

# VALLEY NATIONAL BANCORP and VALLEY NATIONAL BANK

## Audit Committee Charter

Approved October 23, 2018

### **Purpose**

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Valley National Bancorp (the "Company") to assist the Board in monitoring (1) the integrity of the Company's financial statements, (2) the independent registered public accounting firm's performance, qualifications and independence, (3) the performance of the Company's internal audit function, (4) the adequacy of the system of internal controls and management's compliance thereto, and (5) compliance by the Company with legal, regulatory and corporate policy requirements. This Committee also serves as the Audit Committee of Valley National Bank and its subsidiaries.

The Committee shall prepare the Committee Report as required by the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.

### **Committee Membership**

The Committee shall consist of no fewer than three members. The members of the Committee shall meet the independence and experience requirements of the national stock exchange on which the Company's securities are listed (the "Exchange") and the "independence" requirements of the Sarbanes-Oxley Act of 2002, contained in Section 10A(m) of the Securities Exchange Act of 1934 (the "Exchange Act"). At least one member shall be qualified as the "Audit Committee Financial Expert" as defined by SEC Reg. S-K Item 407(d)(5).

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee, which shall also designate one person as chairman. Committee members may be replaced by the Board.

### **Committee Authority and Responsibilities**

The Committee shall be directly responsible for and have the sole authority to appoint or replace the independent registered public accounting firm, and shall pre-approve all audit engagement fees and terms and all non-audit engagements with the independent registered public accounting firm in accordance with the rules of the Exchange and Section 10A(i) of the Exchange Act. The independent registered public accounting firm shall report directly to the Committee. The Committee shall consult with management but shall not delegate its responsibilities hereunder.

The Committee shall receive from the independent registered public accounting firm the reports on critical accounting policies and practices, alternative treatments and material communications with management as required by Section 10A(k) of the Exchange Act.

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee may form and delegate authority to subcommittees when appropriate.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent registered public accounting firm for the purpose of rendering or issuing an audit report and to any advisors

or consultants employed by the Committee and to fund its ordinary administrative expenses necessary and appropriate to carry out its duties. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent registered public accounting firm to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall meet regularly with management and at least quarterly with the Chief Audit Executive and the independent registered public accounting firm in separate executive sessions. The Committee has the authority to meet with employees or external parties to the extent deemed necessary and to request any reports or information it deems necessary to fulfill its responsibilities. The Committee also has the authority to investigate any matter brought to its attention, or initiated on its own.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes for approval by the Board. The Committee shall annually review the Committee's own performance.

### **Additional Responsibilities**

The Committee, to the extent it deems necessary or appropriate, shall:

#### **Financial Statement and Disclosure Matters**

1. Review and discuss with management and the independent registered public accounting firm the Company's annual financial results prior to the release of the annual earnings. Review the Company's annual audited financial statements, including the independent registered public accounting firms' report thereon, and the disclosures made in management's discussion and analysis of financial condition and results of operations, prior to filing the annual report on Form 10-K, and approve the audited financial statements to be included in the Company's Form 10-K.
2. Review and discuss with management and the independent registered public accounting firm the Company's quarterly financial performance prior to the release to the press, and the quarterly financial statements prior to the filing of its Form 10-Q, including the use of "pro-forma", non-GAAP information and the results of the independent auditors' reviews of the quarterly financial statements.
3. Discuss with management and the independent registered public accounting firm significant accounting and financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.
4. Discuss with management and the independent registered public accounting firm the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
5. Discuss with management the Company's major financial statement risk exposures, including the level and adequacy of the allowance for loan and lease losses, litigation risk, the investment portfolio, capital adequacy, goodwill, income taxes, and cyber and information security risks and related third-party assessment results; and discuss the steps management has taken to monitor and control such exposures.
6. Annually review and discuss with management and the independent registered public accounting firm, management's assessment of the effectiveness of the Company's internal control structure over financial reporting related to section 404 of the Sarbanes-Oxley Act of 2002. Discuss deficiencies in internal control over financial reporting with the independent registered public accounting firm deemed to be significant deficiencies or material weaknesses, and management's remediation plans to address significant

deficiencies and material weaknesses. As needed, review the certifications and statements required to be filed or submitted to governmental authorities pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 and applicable rules and regulations thereunder.

7. Discuss with the independent registered public accounting firm the matters required by Statement on Auditing Standards No. 16, as amended (AICPA, *Professional Standards*, vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T relating to the conduct of the audit. In particular, discuss:

(a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the internal auditors or management.

(b) The management letter provided by the independent registered public accounting firm and the Company's response to that letter.

(c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

### **Oversight of the Company's Relationship with the Independent Registered Public Accounting Firm**

8. Review the experience and qualifications of the senior members of the independent registered public accounting firm's team.

9. Obtain and review a report from the independent registered public accounting firm at least annually describing (a) the firm's internal quality-control procedures, (b) any material issues raised by the most recent PCAOB inspection, quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent registered public accounting firm and the Company. After reviewing such report, the Committee will evaluate the qualifications, performance and independence of the independent registered public accounting firm, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditors. The Committee shall also be responsible for actively engaging in a dialogue with the independent registered public accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm and for taking, or recommending that the Board take, such appropriate action as may be necessary to satisfy itself as to the qualifications, performance and independence of the independent registered public accounting firm. The Committee shall present its conclusions with respect to the independent registered public accounting firm to the Board.

10. Assure that the lead audit partner of the independent registered public accounting firm and the audit partner responsible for reviewing the audit are rotated at least every five years and consider rotation of the independent registered public accounting firm itself on a regular basis.

11. Monitor policies for the Company's hiring of employees or former employees of the independent registered public accounting firm who were engaged on the Company's account (recognizing that the independent auditors may not perform the audit if the chief executive officer, controller, chief financial officer or chief accounting officer was employed by the independent registered public accounting firm and participated in any capacity in the audit during the one year preceding the initiation of the audit).

12. Discuss with the national office of the independent registered public accounting firm non-routine issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.

13. Meet with the independent registered public accounting firm prior to the audit to discuss the planning and staffing of the audit.

14. Determine through discussions with the independent registered public accounting firm that management placed no restrictions on the scope of their examinations or on efficient completion of audits.

15. Review with the independent registered public accounting firm accounting adjustments that it noted or proposed but were "passed" (as immaterial or otherwise).

### **Oversight of the Company's Internal Audit Function**

16. Review and approve the appointment of the Chief Audit Executive. Annually review the performance of the Chief Audit Executive and approve the annual compensation recommended by executive management. Approve any decision to dismiss the Chief Audit Executive.

17. Receive from the Chief Audit Executive quarterly progress reports, which include a summary of audits completed, audits completed with less than satisfactory results, and updates on meeting the internal audit plan. Review the significant findings and recommended action plans prepared by the internal audit department, together with management's responses and follow-up. Resolve significant differences between internal audit and management and mandate corrective action.

18. Review with management the internal audit department responsibilities, organizational structure, financial budget, staffing, and any recommended changes in the planned scope of the internal audit function. Approve the annual audit plan prepared by the Chief Audit Executive.

19. Determine through discussions with the internal auditors that management placed no restrictions on the scope of their examinations or on efficient completion of audits.

20. Review and approve the Internal Audit Department Charter. Require periodic independent external quality assessments of the Internal Audit Department.

### **Oversight of the Company's Compliance**

21. Obtain from the independent registered public accounting firm assurance that Sections (a) through (l) of Section 10A of the Exchange Act have not been implicated or violated.

22. Obtain reports from management and the Ethics Officer indicating whether they have become aware that any of the activities of the Company and its subsidiaries are not in material conformity with applicable legal requirements or the Company's Code of Conduct and Ethics. Discuss the process for communicating the Code of Conduct and Ethics to company personnel and for monitoring compliance. Review the annual evaluation of the effectiveness of the Ethics Program presented by the Ethics Officer. Provide oversight of related party transactions, as required by the Company's Related Party Transactions Policy, and as required by the applicable Exchange requirement with respect to related party transactions. Advise the Board with respect to any material issues that have been brought to the Committee's attention concerning compliance with applicable laws and regulations and with the Company's Code of Conduct and Ethics.

23. Discuss with Chief Audit Executive whether departments are adhering to the policies and procedures established by the Company.

24. Review the procedures that are established as required by Section 10A (m) of the Exchange Act for: -

(a) The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.

(b) The confidential, anonymous submission by employees of the Company and its subsidiaries of concerns regarding questionable accounting or auditing matters.

25. Discuss with management and the independent registered public accounting firm any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies.

26. Discuss with management legal matters that may have a material impact on the financial statements or the Company's compliance policies

### **Limitation of the Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. The independent registered public accounting firm and internal auditors plan and conduct audits. Management prepares the Company's financial statements and disclosures.