



# 1Q19 Earnings Presentation



April 25, 2019

# Forward Looking Statements

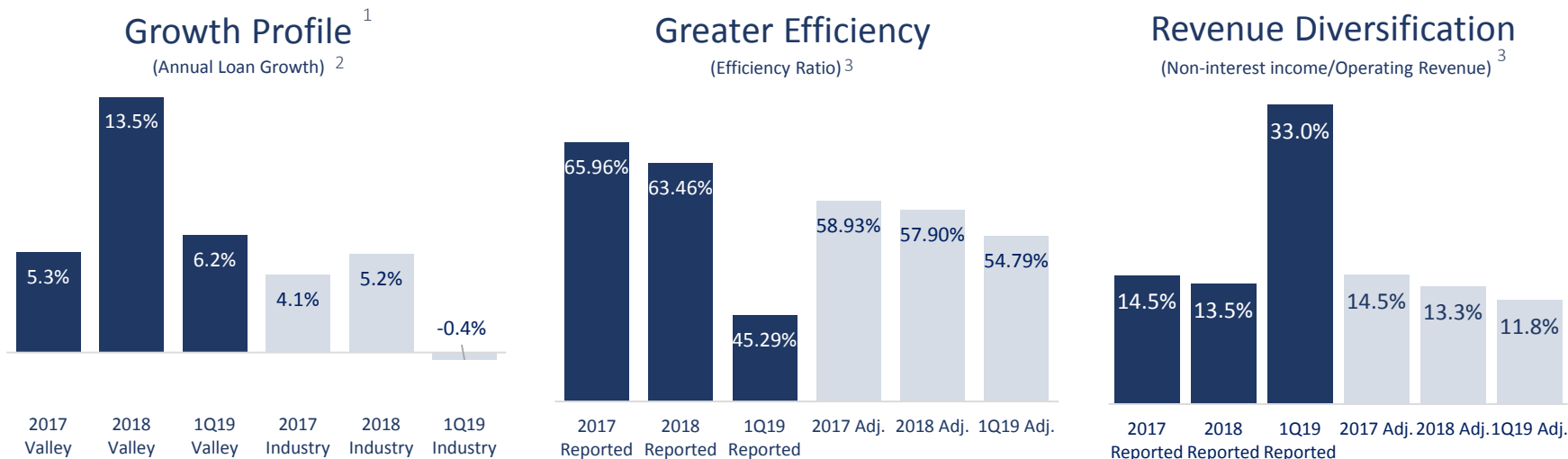
The foregoing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about management's confidence and strategies and management's expectations about new and existing programs and products, acquisitions, relationships, opportunities, taxation, technology, market conditions and economic expectations. These statements may be identified by such forward-looking terminology as "should," "expect," "believe," "view," "opportunity," "allow," "continues," "reflects," "typically," "usually," "anticipate," or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties. 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: due diligence issues or other matters prevent the expected sale and leaseback of three branch properties or expenses that reduce the additional pre-tax net gain expected to be recognized in the second quarter of 2019; developments in the DC Solar bankruptcy and federal investigations that could require the recognition of additional tax provision charges related to uncertain tax liability positions; 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; weakness or a decline in the economy, mainly in New Jersey, New York, Florida and Alabama, as well as an unexpected decline in commercial real estate values within our market areas; the inability to grow customer deposits to keep pace with loan growth; an increase in our allowance for credit losses due to higher than expected loan losses within one or more segments of our loan portfolio; less than expected cost savings from Valley's branch transformation strategy and cost reduction plans; greater than expected technology related costs due to, among other factors, prolonged or failed implementations, additional project staffing and obsolescence caused by continuous and rapid market innovations; the loss of or decrease in lower-cost funding sources within our deposit base, including our inability to achieve deposit retention targets under Valley's branch transformation strategy; cyber-attacks, computer viruses or other malware that may breach the security of our websites or other systems to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage our systems; results of examinations by the 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; damage verdicts or settlements or restrictions related to existing or potential litigations arising from claims of breach of fiduciary responsibility, negligence, fraud, contractual claims, environmental laws, patent or trade mark infringement, employment related claims, and other matters; changes in accounting policies or accounting standards, including the new authoritative accounting guidance (known as the current expected credit loss (CECL) model) which may increase the required level of our allowance for credit losses after adoption on January 1, 2020; our inability or determination not to pay dividends at current levels, or at all, because of inadequate earnings, regulatory restrictions or limitations, changes in our capital requirements or a decision to increase capital by retaining more earnings; unanticipated loan delinquencies, loss of collateral, decreased service revenues, and other potential negative effects on our business caused by severe weather or other external events; unexpected significant declines in the loan portfolio due to the lack of economic expansion, increased competition, large prepayments, changes in regulatory lending guidance or other factors; and the failure of other financial institutions with whom we have trading, clearing, counterparty and other financial relationships. A detailed discussion of factors that could affect our results is included in our SEC filings, including the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018. We undertake no duty to update any forward-looking statement to conform the statement to actual results or changes in our expectations. 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.



SLIDE 3

# Executing on Stated Goals

## Focused on 3 core principles to enhance shareholder returns over the long-term



- We continue to implement strategic initiatives aimed at improving overall profitability
- Our Branch Transformation efforts are beginning to aid in the gathering of core deposits, new account generation, and lower operating costs
- Valley's technology roadmap is helping to eliminate many legacy operating procedures
- Revamping of our compensation structure has created even greater alignment with performance and shareholder returns



# 1Q 2019 Highlights

## Reported

	1Q19	4Q18	1Q18
Return on Average Assets	1.40%	0.98%	0.57%
Efficiency Ratio	45.29%	59.87%	72.44%
Diluted Earnings Per Share	\$0.33	\$0.22	\$0.12

## Adjusted<sup>1</sup>

	1Q19	4Q18	1Q18
Return on Average Assets	0.93%	0.93%	0.84%
Efficiency Ratio	54.79%	56.68%	60.03%
Diluted Earnings Per Share	\$0.22	\$0.21	\$0.18

- Year-over-year quarterly adjusted earnings per share growth of 22%
- Annualized linked quarter net loan growth of 6.2%
- Annualized linked quarter core deposit growth of 8.8%
- Linked quarter adjusted Efficiency Ratio improvement of 189 basis points

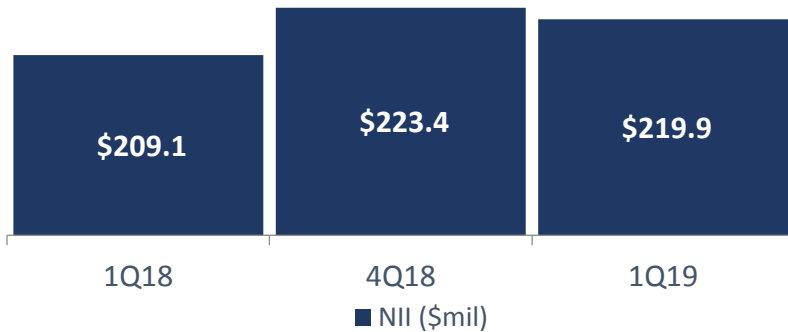
<sup>1</sup>Please refer to the Non-GAAP Disclosure Reconciliation on pages 11 & 12



# Revenues

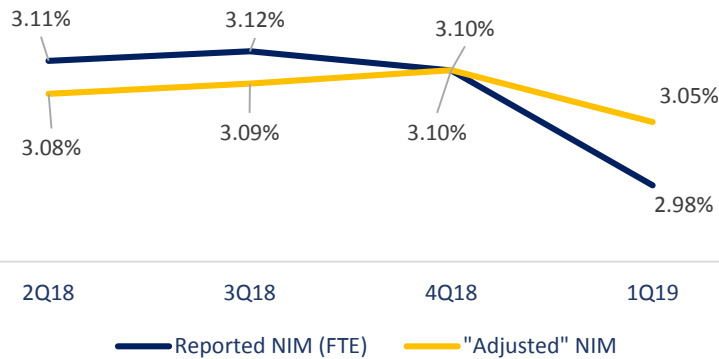
## Net Interest Income and Margin

▶ Quarterly year-over-year NII growth of 5.2%.

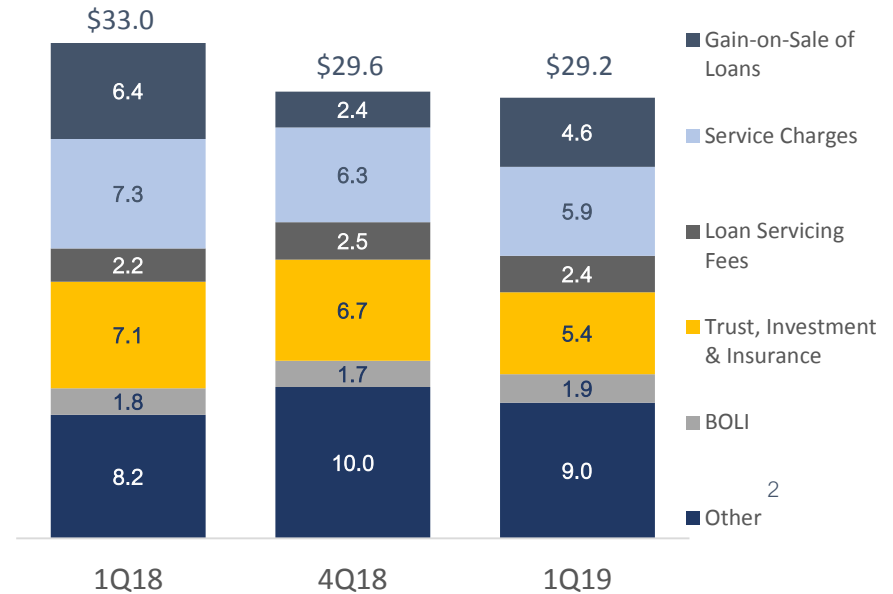


All metrics are represented on full tax equivalent basis

▶ Net Interest Margin affected partially by day count



## Adjusted Non-Interest Income Trends (\$mil)<sup>1</sup>



▶ Recorded a \$78.5 million pre-tax gain associated with tranche one of sale lease-back transaction (represents approx. 96% of total)

▶ Mortgage gain-on-sale income increased by \$2.2 million on a linked quarter basis, driven primarily by more favorable secondary market conditions

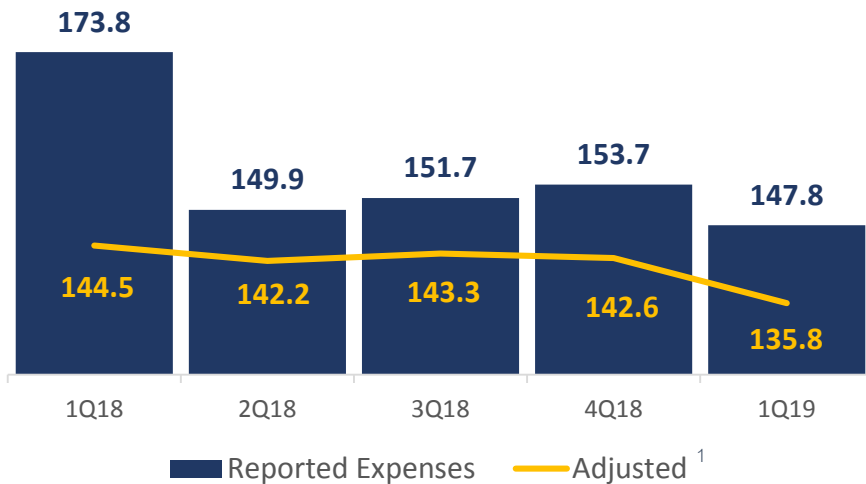
<sup>2</sup>



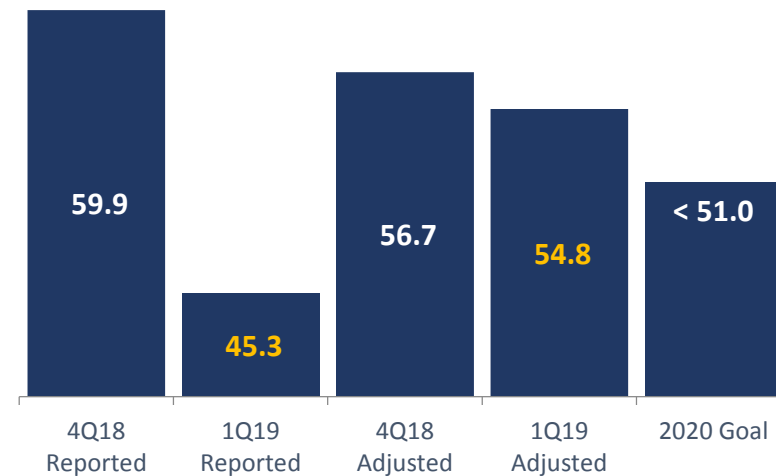
SLIDE 6

# Noninterest Expense

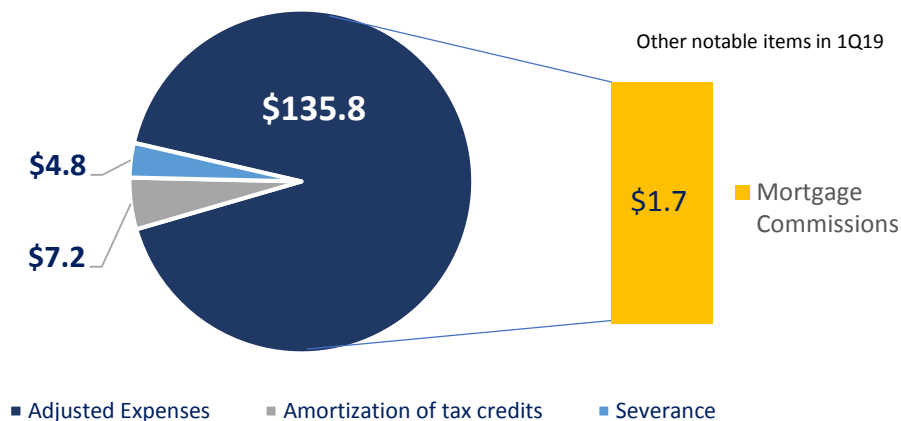
### 5 Quarter Operating Expense Trends (\$ in millions)



### Efficiency Ratio (%)<sup>1</sup>



### 1Q19 Adjusted Operating Expenses (\$, in millions)<sup>1</sup>



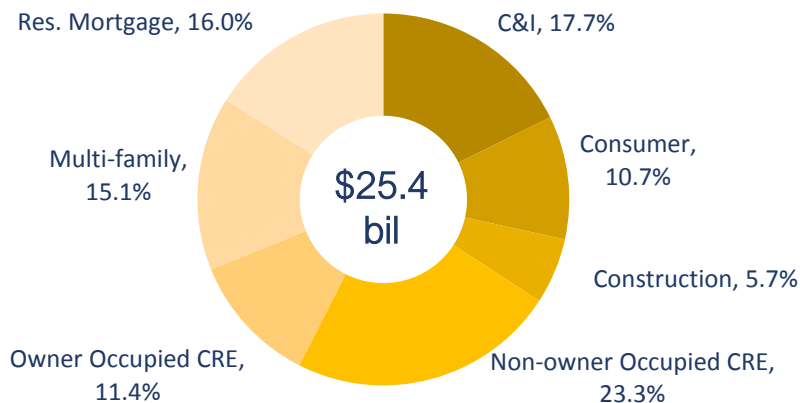
- ▶ Linked quarter decline in adjusted expenses driven by lower salaries (ex-severance) and decline in FDIC expense
- ▶ We realized approximately \$4.8 million in pre-tax severance charges related to previously announced corporate restructuring
- ▶ We have achieved most of LIFT related expense saves through 1Q19

<sup>1</sup>Refer to the appendix on pages 11 & 12 regarding non-GAAP financial measures.

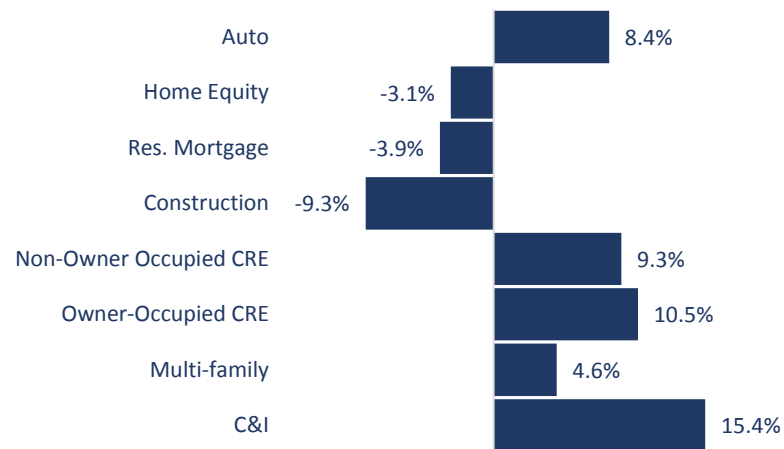


# Loans & Loan Growth

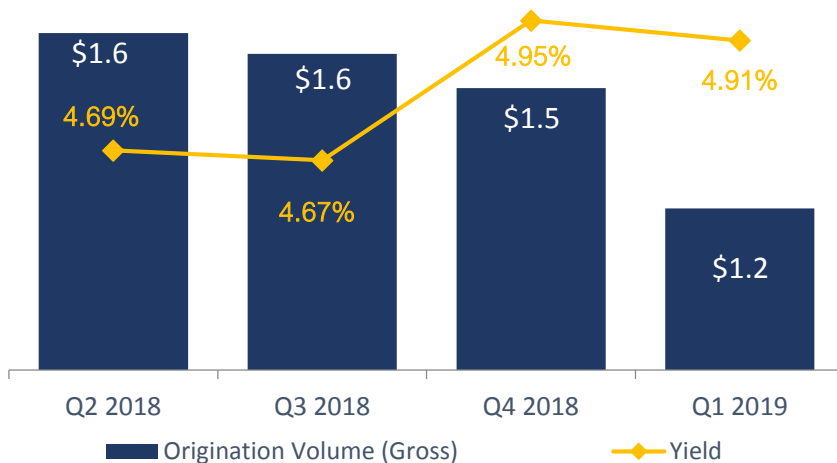
### Loan Portfolio by Product (1Q19)<sup>1</sup>



### Linked-Quarter Annualized Loan Trends<sup>1</sup>



### New loan originations (\$ bil) and Yield (%)



### Strong Performance and Outlook

- 1Q2019 annualized loan growth of 6.2%, net of residential mortgage sales (or 9.3% before sales)
- We remain confident in our ability to execute on our previous guidance range of 6-8% loan growth for the full-year

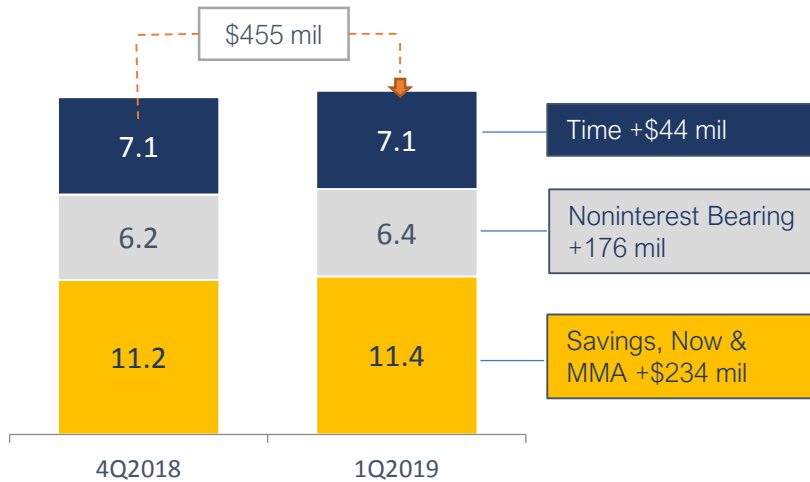
<sup>1</sup>Loan classifications according to call report schedule which may not correspond to classification outlined in earnings release.



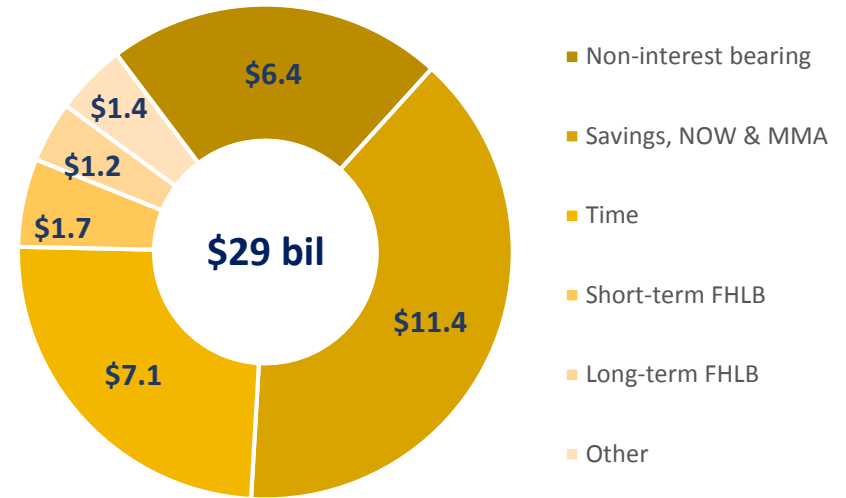
SLIDE 8

# Deposits & Funding

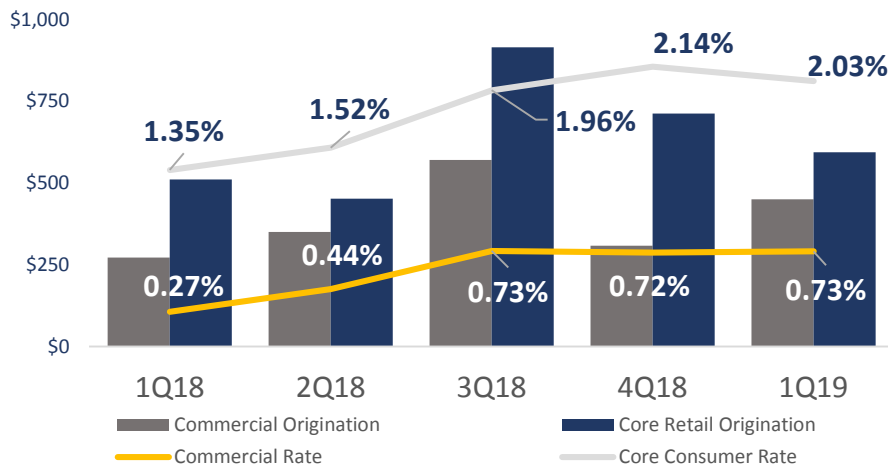
### Recent Deposit Trend (\$ in billions)<sup>1</sup>



### Funding Composition 3/31/19<sup>1</sup>



### New Commercial & Consumer Deposit Trends (\$mil)



### Funding Trends for 1Q19

- Loan-to-deposit ratio at 3/31/2019 of 102%
- Annualized linked quarter growth in core deposits of 8.8%
- Brokered deposits at 8% of total deposits remained comparable to previous quarter
- FHLB advances (ST & LT) declined \$209mil linked quarter

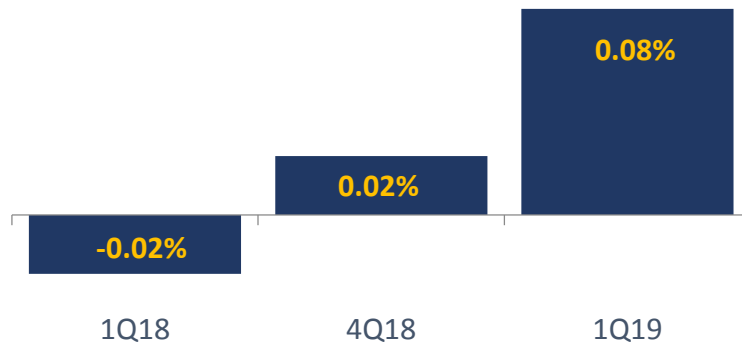
<sup>1</sup>Sums may be inconsistent due to the effects of rounding.



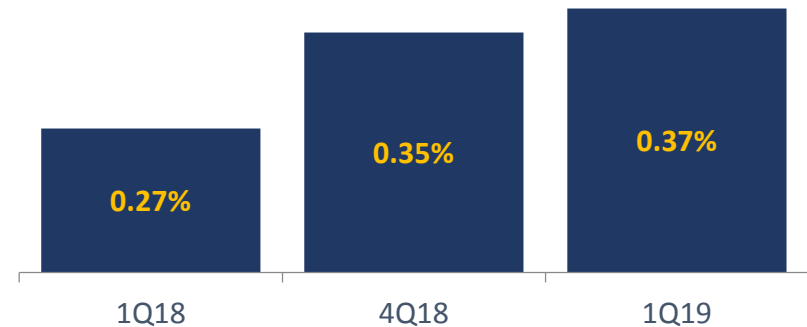


# Asset Quality

NCOs/Avg. Loans<sup>1</sup>



Nonaccruals/Loans<sup>2</sup>



Taxi Medallion Update

Taxi Medallion	12/31/18	3/31/19
Related Reserves as a % of Total Exposure	24.74%	23.33%
Total Exposure	\$130 mil	\$127 mil
Medallions as a % of Total Loans	0.52%	0.50%

- Quarterly net charge-offs of \$5.3 million partially driven by Medallion related credits, one legacy C&I loan and uptick in consumer
- Allowance for loan losses increased modestly quarter over quarter to 0.63% of total loans



## Targets & Outlook

2019 Full-year loan growth  
(unchanged)

- We are targeting net loan growth in the range of 6% to 8%

2019 Net Interest Income  
(unchanged)

- We anticipate net interest income growth of approximately 5% to 7%

2019 Adjusted Efficiency Ratio  
(unchanged)

- We expect to achieve an adjusted efficiency ratio below 55%

Tax Rate Update  
(new)

- We expect the tax rate for the remainder of the year to be in the range of 25.5%-27.5%



# Non-GAAP Disclosure Reconciliation

	Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
(\$ in thousands, except for share data)			
<b>Adjusted net income available to common shareholders:</b>			
Net income, as reported	\$113,330	\$77,102	\$41,965
Less: Gain on sale leaseback transactions (net of tax)(a)	(55,707)	—	—
Less: Gain on the sale of Visa Class B shares (net of tax) (b)	—	(4,677)	—
Add: Losses on securities transaction (net of tax)	23	1,047	548
Add: Severance expense (net of tax)(c)	3,433	1,907	—
Add: Tax credit investment impairment (net of tax)(d)	1,757	—	—
Add: Legal expenses (litigation reserve impact only, net of tax)	—	—	7,520
Add: Merger related expenses (net of tax)(e)	—	(455)	9,688
Add: Income tax expense (benefit)(f)	12,100	(2,274)	2,000
Net income, as adjusted	\$74,936	\$72,650	\$61,721
Dividends on preferred stock	3,172	3,172	3,172
Net income available to common shareholders, as adjusted	\$71,764	\$69,478	\$58,549

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

(b) The gain from the sale of non-marketable securities is included within other non-interest income.

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

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

(e) Merger related expenses are primarily within salary and employee benefits and other expense.

(f) Income tax expense (benefit) related to reserves for uncertain tax positions in 2019 and USAB and the Tax Act in the 2018 periods.

## **Adjusted per common share data:**

Net income available to common shareholders, as adjusted	\$71,764	\$69,478	\$58,549
Average number of shares outstanding	331,601,260	331,492,648	330,727,416
Basic earnings, as adjusted	\$0.22	\$0.21	\$0.18
Average number of diluted shares outstanding	332,834,466	332,856,385	332,465,527
Diluted earnings, as adjusted	\$0.22	\$0.21	\$0.18

## **Adjusted annualized return on average tangible shareholders' equity:**

Net income, as adjusted	\$74,936	\$72,650	\$61,721
Average shareholders' equity	3,394,819	3,340,411	3,289,815
Less: Average goodwill and other intangible assets	1,160,510	1,164,638	1,164,230
Average tangible shareholders' equity	\$2,234,309	\$2,175,773	\$2,125,585
Annualized return on average tangible shareholders' equity, as adjusted	13.42%	13.36%	11.61%

## **Adjusted annualized return on average assets:**

Net income, as adjusted	\$74,936	\$72,650	\$61,721
Average assets	\$32,296,204	\$31,328,729	\$29,291,703
Annualized return on average assets, as adjusted	0.93%	0.93%	0.84%

## **Adjusted annualized return on average shareholders' equity:**

Net income, as adjusted	\$74,936	\$72,650	\$61,721
Average shareholders' equity	\$3,394,819	\$3,340,411	\$3,289,815
Annualized return on average shareholders' equity, as adjusted	8.83%	8.70%	7.50%



# Non-GAAP Disclosure Reconciliation

	Three Months Ended			Years Ended	
	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2018	December 31, 2017
(\$ in thousands)					
<b>Annualized return on average tangible shareholders' equity:</b>					
Net income, as reported	\$113,330	\$77,102	\$41,965	\$282,585	\$188,523
Average shareholders' equity	3,394,819	3,340,411	3,289,815	3,304,531	2,471,751
Less: Average goodwill and other intangible assets	1,160,510	1,164,638	1,164,230	1,163,398	734,200
Average tangible shareholders' equity	\$2,234,309	\$2,175,773	\$2,125,585	\$2,141,133	\$1,737,551
Annualized return on average tangible shareholders' equity	20.29%	14.17%	7.90%	13.20%	10.85%
<b>Adjusted efficiency ratio:</b>					
Non-interest expense, as reported	\$147,795	\$153,712	\$173,752	\$629,061	\$509,073
Less: Severance expense (pre-tax)	4,838	2,662	—	2,662	—
Less: LIFT program expense (pre-tax)	—	—	—	—	9,875
Less: Legal expenses (litigation reserve impact only, pre-tax)	—	—	10,500	12,184	—
Less: Merger-related expenses (pre-tax)	—	(635)	13,528	17,445	2,620
Less: Amortization of tax credit investments (pre-tax)	7,173	9,044	5,274	24,200	41,747
Non-interest expense, as adjusted	\$135,784	\$142,641	\$144,450	\$572,570	\$454,831
Net interest income	218,648	222,053	207,598	857,203	660,047
Non-interest income, as reported	107,673	34,694	32,251	134,052	111,706
Add: Losses on securities transactions, net (pre-tax)	32	1,462	765	2,342	20
Add: Branch related asset impairment (pre-tax)	—	—	—	1,821	—
Less: Gain on sale leaseback transaction (pre-tax)	78,505	—	—	—	—
Less: Gain on Sale of Visa Class B shares (pre-tax)	—	6,530	—	6,530	—
Non-interest income, as adjusted	\$29,200	\$29,626	\$33,016	\$131,685	\$111,726
Gross operating income, as adjusted	\$247,848	\$251,679	\$240,614	\$988,888	\$771,773
Efficiency ratio, as adjusted	54.79%	56.68%	60.03%	57.90%	58.93%
			<b>As of</b>		
(\$ in thousands, except for share data)					
<b>Tangible book value per common share:</b>					
Common shares outstanding	331,732,636	331,431,217	331,501,424	331,454,025	331,189,859
Shareholders' equity	\$3,444,879	\$3,350,454	\$3,302,936	\$3,277,312	\$3,245,003
Less: Preferred stock	209,691	209,691	209,691	209,691	209,691
Less: Goodwill and other intangible assets	1,158,245	1,161,655	1,166,481	1,162,858	1,165,379
Tangible common shareholders' equity	\$2,076,943	\$1,979,108	\$1,926,764	\$1,904,763	\$1,869,933
Tangible book value per common share	\$6.26	\$5.97	\$5.81	\$5.75	\$5.65
<b>Tangible common equity to tangible assets:</b>					
Tangible common shareholders' equity	\$2,076,943	\$1,979,108	\$1,926,764	\$1,904,763	\$1,869,933
Total assets	32,476,991	31,863,088	30,881,948	30,182,979	29,464,357
Less: Goodwill and other intangible assets	1,158,245	1,161,655	1,166,481	1,162,858	1,165,379
Tangible assets	\$31,318,746	\$30,701,433	\$29,715,467	\$29,020,121	\$28,298,978
Tangible common equity to tangible assets	6.63%	6.45%	6.48%	6.56%	6.61%



## For More Information

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