. The loss before income taxes totaled $94.4 million for the six months ended June 30, 2024 as compared to $91.6 million for the same period in 2023. The $2.9 million increase in pre-tax loss was mainly driven by a decrease in net interest income on interest bearing deposits with banks combined with lower non-interest income. Non-interest expense increased $3.5 million to $445.6 million for the six months ended June 30, 2024 as compared to the same period in 2023 largely due to a $13.1 million increase in the FDIC insurance assessment expense, partially offset by decreases in salary and employee benefits expense and professional and legal fees. See further details in the â€œNon-Interest Incomeâ€ and â€œNon-Interest Expenseâ€ sections of this MD&A. The negative impact of these items was largely offset by higher internal transfer income and a decrease in the provision for credit losses. The internal transfer income increased $37.5 million to $321.1 million for the six months ended June 30, 2024 as compared to the same period in 2023 due to higher allocations of the overhead expense to the Consumer Banking and Commercial Banking segments over the same period. Provision for credit losses decreased $4.8 million mostly due to credit related impairment of one corporate bond issued by Signature Bank during the six months ended June 30, 2023.Treasury and Corporate Other's net interest margin decreased 67 basis points to 0.68 percent for the six months ended June 30, 2024 as compared to the same period in 2023 due to a 75 basis point increase in cost of our funding sources, partially offset by an 8 basis point increase in the yield on average investments. The increase in the yield on average investments as compared to the same period in 2023 was largely driven by new higher yielding investments and a reduction in premium amortization expense mostly caused by slower principal repayments in the elevated market interest rate environment.ASSET/LIABILITY MANAGEMENT Interest Rate RiskOur 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 managementâ€™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 predominantly 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 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 JuneÂ 30, 2024. 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 JuneÂ 30, 2024. The impact of interest rate derivatives, such as interest rate swaps, is also included in the model.70Our simulation model is based on market interest rates and prepayment speeds prevalent in the market as of JuneÂ 30, 2024. Although the size of Valleyâ€™s balance sheet is forecasted to remain static as of JuneÂ 30, 2024, 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 the second quarter 2024. The model utilizes an immediate parallel shift in market interest rates at JuneÂ 30, 2024.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 managementâ€™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.Â EstimatedÂ ChangeÂ inFutureÂ NetÂ InterestÂ IncomeChanges in Interest RatesDollarChangePercentageChange(in basis points)($ in thousands)+300$140,214Â 8.42Â %+20091,871Â 5.52Â +10043,707Â 2.62Â â€“100(60,433)(3.63)â€“200(115,201)(6.92)â€“300(169,593)(10.19)As noted in the table above, a 100 basis point immediate decrease in interest rates combined with a static balance sheet where the size, mix, and proportions of assets and liabilities remain unchanged is projected to decrease net interest income over the next 12-month period by 3.63 percent. Management believes the interest rate sensitivity of our balance sheet remains within an expected tolerance range at JuneÂ 30, 2024. 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.71Liquidity and Cash RequirementsBank Liquidity Liquidity measures Valley's ability to satisfy its current and future cash flow needs. Our objective is to have liquidity available to fulfill loan demands, repay deposits and other liabilities, and execute balance sheet strategies in all market conditions while adhering to internal controls and income targets. Valley's liquidity program is managed by the Treasury Department and routinely monitored by the Asset and Liability Management Committee and two board committees. Among other actions, the Treasury Department actively monitors Valley's current liquidity profile, sources and stability of funding, availability of assets for pledging or sale, opportunities to gather additional funds, and anticipated future funding needs, including the level of unfunded commitments. The Bank adheres to certain internal liquidity measures including ratios of loans to deposits below 110 percent and wholesale funding to total funding below 25 percent, as summarized in the table below.

Management maintains flexibility to temporarily exceed these thresholds in certain operating environments. The following table presents Valley's loan to deposits and wholesale funding to total funding ratios at JuneÂ 30, 2024 and DecemberÂ 31, 2023:June 30,2024December 31,2023Loans to deposits100.4Â %102.0Â %Wholesale funding to total funding22.6Â 19.5Â Valley's short and long-term cash requirements include contractual obligations under borrowings, deposits, payments related to leases, capital expenditures and other purchase commitments. In the ordinary course of operations, the Bank also enters into various financial obligations, including contractual obligations that may require future cash payments. 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 FRB of New York) and other sources. The following table summarizes Valley's sources of liquid assets:June 30,2024December 31,2023(in thousands)Cash and due from banks$478,006Â $284,090Â Interest bearing deposits with banks531,067Â 607,135Â Trading debt securities3,979Â 3,973Â Held to maturity debt securities (1) 204,732Â 194,094Â Available for sale debt securities (2)2,212,092Â 1,296,576Â Loans held for sale19,887Â 30,640Â Total liquid assets$3,449,763Â $2,416,508Â (1) Â Â Â Â Represents securities 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) within the held to maturity debt security portfolio.(2) Â Â Â Â Includes approximately $1.7 billion and $840.3 million of various investment securities that were pledged to counterparties to support our earning asset funding strategies at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. Total liquid assets represented 6.1 percent and 4.3 percent of interest earning assets at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. 72Other sources of funds on the asset side are derived from scheduled loan payments of principal and interest, as well as prepayments received. At JuneÂ 30, 2024, estimated cash inflows from total loans are projected to be approximately $14.1 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. We anticipate the receipt of approximately $432.0 million in principal payments from securities in the total investment portfolio at JuneÂ 30, 2024 over the next 12-month period due to normally scheduled principal repayments and expected prepayments of certain securities, primarily residential mortgage-backed securities. On the liability side of the balance sheet, we utilize multiple sources of funds to meet liquidity needs, including retail and commercial deposits, fully FDIC-insured indirect customer deposits, collateralized municipal deposits, and short-term and long-term borrowings. Our core deposit base, which generally excludes all fully insured indirect customer deposits, as well as retail certificates of deposit over $250 thousand, represents the largest of these sources. Average core deposits totaled approximately $40.2 billion and $37.6 billion for the six months ended June 30, 2024 and for the year ended DecemberÂ 31, 2023, respectively, representing 70.8 percent and 66.6 percent of average interest earning assets for the respective periods. The level of interest bearing deposits is affected by interest rates offered, which is often influenced by our need for funds, rates prevailing in the capital markets, competition, and the need to manage interest rate risk sensitivity.In addition to customer deposits, the Bank has access to readily available borrowing sources to supplement its current and projected funding needs. The following table presents short-term borrowings outstanding at JuneÂ 30, 2024 and DecemberÂ 31, 2023:June 30, 2024December 31, 2023Â (in thousands)FHLB advances$â€"Â $850,000Â Securities sold under agreements to repurchase63,770Â 67,834Â Total short-term borrowings$63,770Â $917,834Â The following table summarizes the Bank's estimated unused available non-deposit borrowing capacities at JuneÂ 30, 2024 and DecemberÂ 31, 2023:June 30, 2024December 31, 2023(in thousands)FHLB borrowing capacity*$9,235,878Â $13,604,000Â Unused FRB discount window*10,162,000Â 8,530,000Â Unused federal funds lines available from commercial banks2,140,000Â 2,140,000Â Unencumbered investment securities1,069,244Â 1,129,000Â Total$22,607,122Â $25,403,000Â * Â Â Â Â Used and unused FHLB and FRB borrowings are collateralized by certain pledged securities, including but not limited to U.S. government and agency mortgage-backed securities and blanket qualifying first lien on certain real estate and residential mortgage secured loans.73Corporation LiquidityValleyâ€™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 ongoing 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. Valley's 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. 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 of up to five years, but not beyond the stated maturity dates, and subject to other conditions.Investment Securities PortfolioAs of JuneÂ 30, 2024, we had $69.1 million, $2.2 billion, and $3.7 billion in equity, AFS debt and HTM debt securities, respectively. We also had $4.0 million of trading securities consisting of U.S. Treasury securities at JuneÂ 30, 2024. The AFS and HTM 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 AFS debt securities include securities such as bank issued and other corporate bonds, as well as municipal special revenue bonds, which 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 equity securities consist of two publicly traded mutual funds, CRA investments and several other equity investments we have made in companies that develop new financial technologies and in partnerships that invest in such companies. Our CRA and other equity investments are a mix of both publicly traded entities and privately held entities. The primary purpose of the HTM and AFS debt securities 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 components of statement of financial condition. See additional information under â€œInterest Rate Sensitivity,â€ â€œLiquidity and Cash Requirementsâ€ and â€œCapital Adequacyâ€ sections elsewhere in this MD&A. We continually evaluate our investment securities portfolio in response to established asset/liability management objectives, changing market conditions that could affect profitability, and the level of interest rate risk to which we are exposed. These evaluations may cause us to change the level of funds we deploy into investment securities, change the composition of our investment securities portfolio, and change the proportion of investments primarily made into the AFS and HTM debt securities portfolios.Allowance for Credit Losses and Impairment AnalysisAvailable for sale debt securities. AFS 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 that the fair value is less than the 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 AFS debt securities that are in an unrealized loss position as of JuneÂ 30, 2024 and DecemberÂ 31, 2023 and determined that the declines in fair value were mainly attributable to changes in market 74volatility, due to factors such as interest rates and spread factors, but not attributable to credit quality or other factors. During the first quarter 2023, Valley recognized a credit related impairment of one corporate bond issued by Signature Bank resulting in both a provision for credit losses and full charge-off of the security totaling $5.0 million based on a comparison of the present value of expected cash flows to the amortized cost. The bond was subsequently sold and the sale resulted in a $869 thousand gain during the fourth quarter 2023. There was no other impairment recognized within the AFS debt securities portfolio during the three and six months ended JuneÂ 30, 2024 and JuneÂ 30, 2023.Valley does not intend to sell any of its AFS debt securities in an unrealized loss position prior to recovery of our amortized cost basis, and it is more likely than not that Valley will not be required to sell any of its securities prior to recovery of our amortized cost basis. None of the AFS debt securities were past due as of JuneÂ 30, 2024 and there was no allowance for credit losses for AFS debt securities at JuneÂ 30, 2024 and DecemberÂ 31, 2023.Held to maturity debt securities. Valley estimates the expected credit losses on HTM debt securities that have loss expectations using a discounted cash flow model developed by a third party. Valley has a zero-loss expectation for certain securities within the HTM 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 HTM debt securities that have loss expectations, we utilize a third party discounted cash flow model. The 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. HTM debt securities were carried net of an allowance for credit losses totaling approximately $1.1 million and $1.2 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively. 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 available for sale and held to maturity debt investment securities portfolios by investment grades at JuneÂ 30, 2024:Â June 30, 2024Â AmortizedCostGrossUnrealizedGainsGrossUnrealizedLossesFair Value(in thousands)Available for sale investment grades: AAA/AA/A Rated$2,169,596Â $1,588Â $(160,617)$2,010,567Â BBB Rated86,557Â â€"Â (3,821)82,736Â Not rated135,401Â 59Â (16,671)118,789Â Total$2,391,554Â $1,647Â $(181,109)$2,212,092Â Held to maturity investment grades: AAA/AA/A Rated$3,477,942Â $2,011Â $(498,916)$2,981,037Â BBB Rated6,000Â â€"Â (490)5,510Â Non-investment grade5,248Â â€"Â (596)4,652Â Not rated162,264Â â€"Â (13,515)148,749Â Total$3,651,454Â $2,011Â $(513,517)$3,139,948Â Allowance for credit losses1,090Â â€"Â â€"Â 1,090Â Total, net of allowance for credit losses$3,650,364Â $2,011Â $(513,517)$3,138,858Â 75The unrealized losses in the AAA/AA/A rated categories of both the AFS and HTM debt securities portfolios (in the above table) were largely related to residential mortgage-backed securities issued by Ginnie Mae, Fannie Mae and Freddie Mac and continue to be driven by the higher market interest rate environment. The investment securities AFS and HTM portfolios included $135.4 million and $162.3 million, respectively, of investments not rated by the rating agencies with aggregate unrealized losses of $16.7 million and $13.5 million, respectively, at JuneÂ 30, 2024. The unrealized losses within non-rated AFS debt securities mostly related to several large corporate bonds negatively impacted by rising interest rates, and not changes in underlying credit. The unrealized losses within non-rated HTM debt securities mostly related to four single-issuer bank trust preferred issuances with a combined amortized cost of $36.1 million with $7.2 million gross unrealized losses and several corporate debt securities that were negatively impacted by rising interest rates, and not changes in their underlying credit. See Note 6 to the consolidated financial statements for additional information regarding our investment securities portfolio. 76Loan PortfolioThe following table reflects the composition of the loan portfolio as of the dates presented:June 30,2024March 31,2024December 31,2023Â ($ in thousands)LoansCommercial and industrial$9,479,147$9,104,193$9,230,543Commercial real estate:Non-owner occupied (1)13,710,01514,962,85115,078,464Multifamily (2)8,976,2648,818,2638,860,219Owner occupied (1)5,536,8444,367,8394,304,556Total28,223,12328,148,95328,243,239Construction3,545,7233,556,5113,726,808Total commercial real estate31,768,84631,705,46431,970,047Residential mortgage5,627,1135,618,3555,569,010Consumer:Home equity566,467564,083559,152Automobile1,762,8521,700,5081,620,389Other consumer1,107,2771,229,4391,261,154Total consumer loans3,436,5963,494,0303,440,695Total loans (3)$50,311,702$49,922,042$50,210,295As a percent of total loans:Commercial and industrial18.8Â %18.2Â %18.4Â %Non-owner occupied27.3Â 30.0Â 30.0Â Multifamily17.9Â 17.7Â 17.7Â Owner occupied11.0Â 8.7Â 8.6Â Construction7.0Â 7.1Â 7.4Â Total Commercial real estate63.2Â 63.5Â 63.7Â Residential mortgage11.2Â 11.3Â 11.1Â Consumer loans6.8Â 7.0Â 6.8Â Total100.0Â %100.0Â %100.0Â %(1)Reflects approximately $1.1 billion of non-owner occupied loans reclassified to owner occupied loans at June 30, 2024 based upon Valley's re-assessment of such loans under the applicable bank regulatory guidance.(2)Includes loans collateralized by properties that are greater than 50 percent rent regulated totaling approximately $528 million, $531 million and $545 million at JuneÂ 30, 2024, MarchÂ 31, 2024 and DecemberÂ 31, 2023, respectively.(3)Includes net unearned discount and deferred loan fees of $61.6 million, $71.8 million and $85.4 million at JuneÂ 30, 2024, MarchÂ 31, 2024 and DecemberÂ 31, 2023, respectively. Total loans increased $389.7 million, or 3.1 percent on an annualized basis, to $50.3 billion at JuneÂ 30, 2024 from MarchÂ 31, 2024 mainly as a result of our focus on new commercial and industrial loan production during the second quarter 2024. Loans held for sale decreased $41.9 million to $19.9 million at JuneÂ 30, 2024 from MarchÂ 31, 2024 mostly due to the previously disclosed sale of $34.1 million of construction loans at par during April 2024. Loans held for sale are presented separately from total loans on the consolidated statements of financial condition totaling $19.9 million and $61.8 million at JuneÂ 30, 2024 and MarchÂ 31, 2024, respectively. Commercial and industrial loans increased $375.0 million to $9.5 billion at JuneÂ 30, 2024 from MarchÂ 31, 2024 mainly as a result of our focus on new loan production from specialized industries and organic loan growth during the second quarter 2024.Commercial real estate loans (excluding construction loans) increased $74.2 million to $28.2 billion at JuneÂ 30, 2024 from MarchÂ 31, 2024 due, in part, to an increase in multifamily loans during the second quarter 2024 as a 77result of the conversion to permanent financing of certain construction loans. During the second quarter 2024, we reassessed the loan classification of skilled nursing facility loans based on the qualifying criteria for owner occupied loans outlined in the applicable bank regulatory reporting guidance. As a result, we reclassified loans totaling approximately $1.1 billion from non-owner occupied to owner occupied loans at JuneÂ 30, 2024 (as reflected in the table above). Overall, we continue to be selective in our organic commercial real estate loan originations, which primarily consist of loans to existing and other well-established clients within our markets of Florida, New Jersey, New York and Manhattan. The commercial real estate loan portfolio had a combined weighted average loan to value ratio of 57 percent and debt service coverage ratio of 1.64 at JuneÂ 30, 2024. Commercial real estate collateralized by office buildings totaled approximately $3.3 billion at JuneÂ 30, 2024 and remained relatively unchanged as compared to MarchÂ 31, 2024. Our loans collateralized by office buildings had a combined weighted average loan to value rate of 55 percent and debt service coverage ratio of 1.63 at JuneÂ 30, 2024.Construction loans decreased $10.8 million to $3.5 billion at JuneÂ 30, 2024 from MarchÂ 31, 2024 partly due to the migration of completed projects to both internal and external permanent financing and a low level of new advances on existing projects. Residential mortgage loans totaled $5.6 billion at JuneÂ 30, 2024 and only increased $8.8 million from MarchÂ 31, 2024. New and refinanced residential mortgage loan originations totaled $135.4Â million for the second quarter 2024 as compared to $115.0Â million and $188.0Â million for the first quarter 2024 and second quarter 2023, respectively. During the second quarter 2024, we retained approximately 61.9 percent of the total residential mortgage originations in our held for investment loan portfolio. The volume of primarily new home loan applications remained relatively low in the early stages of the third quarter 2024 largely due to the higher level of mortgage interest rates which may continue to challenge our ability to grow this loan category.Home equity loans increased $2.4 million to $566.5 million at JuneÂ 30, 2024 compared to MarchÂ 31, 2024 as new home equity loan originations and customer utilization of lines of credit remained challenged due to the unfavorable high interest rate environment. Automobile loans increased by $62.3 million, or 14.7 percent on an annualized basis, to $1.8 billion at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 as application volume from our indirect auto dealer network remained strong during the second quarter 2024. Other consumer loans decreased $122.2 million to $1.1 billion at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024, primarily due to the negative impact of high market interest rates on the demand and usage of collateralized personal lines of credit.A significant part of our lending is in northern and central New Jersey, New York City, Long Island and Florida. 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.Looking forward to third quarter 2024 and beyond, we expect to remain highly selective on new loan originations and generally supportive of compelling projects led by our high quality and tenured customer base. We will continue to focus our new origination efforts on traditional commercial and industrial, owner-occupied real estate and healthcare and controlling non-owner occupied and multifamily originations in efforts to reduce our commercial real estate concentration level. For the second half of 2024, we currently expect low single digits annualized loan growth as compared to total loans of $50.3 billion at JuneÂ 30, 2024.Non-performing Assets NPAs include non-accrual loans, OREO, and other repossessed assets (which primarily consist of automobiles and taxi medallions) at JuneÂ 30, 2024. 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 78loans secured by land or real estate. OREO and other repossessed assets are reported at lower of cost or fair value, less estimated cost to sell.Our NPAs increased $24.2 million to $312.9 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mainly due to higher non-accrual commercial real estate loan balances. NPAs as a percentage of total loans and NPAs totaled 0.62 percent and 0.58 percent at JuneÂ 30, 2024 and MarchÂ 31, 2024, respectively (as shown in the table below). We believe our total NPAs has remained relatively low as a percentage of the total loan portfolio and NPAs, which is reflective of our consistent approach to the loan underwriting criteria for both Valley originated loans and loans purchased from third parties. For additional details, see the â€œCredit quality indicatorsâ€ section in Note 7 to the consolidated financial statements. Our lending strategy is based on underwriting standards designed to maintain high credit quality, and we remain optimistic regarding the overall future performance of our loan portfolio. During the six months ended JuneÂ 30, 2024, most of our credit trends have remained generally stable, and the majority of our borrowers continued to demonstrate resilience despite the impact of higher borrowing costs, elevated inflation, labor costs and other factors. We continue to proactively monitor our commercial loans for potential negative trends/borrower weakness due to the current operating environment and internally risk rate them accordingly. However, management cannot provide assurance that the non-performing assets will not increase from the levels reported at JuneÂ 30, 2024 due to the aforementioned or other factors potentially impacting our lending customers.79The following table sets forth by loan category accruing past due and non-performing assets at the dates indicated in conjunction with our asset quality ratios:Â June 30,2024March 31,2024December 31,2023Â ($ in thousands)Accruing past due loans:30 to 59 days past due:Commercial and industrial$5,086Â $6,202Â $9,307Â Commercial real estate1,879Â 5,791Â 3,008Â Residential mortgage17,389Â 20,819Â 26,345Â Total consumer21,639Â 14,032Â 20,554Â Total 30 to 59 days past due45,993Â 46,844Â 59,214Â 60 to 89 days past due:Commercial and industrial1,621Â 2,665Â 5,095Â Commercial real estateâ€"Â 3,720Â 1,257Â Residential mortgage6,632Â 5,970Â 8,200Â Total consumer3,671Â 1,834Â 4,715Â Total 60 to 89 days past due11,924Â 14,189Â 19,267Â 90 or more days past due:Commercial and industrial2,739Â 5,750Â 5,579Â Commercial real estate4,242Â â€"Â â€"Â Construction3,990Â 3,990Â 3,990Â Residential mortgage2,609Â 2,884Â 2,488Â Total consumer898Â 731Â 1,088Â Total 90 or more days past due14,478Â 13,355Â 13,145Â Total accruing past due loans$72,395Â $74,388Â $91,626Â Non-accrual loans:Commercial and industrial$102,942Â $102,399Â $99,912Â Commercial real estate123,011Â 100,052Â 99,739Â Construction45,380Â 51,842Â 60,851Â Residential mortgage28,322Â 28,561Â 26,986Â Total consumer3,624Â 4,438Â 4,383Â Total non-accrual loans303,279Â 287,292Â 291,871Â Other real estate owned (OREO)8,059Â 88Â 71Â Other repossessed assets1,607Â 1,393Â 1,444Â Total non-performing assets (NPAs)$312,945Â $288,773Â $293,386Â Total non-accrual loans as a % of loans0.60Â %0.58Â %0.58Â %Total NPAs as a % of loans and NPAs0.62Â 0.58Â 0.58Â Total accruing past due and non-accrual loans as a % of loans0.75Â 0.72Â 0.76Â Allowance for loan losses as a % of non-accrual loans171.23Â 163.33Â 152.83Â Loans 30 to 59 days past due decreased $851 thousand to $46.0 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mainly due to improved performance across the most loan categories, largely offset by higher personal lines of credit delinquencies within consumer loans. Loans 60 to 89 days past due decreased $2.3 million to $11.9 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mostly due to a commercial real estate loan relationship totaling $3.7 million at MarchÂ 31, 2024 that migrated from this past due category to non-accrual loans during the second quarter 2024.80Loans 90 days or more past due and still accruing interest increased $1.1 million to $14.5 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 largely due to one matured commercial real estate loan in the process of collection, partially offset by lower commercial and industrial delinquencies within the category. All loans 90 days or more past due and still accruing interest are well-secured and in the process of collection.Non-accrual loans increased $16.0 million to $303.3 million at JuneÂ 30, 2024 as compared to $287.3 million at MarchÂ 31, 2024. Non-accrual commercial real estate loans increased $23.0 million to $123.0 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mainly due to two additional non-performing loan relationships totaling a combined $24.1 million which were placed on non-accrual status during the second quarter 2024. Non-accrual construction loans decreased $6.5 million to $45.4 million at JuneÂ 30, 2024 as compared to MarchÂ 31, 2024 mainly due to the repayment of one loan totaling $5.2 million during the second quarter 2024. Non-performing taxi medallion loans included in non-accrual commercial and industrial loans totaled $52.6 million at JuneÂ 30, 2024 and had related reserves of $28.0 million, or 53.3 percent of such loans, within the allowance for loan losses as compared to $53.0 million of loans with related reserves of $28.2 million at MarchÂ 31, 2024. Potential further declines in the market valuation of taxi medallions and the current operating environment mainly within New York City may further negatively impact the performance of this portfolio. OREO increased $8.0 million at JuneÂ 30, 2024 from MarchÂ 31, 2024 due to the foreclosure and transfer of two commercial real estate properties from the loan portfolio during the second quarter 2024. Residential mortgage and consumer loans secured by residential real estate properties for which formal foreclosure proceedings are in process totaled $3.5 million and $1.6 million at JuneÂ 30, 2024 and DecemberÂ 31, 2023, respectively.Although the timing of collection is uncertain, management believes that the majority of the non-accrual loans at JuneÂ 30, 2024, are well secured and largely collectable, based in part on our quarterly review of collateral dependent loans and the valuation of the underlying collateral, if applicable. Any estimated shortfall in the net realizable value for collateral dependent loans is charged-off when a loan is 90 or 120 days past due or sooner if it is probable that a loan may not be fully collectable. For performing non-accrual loans, the collateral valuation shortfall results in an allocation of specific reserves within our allowance for credit losses for loans. Allowance for Credit Losses for LoansThe ACL for loans 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: (i) a collective reserve component for estimated expected credit losses for pools of loans that share common risk characteristics and (ii) an individual reserve component for loans that do not share risk characteristics, consisting of collateral dependent loans. Valley also maintains a separate allowance for unfunded credit commitments mainly consisting of undisbursed non-cancellable lines of credit, new loan commitments and commercial standby letters of credit.Valley estimates the collective ACL using a current expected credit losses methodology which is based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the loan balances. In estimating the component of the allowance on a collective basis, we use a transition matrix model which calculates an expected life of loan loss percentage for each loan pool by generating probability of default and loss given default metrics. The metrics are based on the migration of loans within the commercial and industrial loan categories from performing to loss by credit quality rating or delinquency categories using historical life-of-loan analysis periods for each loan portfolio pool and the severity of loss based on the aggregate net lifetime losses. The model's expected losses based on loss history are adjusted for qualitative factors. Among other things, these adjustments include and account for differences in: (i) the impact of the reasonable and supportable economic forecast, relative probability weightings and reversion period, (ii) other asset specific risks to the extent that they do not exist in the historical loss information, and (iii) net expected recoveries of charged-off loan balances. These adjustments are based on qualitative factors not reflected in the quantitative model but are likely to impact the measurement of estimated credit losses. The expected lifetime loss rate is the life of loan loss percentage from the transition matrix model plus the impact of the adjustments for qualitative factors. The expected 81credit losses are the product of multiplying the modelâ€™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 are 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 JuneÂ 30, 2024, Valley maintained the majority of its probability weighting used in the economic forecast to the Moodyâ€™s Baseline scenario with less emphasis on the S-3 downside and S-1 upside scenarios. The probability weightings were unchanged from March 31, 2024 and DecemberÂ 31, 2023. At JuneÂ 30, 2024, the standalone Moody's Baseline scenario reflected a more optimistic outlook as compared to March 31, 2024 in terms of most metrics highlighted below. At JuneÂ 30, 2024, the Moody's Baseline forecast included the following specific assumptions: â€¢GDP expansion of approximately 2.1 percent in the third quarter 2024;â€¢Unemployment of 4.0 percent in the second quarter 2024 and approximately 4.0 to 4.1 percent over the remainder of the forecast period ending in the second quarter 2026; â€¢Inflation continues to slow, but at a slower than expected rate. The inflation rate was at 3.3 percent in May 2024 and was mostly driven by an increased shelter inflation component; andâ€¢The Federal Reserve continues to pause with the federal funds rate at 5.25 - 5.50 percent and two potential rate cuts totaling 0.50 percent during the remainder of 2024. See more details regarding our allowance for credit losses for loans in Note 7 to the consolidated financial statements. 82The table below summarizes the relationship among loans, loans charged-off, loan recoveries, the provision for credit losses and the allowance for credit losses for loans for the periods indicated:Â Three Months EndedSix Months EndedJune 30,2024March 31,2024June 30,2023June 30,2024June 30,2023Â ($ in thousands)Allowance for credit losses for loansBeginning balance$487,269$465,550$460,969$465,550$483,255Impact of the adoption of ASU No. 2022-02 (1)â€"â€"â€"â€"(1,368)Beginning balance, adjusted487,269465,550460,969465,550481,887Loans charged-off:Commercial and industrial(14,721)(14,293)(3,865)(29,014)(29,912)Commercial real estate(22,144)(1,204)(2,065)(23,348)(2,065)Construction(212)(7,594)(4,208)(7,806)(9,906)Residential mortgageâ€"â€"(149)â€"(149)Total consumer(1,262)(1,809)(1,040)(3,071)(1,868)Total loans charged-off(38,339)(24,900)(11,327)(63,239)(43,900)Charged-off loans recovered:Commercial and industrial7426822,1731,4243,572Commercial real estate150241439128Residential mortgage52513530156Total consumer6033973901,0001,151Total loans recovered1,5001,3452,7022,8454,907Total net loan charge-offs(36,839)(23,555)(8,625)(60,394)(38,993)Provision charged for credit losses82,11145,2746,332127,38515,782Ending balance$532,541$487,269$458,676$532,541$458,676Components of allowance for credit losses for loans:Allowance for loan losses$519,310$469,248$436,432$519,310$436,432Allowance for unfunded credit commitments13,23118,02122,24413,23122,244Allowance for credit losses for loans$532,541$487,269$458,676$532,541$458,676Components of provision for credit losses for loans:Provision for credit losses for loans $86,901$46,723$8,159$133,624$18,138Credit for unfunded credit commitments (4,790)(1,449)(1,827)(6,239)(2,356)Total provision for credit losses for loans$82,111$45,274$6,332$127,385$15,782Allowance for credit losses for loans as a % of total loans1.06Â %0.98Â %0.92Â %1.06Â %0.92Â %(1) Represents the opening adjustment for the adoption of ASU No. 2022-02 effective January 1, 2023. 83The following table presents the relationship among net loans charged-off and recoveries, and average loan balances outstanding for the periods indicated:Â Three Months EndedSix Months EndedÂ June 30, 2024March 31, 2024June 30, 2023June 30, 2024June 30, 2023Â ($ in thousands)Net loan (charge-offs) recoveriesCommercial and industrial$(13,979)$(13,611)$(1,692)$(27,590)$(26,340)Commercial real estate(21,994)(963)(2,061)(22,957)(2,037)Construction(212)(7,594)(4,208)(7,806)(9,906)Residential mortgage525(14)307Total consumer(659)(1,412)(650)(2,071)(717)Total $(36,839)$(23,555)$(8,625)$(60,394)$(38,993)Average loans outstandingCommercial and industrial$9,173,875$9,235,707$9,043,832$9,204,791$8,947,177Commercial real estate28,237,51328,259,70127,808,27828,248,60627,184,347Construction3,526,4213,693,3433,787,1833,609,8823,784,233Residential mortgage5,631,2145,600,1355,489,5015,615,6755,426,949Total consumer3,451,8783,457,7053,329,1433,454,7923,320,364Total$50,020,901$50,246,591$49,457,937$50,133,746$48,663,070Annualized net loan charge-offs to average loans outstandingCommercial and industrial0.61%0.59%0.07%0.60%0.59%Commercial real estate0.310.010.030.160.01Construction0.020.820.440.430.52Residential mortgage0.000.000.000.000.00Total consumer0.080.160.080.120.04Total annualized net loan charge-offs to total average loans outstanding0.290.190.070.240.16Net loan charge-offs totaled $36.8 million for the second quarter 2024 as compared to $23.6 million and $8.6 million for the first quarter 2024 and second quarter 2023, respectively. Gross loan charge-offs for the second quarter 2024 included (i) partial charge-offs totaling $20.6 million related to a single non-performing commercial real estate loan relationship and (ii) $11.0 million of partial loan charge-offs related to one commercial and industrial loan (with prior reserves within the allowance for loan losses totaling $8.0 million at MarchÂ 31, 2024). While the amount of net loan charge-offs (as presented in the above table) has increased in the second quarter 2024, the relatively low level of individual loan charge-offs has continued to trend within management's expectations for the credit quality of the loan portfolio at JuneÂ 30, 2024. 84The following table summarizes the allocation of the allowance for credit losses for loans to loan portfolio categories and the allocations as a percentage of each loan category:Â June 30, 2024March 31, 2024June 30, 2023Â AllowanceAllocationAllocationas a % ofLoanCategoryAllowanceAllocationAllocationas a % ofLoanCategoryAllowanceAllocationAllocationas a % ofLoanCategoryÂ ($ in thousands)Loan Category:Commercial and industrial loans$149,243Â 1.57Â %$138,593Â 1.52Â %$128,245Â 1.38Â %Commercial real estate loans:Commercial real estate246,316Â 0.87Â 209,355Â 0.74Â 194,177Â 0.70Â Construction54,777Â 1.54Â 56,492Â 1.59Â 45,518Â 1.19Â Total commercial real estate loans301,093Â 0.95Â 265,847Â 0.84Â 239,695Â 0.76Â Residential mortgage loans47,697Â 0.85Â 44,377Â 0.79Â 44,153Â 0.79Â Consumer loans:Home equity3,077Â 0.54Â 2,809Â 0.50Â 4,020Â 0.75Â Auto and other consumer18,200Â 0.63Â 17,622Â 0.60Â 20,319Â 0.70Â Total consumer loans21,277Â 0.62Â 20,431Â 0.58Â 24,339Â 0.71Â Allowance for loan losses519,310Â 1.03Â 469,248Â 0.94Â 436,432Â 0.88Â Allowance for unfunded credit commitments13,231Â 18,021Â 22,244Â Total allowance for credit losses for loans$532,541Â $487,269Â $458,676Â Allowance for credit losses for loans as a % of total loans1.06Â %0.98Â %0.92Â %The allowance for credit losses for loans, comprised of our allowance for loan losses and unfunded credit commitments, as a percentage of total loans was 1.06 percent at JuneÂ 30, 2024 as compared to 0.98 percent and 0.92 percent at MarchÂ 31, 2024 and JuneÂ 30, 2023, respectively. During the second quarter 2024, we recorded a provision for credit losses for loans of $82.1 million as compared to $45.3 million and $6.3 million for the first quarter 2024 and second quarter 2023, respectively. The increase in the second quarter 2024 provision was mainly due to higher quantitative reserves allocated to commercial real estate loans, commercial and industrial loan growth, and additional specific reserves and charge-offs associated with the revaluation of collateral dependent commercial loans at JuneÂ 30, 2024.The allowance for unfunded credit commitments declined to $13.2 million at JuneÂ 30, 2024 mainly due to a continued decline in the level of our commercial real estate loan commitments pipeline. Our provision for credit losses could remain elevated during the remainder of 2024 due to several factors, including, but not limited to, the impact of future changes in (1) our economic outlook, (2) the overall performance of our loan portfolio, (3) potential downgrades in the internal risk classification of commercial loans and (4) the composition of our loan portfolio, including targeted growth in loan categories not secured by real estate such as commercial and industrial loans. Capital AdequacyA significant measure of the strength of a financial institution is its shareholdersâ€™ equity. At both JuneÂ 30, 2024 and DecemberÂ 31, 2023, shareholders' equity totaled approximately $6.7 billion which represented 10.9 percent and 11.0 percent of total assets, respectively.85During the six months ended June 30, 2024, total shareholdersâ€™ equity increased by approximately $36.3 million primarily due to the following:â€¢net income of $166.7 million, and â€¢a $7.5 million increase attributable to the effect of our stock incentive plan, partially offset byâ€¢cash dividends declared on common and preferred stock totaling a combined $121.7 million, andâ€¢other comprehensive loss of $16.2 million.Valley and the Bank are subject to the regulatory capital requirements administered by the FRB and the OCC. Quantitative measures established by regulation to ensure capital adequacy require Valley and the 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 ratio of 6.0 percent, ratio of total capital to risk-weighted assets of 8.0 percent, and a 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 JuneÂ 30, 2024 and DecemberÂ 31, 2023, Valley and Valley National Bank exceeded all capital adequacy requirements (see table below).For regulatory capital purposes, in accordance with the Federal Reserve Boardâ€™s final rule as of August 26, 2020, we deferred 100 percent of the CECL Day 1 impact to shareholders' equity plus 25 percent of the reserve build (i.e., provision for credit losses less net charge-offs) for a two-year period ending January 1, 2022. On January 1, 2022, the deferral amount totaling $47.3 million after-tax started to be phased-in by 25 percent and will increase 25 percent per year until fully phased-in on January 1, 2025. As of JuneÂ 30, 2024, approximately $35.5 million of the $47.3 million deferral amount was recognized as a reduction to regulatory capital and, as a result, decreased our risk-based capital ratios by approximately 9 basis points. 86The following table presents Valleyâ€™s and Valley National Bankâ€™s actual capital positions and ratios under Basel III risk-based capital guidelines at JuneÂ 30, 2024 and DecemberÂ 31, 2023:Â ActualMinimum CapitalRequirementsToÂ BeÂ WellÂ CapitalizedUnderÂ PromptÂ CorrectiveAction ProvisionÂ AmountRatioAmountRatioAmountRatioÂ Â ($Â inÂ thousands)As of June 30, 2024Total Risk-based CapitalValley$5,954,925Â 12.17Â %$5,139,736Â 10.50Â %N/AN/AValley National Bank5,903,110Â 12.06Â 5,138,202Â 10.50Â $4,893,526Â 10.00Â %Common Equity Tier 1

CapitalValley4,675,635Â 9.55Â 3,426,491Â 7.00Â N/AN/AValley National Bank5,457,352Â 11.15Â 3,425,468Â 7.00Â 3,180,792Â 6.50Â Tier 1 Risk-based CapitalValley4,885,167Â 9.98Â 4,160,739Â 8.50Â N/AN/AValley National Bank5,457,352Â 11.15Â 4,159,497Â 8.50Â 3,914,821Â 8.00Â Tier 1 Leverage CapitalValley4,885,167Â 8.19Â 2,387,140Â 4.00Â N/AN/AValley National Bank5,457,352Â 9.15Â 2,386,758Â 4.00Â 2,983,448Â 5.00Â As of December 31, 2023Total Risk-based CapitalValley$5,855,633Â 11.76Â %$5,228,447Â 10.50Â %N/AN/AValley National Bank5,794,213Â 11.64Â 5,228,403Â 10.50Â $4,979,431Â 10.00Â %Common Equity Tier 1 CapitalValley4,623,473Â 9.29Â 3,485,631Â 7.00Â N/AN/AValley National Bank5,420,894Â 10.89Â 3,485,602Â 7.00Â 3,236,630Â 6.50Â Tier 1 Risk-based CapitalValley4,838,314Â 9.72Â 4,232,552Â 8.50Â N/AN/AValley National Bank5,420,894Â 10.89Â 4,232,517Â 8.50Â 3,983,545Â 8.00Â Tier 1 Leverage CapitalValley4,838,314Â 8.16Â 2,372,129Â 4.00Â N/AN/AValley National Bank5,420,894Â 9.14Â 2,372,322Â 4.00Â 2,965,403Â 5.00Â The increases in the total risk-based capital, common equity Tier 1 capital, and Tier 1 capital ratios at JuneÂ 30, 2024 as compared to DecemberÂ 31, 2023 were largely due to the credit risk transfer transaction related to a portion of the automobile loan portfolio executed in June 2024. See the "Executive Summary" section for more details.On August 5, 2024, Valley issued 6.0 million shares of its 8.250 percent Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock, Series C, no par value per share, with a liquidation preference of $25 per share. Net proceeds to Valley after deducting underwriting discounts, commissions and offering expenses were $144.7 million and are expected to enhance our regulatory capital and ratios reported at September 30, 2024. Valley intends to use the proceeds for general corporate purposes and investments in Valley National Bank for future growth.87The following table sets forth Valleyâ€™s (1) actual capital positions and ratios under Basel III risk-based capital guidelines at JuneÂ 30, 2024 and (2) on an adjusted basis to give effect to the Series C preferred stock, net of issuance costs.Â ActualAs AdjustedÂ AmountRatioAmountRatioÂ Â ($Â inÂ thousands)As of June 30, 2024Total Risk-based Capital$5,954,925Â 12.17Â %$6,099,579Â 12.46Â %Common Equity Tier 1 Capital4,675,635Â 9.55Â 4,675,635Â 9.55Â Tier 1 Risk-based Capital4,885,167Â 9.98Â 5,029,821Â 10.28Â Tier 1 Leverage Capital4,885,167Â 8.19Â 5,029,821Â 8.41Â See Note 1 to the consolidated financial statements for more details on the Series C preferred stock.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 approximately 29.0 percent for the six months ended June 30, 2024 as compared to 53.7 percent for the year ended DecemberÂ 31, 2023. The decline in the retention ratio during the first half of 2024 was partly due to the increased provision for credit losses during the second quarter 2024. Cash dividends declared amounted to $0.22 per common share for each of the six months ended June 30, 2024 and 2023. 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 Federal Reserve or the OCC regarding the current level of its quarterly common stock dividend. However, the Federal Reserve has reiterated its long-standing guidance in recent years 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 and other factors negatively impacting the future level of bank earnings. See Item 1A. Risk Factors of Valley's Annual Report for additional information.Off-Balance Sheet Arrangements, Contractual Obligations and Other MattersFor a discussion of Valleyâ€™s off-balance sheet arrangements and contractual obligations see information included in Valleyâ€™s Annual Report in the MD&A section â€œLiquidity and Cash Requirementsâ€ and Notes 12 and 13 to the consolidated financial statements included in this report. ItemÂ 3.Quantitative and Qualitative Disclosures About Market RiskMarket risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices, and commodity prices. Valleyâ€™s market risk is composed primarily of interest rate risk. See page 70 for a discussion of interest rate risk.ItemÂ 4.Controls and Procedures(a) Disclosure control and procedures. Valley maintains disclosure controls and procedures which, consistent with Rule 13a-15(e) under the Exchange Act, 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 Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SECâ€™s rules and forms, and 88to ensure that such information is accumulated and communicated to Valleyâ€™s management, including Valleyâ€™s Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.Valleyâ€™s CEO and CFO, with the assistance of other members of Valleyâ€™s management, have evaluated the effectiveness of Valleyâ€™s disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, Valleyâ€™s CEO and CFO have concluded that Valleyâ€™s disclosure controls and procedures were effective as of the end of the period covered by this report.(b) Changes in internal control over financial reporting. Valleyâ€™s CEO and CFO have also concluded that there have not been any changes in Valleyâ€™s internal control over financial reporting in the quarter ended JuneÂ 30, 2024 that have materially affected, or are reasonably likely to materially affect, Valleyâ€™s internal control over financial reporting.Valleyâ€™s management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control 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. PART II - OTHER INFORMATIONÂ ItemÂ 1.Legal ProceedingsWe are a party to various claims and legal actions in the ordinary course of our business. In the opinion of management, the ultimate resolution of such claims and legal actions, either individually or in the aggregate, will not have a material adverse effect on Valleyâ€™s financial condition, results of operations, or liquidity. ItemÂ 1A.Risk FactorsThere have been no material changes in the risk factors previously disclosed in the section titled â€œRisk Factorsâ€ in Part I, Item 1A of Valleyâ€™s Annual Report. 89ItemÂ 2.Unregistered Sales of Equity Securities and Use of ProceedsDuring the quarter, we did not sell any equity securities not registered under the Securities Act of 1933, as amended. Purchases of equity securities by the issuer and affiliated purchasers during the three months ended June 30, 2024 were as follows:ISSUER PURCHASES OF EQUITY SECURITIESÂ PeriodTotalÂ NumberÂ ofSharesÂ Purchased (1)AveragePriceÂ PaidPer ShareTotalÂ NumberÂ ofÂ SharesPurchased as Part ofPublicly AnnouncedPlansMaximum Number ofShares that May Yet BePurchasedÂ UnderÂ theÂ PlansÂ (2)April 1, 2024 to April 30, 202496,354Â $7.96Â â€"Â 25,000,000Â May 1, 2024 to May 31, 20246,661Â 7.48Â â€"Â 25,000,000Â June 1, 2024 to June 30, 202410,268Â 7.13Â â€"Â 25,000,000Â Total113,283Â $7.86Â â€"Â Â Â (1)Includes repurchases made in connection with the vesting of employee restricted stock awards.(2)On April 26, 2022, Valley publicly announced a stock repurchase program for up to 25 million shares of Valley common stock. The authorization to repurchase expired on April 25, 2024. On February 21, 2024, Valley publicly announced a new stock repurchase program for up to 25 million shares of Valley common stock. The authorization to repurchase under the new repurchase program became effective on April 26, 2024, and replaced the prior stock repurchase program, and is set to expire on April 26, 2026.ItemÂ 5. Other Informationa.None.b.None.c.During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a â€œRule 10b5-1 trading arrangementâ€ or a â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408(a) of Regulation S-K.90ItemÂ 6.Exhibits(3)Articles of Incorporation and By-laws:(3.1)Restated Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q Quarterly Report filed on August 7, 2020.(3.2)Certificate of Amendment to the Restated Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Companyâ€™s Form 8-K Current Report filed on August 5, 2024. (3.3)By-laws of the Company, as amended and restated, incorporated herein by reference to Exhibit 3.1 to the Companyâ€™s Form 8-K Current Report filed on October 24, 2018.(10)Material Contracts:(10.1)Underwriting Agreement, dated July 29, 2024, by and among the Company, Valley National Bank, and Morgan Stanley & Co. LLC, BofA Securities, Inc., J.P. Morgan Securities LLC, UBS Securities LLC, Wells Fargo Securities, LLC and Keefe, Bruyette & Woods, Inc., as representatives of the underwriters named therein, incorporated herein by reference to Exhibit 1.1 to the Companyâ€™s Form 8-K Current Report filed on July 31, 2024. (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.**Furnished herewith.+Management contract and compensatory plan or arrangement.91SIGNATURESPursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.Â Â Â VALLEY NATIONAL BANCORPÂ Â (Registrant)Date:Â Â /s/ Ira RobbinsAugust 8, 2024Â Â Ira RobbinsÂ Â Chairman of the Board andÂ Â Chief Executive Officer (Principal Executive Officer)Date: Â Â /s/ Michael D. HagedornAugust 8, 2024Â Â Michael D. HagedornÂ Â Senior Executive Vice President andÂ Â Chief Financial Officer(Principal Financial Officer)92DocumentEXHIBIT 31.1CERTIFICATIONI, Ira Robbins, certify that:1.Â Â Â Â I have reviewed this Quarterly Report on Form 10-Q of Valley National Bancorp;Â 2.Â Â Â Â 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;Â 3.Â Â Â Â 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;Â 4.Â Â Â Â The registrantâ€™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:Â a)Â Â Â Â 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)Â Â Â Â 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)Â Â Â Â Evaluated the effectiveness of the registrantâ€™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; andd)Â Â Â Â Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.Â Â Â Â The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):a)Â Â Â Â 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 registrantâ€™s ability to record, process, summarize and report financial information; andb)Â Â Â Â Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Â Â Date:Â AugustÂ 8, 2024 Â /s/ Ira RobbinsIra RobbinsChairman of the Board andChief Executive OfficerDocumentEXHIBIT 31.2I, Michael D. Hagedorn, certify that:1.Â Â Â Â I have reviewed this Quarterly Report on Form 10-Q of Valley National Bancorp;2. Â Â Â Â 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.Â Â Â Â 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.Â Â Â Â The registrantâ€™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)Â Â Â Â 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)Â Â Â Â 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)Â Â Â Â Evaluated the effectiveness of the registrantâ€™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; andd)Â Â Â Â Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.Â Â Â Â The registrantâ€™s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):a)Â Â Â Â 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 registrantâ€™s ability to record, process, summarize and report financial information; andb)Â Â Â Â Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Â Date: AugustÂ 8, 2024 /s/ Michael D. HagedornMichael D. HagedornSenior Executive Vice President andChief Financial OfficerDocumentEXHIBIT 32CERTIFICATION OF CEO AND CFO PURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002In connection with the Quarterly Report on Form 10-Q of Valley National Bancorp (the â€œCompanyâ€) for the period ended JuneÂ 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), 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.Â /s/ Ira RobbinsIra RobbinsChairman of the Board andChief Executive OfficerAugust 8, 2024/s/ Michael D. HagedornMichael D. HagedornSenior Executive Vice President andChief Financial OfficerAugust 8, 2024