

VALLEY NATIONAL BANCORP
Form 10-Q/A
August 18, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended June 30, 2003

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

Commission File Number 1-11277

VALLEY NATIONAL BANCORP

(Exact name of registrant as specified in its charter)

New Jersey

(State or other Jurisdiction of incorporation or organization)

22-2477875

(I.R.S. Employer Identification No.)

1455 Valley Road, Wayne, New Jersey 07470

(Address of principal executive offices)

973-305-8800

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock (no par value), of which 93,764,722 shares were outstanding as of August 6, 2003.

Explanatory Note

VALLEY NATIONAL BANCORP IS FILING THIS AMENDMENT ON FORM 10-Q/A, TO REPEAT A PRIOR FILING ORIGINALLY FILED ON AUGUST 14, 2003, WHICH COULD NOT BE CLEARLY READ DUE TO TECHNICAL DIFFICULTIES. THERE HAVE BEEN NO CHANGES TO THE CONTENTS.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VALLEY NATIONAL BANCORP

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

(in thousands, except for share data)

	June 30, 2003	December 2002
<hr/>		
Assets		
Cash and due from banks	\$ 241,325	\$ 243,
Investment securities held to maturity, fair value of \$639,447 and \$597,480 in 2003 and 2002, respectively	605,695	590,
Investment securities available for sale	2,126,734	2,140,
Trading securities	3,524	
Loans held for sale	98,528	58,
Loans	6,034,860	5,703,
Less: Allowance for loan losses	(67,477)	(64,
	<hr/>	
Net loans	5,967,383	5,639,
Premises and equipment, net	116,549	113,
Accrued interest receivable	41,219	41,
Bank owned life insurance	161,910	158,
Other assets	143,703	146,
	<hr/>	
Total assets	\$9,506,570	\$9,134,
<hr/>		
Liabilities		
Deposits:		
Non-interest bearing	\$1,598,087	\$1,569,
Interest bearing:		
Savings	3,159,926	2,942,
Time	2,268,063	2,170,
	<hr/>	
Total deposits	7,026,076	6,683,
Short-term borrowings	466,384	378,
Long-term debt	1,072,599	1,119,
Accrued expenses and other liabilities	112,377	121,
	<hr/>	
Total liabilities	8,677,436	8,302,
<hr/>		
Company - obligated mandatorily redeemable preferred capital securities of a subsidiary trust holding solely junior subordinated debentures of the Company	200,000	200,
Shareholders' Equity(1)		
Preferred stock, no par value, authorized 30,000,000 shares; none issued	0	
Common stock, no par value, authorized 149,564,245 shares; issued 94,249,841 shares in 2003 and 99,007,032 shares in 2002	33,332	33,
Surplus	319,140	318,
Retained earnings	254,078	338,
Unallocated common stock held by employee benefit plan	(352)	(
Accumulated other comprehensive income	36,123	41,
	<hr/>	
Treasury stock, at cost (500,326 shares in 2003 and 3,957,498 shares in 2002)	(13,187)	(100,
	<hr/>	
Total shareholders' equity	629,134	631,

Total liabilities and
shareholders' equity

\$9,506,570

\$9,134,

=====
See accompanying notes to consolidated financial statements.

(1) Share data reflects the 5 percent stock dividend issued on May 16, 2003.
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VALLEY NATIONAL BANCORP
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(in thousands, except for share data)

	Three Months Ended June 30,		Six Months June
	2003	2002	2003
Interest Income			
Interest and fees on loans	\$ 92,225	\$ 91,902	\$ 184,052
Interest and dividends on investment securities:			
Taxable	29,786	35,724	60,483
Tax-exempt	2,767	2,579	5,451
Dividends	1,176	825	2,312
Interest on federal funds sold and other short-term investments	86	327	173
Total interest income	126,040	131,357	252,471
Interest Expense			
Interest on deposits:			
Savings deposits	6,427	8,632	13,137
Time deposits	12,218	18,019	24,171
Interest on short-term borrowings	1,404	619	2,789
Interest on long-term debt	13,236	12,640	26,463
Total interest expense	33,285	39,910	66,560
Net Interest Income	92,755	91,447	185,911
Provision for loan losses	1,755	3,974	5,010
Net Interest Income after Provision for Loan Losses	91,000	87,473	180,901
Non-Interest Income			
Trust and investment services	2,156	1,192	4,230
Insurance fees, commissions and premiums	4,202	735	9,004
Service charges on deposit accounts	5,682	4,827	10,959
Gains on securities transactions, net	2,968	2,609	6,179
Fees from loan servicing	2,459	2,415	4,451
Gains on sales of loans, net	2,727	1,562	5,315
Bank owned life insurance	1,564	1,806	3,078
Other	4,464	5,275	8,646
Total non-interest income	26,222	20,421	51,862
Non-Interest Expense			
Salary expense	24,647	20,882	49,067
Employee benefit expense	5,892	4,701	12,198
Net occupancy expense	8,767	7,118	17,182
Amortization of intangible assets	3,609	2,714	6,375
Advertising	2,014	2,335	3,872
Distributions on capital securities	3,932	3,932	7,864
Other	11,014	8,879	21,387
Total non-interest expense	59,875	50,561	117,945
Income Before Income Taxes	57,347	57,333	114,818
Income tax expense	19,618	17,437	39,107
Net Income	\$ 37,729	\$ 39,896	\$ 75,711
Weighted Average Number of Shares Outstanding(1)			

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Basic	93,798,729	98,709,539	94,226,287	9
Diluted	94,313,570	99,344,567	94,685,855	9
Earnings Per Share: (1)				
Basic	\$0.40	\$0.40	\$0.80	
Diluted	0.40	0.40	0.80	
Cash dividends declared per common share(1)	0.225	0.21	0.44	

See accompanying notes to consolidated financial statements.

(1) Share data reflects the 5 percent stock dividend issued on May 16, 2003.

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VALLEY NATIONAL BANCORP CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Six Months Ended June 30,	
(in thousands)	2003	2002
Cash flows from operating activities:		
Net income	\$75,711	\$78,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,839	9,839
Amortization of compensation costs pursuant to long-term stock incentive plan	1,488	1,488
Provision for loan losses	5,010	7,010
Net amortization of premiums and accretion of discounts	5,612	4,612
Net gains on securities transactions	(6,179)	(2,179)
Proceeds from sales of loans	156,312	141,312
Gain on sales of loans	(5,315)	(3,315)
Origination of loans held for sale	(190,573)	(110,573)
Purchases of trading securities	(166,570)	
Proceeds from sales of trading securities	163,046	
Net increase in bank owned life insurance	(3,078)	(3,078)
Net decrease (increase) in accrued interest receivable and other assets	14,366	
Net decrease in accrued expenses and other liabilities	(6,378)	(17,378)
Net cash provided by operating activities	55,291	106,291
Cash flows from investing activities:		
Purchase of bank owned life insurance	0	(50,000)
Proceeds from sales of investment securities available for sale	402,722	282,722
Proceeds from maturities, redemptions and prepayments of investment securities available for sale	765,005	535,005
Purchases of investment securities available for sale	(1,161,072)	(877,072)
Purchases of investment securities held to maturity	(50,752)	(23,752)
Proceeds from sales of investment securities held to maturity	1,630	
Proceeds from maturities, redemptions and prepayments of investment securities held to maturity	33,932	14,932
Net increase in loans made to customers	(349,875)	(195,875)
Purchases of premises and equipment	(8,144)	(15,144)
Net cash used in investing activities	(366,554)	(329,554)
Cash flows from financing activities:		
Net increase in deposits	342,689	284,689
Net increase (decrease) in short-term borrowings	87,951	(21,951)
Advances of long-term debt	23,000	
Repayments of long-term debt	(70,043)	(52,043)
Dividends paid to common shareholders	(41,391)	(41,391)
Purchase of common shares to treasury	(35,249)	(65,249)
Common stock issued, net of cancellations	1,708	3,708
Net cash provided by financing activities	308,665	106,665
Net decrease in cash and cash equivalents	(2,598)	(116,598)
Cash and cash equivalents at January 1	243,923	311,923
Cash and cash equivalents at June 30	\$241,325	\$195,325
Supplemental disclosure of cash flow information:		

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Cash paid during the period for interest on deposits and borrowings	\$67,402	\$82
Cash paid during the period for federal and state income taxes	44,560	28

See accompanying notes to consolidated financial statements.

VALLEY NATIONAL BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Consolidated Financial Statements

The Consolidated Statements of Financial Condition as of June 30, 2003 and December 31, 2002, the Consolidated Statements of Income for the three and six month periods ended June 30, 2003 and 2002 and the Consolidated Statements of Cash Flows for the six month periods ended June 30, 2003 and 2002 have been prepared by Valley National Bancorp ("Valley") without audit. In the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly Valley's financial position, results of operations and cash flows at June 30, 2003 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. These consolidated financial statements are to be read in conjunction with the consolidated financial statements and notes thereto included in Valley's December 31, 2002 report on Form 10-K. Certain prior period amounts have been reclassified to conform to 2003 financial presentations.

2. Investment Securities Held to Maturity

Investment securities held to maturity are carried at cost and adjusted for amortization of premiums and accretion of discounts by using the interest method over the term of the investment. During the first quarter of 2003, Valley sold two securities which were downgraded to non-investment grade, for a total of \$1.6 million from the held to maturity portfolio resulting in a net gain of \$33 thousand.

3. Earnings Per Share (EPS) (1)

For Valley, the numerator of both the Basic and Diluted EPS is equivalent to net income. The weighted average number of shares outstanding used in the denominator for Diluted EPS is increased over the denominator used for Basic EPS by the effect of potentially dilutive common stock equivalents utilizing the treasury stock method. For Valley, common stock equivalents are common stock options outstanding.

The following table shows the calculation of both Basic and Diluted earnings per share for the three and six months ended June 30, 2003 and 2002.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income (in thousands)	\$37,729	\$39,896	\$75,711	\$78,496
Basic weighted-average number of shares outstanding	93,798,729	98,709,539	94,226,287	99,159,149
Plus: Common stock equivalents	514,841	635,028	459,568	619,384
Diluted weighted-average number of shares outstanding	94,313,570	99,344,567	94,685,855	99,778,533
Earnings per share:				
Basic	\$0.40	\$0.40	\$0.80	\$0.79
Diluted	0.40	0.40	0.80	0.79

Common stock equivalents for the three and six months ended June 30, 2003 exclude approximately 29 thousand and 65 thousand common stock options because the exercise prices exceeded the average market value. For the three and six months ended June 30, 2002, approximately 2 thousand shares were excluded from common stock equivalents. Inclusion of these common stock equivalents would be anti-dilutive to the diluted earnings per share calculation.

4. Stock-Based Compensation

Valley prospectively adopted the fair value method provision of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," effective January 1, 2002. Under SFAS No. 123, entities recognize stock-based employee compensation costs under the fair value method for awards granted during the year. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model and is based on certain assumptions including dividend yield, stock volatility, risk free rate of return, expected term and turnover rate.

For the three and six months ended June 30, 2003, Valley recorded stock-based employee compensation expense of \$68 thousand and \$145 thousand, respectively, net of tax and will continue to amortize approximately \$925 thousand, net of tax, of the remaining cost of these grants over the vesting period of approximately five years. Stock-based employee compensation cost under the fair value method was measured using the following weighted-average assumptions for options granted from the date of adoption to June 30, 2003: dividend yield of 3.19 percent, risk-free interest rate of 3.08 percent, expected volatility of 23.79 percent, expected term of 5.29 years and turnover rate of 7.27 percent.

Prior to January 1, 2002, Valley applied APB Opinion No. 25 and related Interpretations in accounting for its stock option plan. Had compensation cost for the options issued prior to January 1, 2002, been

(1) Share data reflects the 5 percent stock dividend issued on May 16, 2003.

determined consistent with SFAS No. 123 for those periods, net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
(in thousands, except for share data)				
Net income				
As reported	\$37,729	\$ 39,896	\$75,711	\$ 78,496
Stock-based compensation cost, net of tax	(206)	(280)	(413)	(560)
Pro forma net income	\$37,523	\$ 39,616	\$75,298	\$ 77,936
Earnings per share				
As reported:				
Basic	\$ 0.40	\$ 0.40	\$ 0.80	\$ 0.79
Diluted	0.40	0.40	0.80	0.79
Pro forma:				
Basic	\$ 0.40	\$ 0.40	\$ 0.80	\$ 0.79
Diluted	0.40	0.40	0.80	0.78

5. Recent Accounting Pronouncements

Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity as well as their classification in the issuer's statement of financial position. It requires that an issuer classify a financial instrument that is within its scope as a liability when that instrument embodies an obligation of the issuer. Such financial instruments include mandatorily redeemable shares. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 is not expected to have a material impact on Valley's financial statements. Although there will be no impact on net income, costs on Valley's trust preferred securities will be recorded as interest expense from the present classification of non-interest expense which will affect the net interest margin.

Amendment of Statement 133 on Derivative Instruments and Hedging Activities

On April 30, 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. With a number of exceptions, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the consolidated financial statements.

Consolidation of Variable Interest Entities

On January 17, 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 changes the method of determining whether certain entities should be included in the consolidated

financial statements. A variable interest entity ("VIE") is an entity that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A company that consolidates a VIE is called the "primary beneficiary" of that entity. The primary beneficiary of a VIE is

the party that absorbs a majority of the entity's expected losses or receives a majority of its expected residual returns.

The provisions of FIN 46 are effective in the first fiscal year or interim period beginning after June 15, 2003, for VIEs in which an enterprise holds a VIE that it acquired before February 1, 2003. Valley adopted FIN 46 on July 1, 2003. In its current form, FIN 46 may require Valley to de-consolidate its investment in Valley Capital Trust I in future financial statements. The potential de-consolidation of subsidiary trusts of bank holding companies formed in connection with the issuance of trust preferred securities, like Valley Capital Trust I, appears to be an unintended consequence of FIN 46. In July 2003, the Board of Governors of the Federal Reserve System instructed bank holding companies to continue to include the trust preferred securities in their Tier 1 capital for regulatory capital purposes until notice is given to the contrary. There can be no assurance that the Federal Reserve will continue to allow institutions to include trust preferred securities in Tier 1 capital for regulatory capital purposes. As of June 30, 2003, assuming Valley was not allowed to include the \$200 million in trust preferred securities issued by Valley Capital Trust I in Tier 1 capital, Valley would remain "well capitalized".

Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others

In 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). The disclosure requirements of FIN 45 were effective for the year ended December 31, 2002 and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. Significant guarantees that have been entered into by Valley include standby letters of credits with a total of \$157 million as of June 30, 2003. The adoption of FIN 45 did not have a material impact on the consolidated financial statements.

6. Recent Developments

On May 14, 2003, Valley announced that its Board of Directors authorized the company to repurchase up to 2.5 million shares of the company's outstanding common stock. Purchases may be made from time to time in the open market or in privately negotiated transactions generally at prices not exceeding prevailing market rates. Valley presently has an existing stock repurchase program in place authorized by its Board of Directors in August 2001 to repurchase 10.5 million shares of which 10.2 million shares have been purchased as of June 30, 2003. Valley expects to continue its existing repurchase program until all 10.5 million shares are purchased before the newly authorized program becomes effective.

On April 9, 2003, Valley's Board of Directors approved a five percent stock dividend to shareholders of record on May 2, 2003 issued May 16, 2003 and also agreed to maintain the annual cash dividend at \$0.90 per share, on an after-stock-dividend basis, representing an increase of 5 percent in the cash payout.

7. Comprehensive Income

Valley's comprehensive income consists of unrealized gains (losses) on securities available for sale and until May 2002, foreign currency translation adjustments (on May 1, 2002, Valley sold its subsidiary VNB Financial Services, Inc., a Canadian finance company). The following table shows each component of comprehensive income for the three and six months ended June 30, 2003 and 2002.

	Three Months Ended June 30,	
	2003	2002
	(in thousands)	
Net income	\$37,729	\$39,896
Other comprehensive income, net of tax:		
Foreign currency:		
Translation adjustment	\$ 0	\$ 126
Reclassification adjustment for loss realized on sale of Canadian subsidiary	0	995
	0	1,121
Unrealized gains on securities:		
Change in unrealized gains arising during the period	2,683	20,252
Reclassification adjustment for gains realized in net income	(1,789)	(1,926)
	894	18,326
Net change in unrealized gains	894	18,326
Other comprehensive income	894	19,447
Comprehensive income	\$38,623	\$59,343
	Six Months Ended June 30,	
	2003	2002
	(in thousands)	
Net income	\$75,711	\$78,496
Other comprehensive income, net of tax:		
Foreign currency:		
Translation adjustment	\$ 0	\$ 118
Reclassification adjustment for loss realized on sale of Canadian subsidiary	0	995
	0	1,113
Unrealized gains on securities:		
Change in unrealized gains arising during the period	(1,400)	19,381
Reclassification adjustment for gains realized in net income	(3,796)	(1,926)
	(5,196)	17,455

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Net change in unrealized gains	(5,196)	17,455
	-----	-----
Other comprehensive income	(5,196)	18,568
	-----	-----
Comprehensive income	\$70,515	\$97,064
	=====	=====

8. Business Segments

The information under the caption "Business Segments" in Management's Discussion and Analysis is incorporated herein by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Concerning Forward-Looking Statements

This Form 10-Q, both in the MD and A and elsewhere, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about management's confidence and strategies and management's expectations about new and existing programs and products, acquisitions, relationships, opportunities, taxation, technology and market conditions. These statements may be identified by an (*) or such forward-looking terminology as "expect," "anticipate," "look," "view," "opportunities," "allow," "continues," "reflects," "believe," "may," "will" or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, but are not limited to, unanticipated changes in the direction of interest rates, changes in loan prepayment assumptions, higher or lower cash flow levels than anticipated, slowdown in levels of deposit growth, a further decline in the economy in New Jersey and New York, a decline in loan origination volume, as well as a change in legal and regulatory barriers or the disallowance of prior tax strategies. Actual results may differ materially from such forward-looking statements. Valley assumes no obligation for updating any such forward-looking statement at any time.

Critical Accounting Policies and Accounting Estimates

The accounting and reporting policies followed by Valley conform, in all material respects, to accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of condition and results of operations for the periods indicated. Actual results could differ significantly from those estimates.

Valley's accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. Valley has identified its policy on the allowance for possible loan losses to be critical because management has to make subjective and/or complex judgments about matters that are inherently uncertain. Additional information on the allowance for loan losses can be found in Valley's 2002 Annual Report on Form 10-K.

Earnings Summary(2)

For the three months ended June 30, 2003, net income was \$0.40 per diluted share or \$37.7 million compared with \$0.40 per diluted share or \$39.9 million for the same period in 2002. Net income for the six months ended June 30, 2003 was \$0.80 per diluted share or \$75.7 million compared to \$0.79 per diluted share or \$78.5 million for the first half of 2002. Net income was lower mainly due to an increased effective tax rate for the first and second quarters of 2003 compared to the first and second quarters of 2002. The effective tax rate for the second quarter and the first half of 2003 was 34.2 percent and 34.1 percent, respectively, compared to 30.4 percent and 28.7 percent for the same periods in 2002 when Valley had recorded a \$1.75 million and \$5.25 million tax benefit associated with the restructuring of a subsidiary into a Real Estate Investment Trust ("REIT").

(2) Share data reflects the 5 percent stock dividend issued on May 16, 2003.

In addition, under Valley's share repurchase program approved by the Board of Directors in August 2001, a total of 10.2 million of the 10.5 million common shares authorized for repurchase had been acquired through the close of the 2003 second quarter at a total cost of \$250 million, funds that would otherwise have been invested and would have contributed to a higher net interest income and net income. During the first six months of 2003, Valley repurchased 1.4 million common shares at a total cost of \$35.2 million.

The annualized return on average shareholders' equity increased to 24.27 percent for the three months ended June 30, 2003 compared with 24.16 percent for the same period in 2002 while the annualized return on average assets decreased to 1.62 percent for the three months ended June 30, 2003 compared with 1.87 percent recorded in the second quarter of 2002.

Net interest income for the second quarter of 2003 increased over the prior year period due to a combination of increased loan volume and lower interest cost on deposits, partly offset by a decrease in interest rates on investment securities. Non-interest income increased for the second quarter of 2003 compared with the second quarter of 2002 primarily due to income from Masters Coverage Corp. ("Masters"), an all-line insurance agency, NIA/Lawyers Title Agency, LLC ("NIA/Lawyers"), a title insurance agency and Glen Rauch Securities, Inc. ("Glen Rauch"), a Wall Street brokerage firm, as well as increased gains on sales of loans.

Net Interest Income

Net interest income continues to be the largest component of Valley's operating income, a long-standing traditional source of income. For the three month period ended June 30, 2003, net interest income on a tax equivalent basis remained relatively unchanged compared with the three month period ended March 31, 2003. Despite lower interest rates on investments and loans, Valley was able to mitigate margin compression during the second quarter compared to the first quarter of 2003 by increasing average loan and investment volume by \$210 million. Net interest margin on a tax equivalent basis was 4.34 percent for the three months ended June 30, 2003 compared with 4.46 percent for the three months ended March 31, 2003 and 4.39 percent for the three months ended December 31, 2002. The decrease in the net interest margin for the three months ended June 30, 2003 was mainly attributed to Valley's interest earning assets re-pricing faster than interest bearing liabilities as well as increased levels of prepayments of assets reinvested at lower interest rates. In November 2002 and June 2003, the Federal Reserve lowered short-term interest rates in an effort to stimulate the economy. These reductions had a negative impact on Valley's net interest margin, however, efforts by management to lower interest rates and increase loan volume helped minimize this negative impact.

For the six month period ended June 30, 2003, net interest income on a tax equivalent basis increased to \$189.0 million compared with net interest income of \$182.1 million for the six months ended June 30, 2002 mainly due to increased loan volume and decreased deposit rates. Average loans increased \$598.9 million or 11.2 percent as the consumer and commercial lending business segments reflected strong growth during the period. The \$1.2 million increase in interest income on loans was a result of new loan volume which helped offset the decline in interest income due to falling rates. Interest on investments declined by \$7.9 million mainly due to higher prepayments of mortgage-backed securities which were reinvested at lower interest rates.

Savings deposits continue to provide a low cost source of funding and increased on average \$429.2 million or 16.4 percent for the six months ended June 30, 2003. This increase was attributed to the addition of new branches, increased customer activity and relatively new savings products, including Valley's Kids First Savings Clubsm program. Average non-interest bearing demand deposits also increased \$111.2 million or 7.8 percent for the same period, mainly due to increased customer activity. Average time deposits decreased \$231.7 million or 9.6 percent for the six month period ended June 30, 2003 compared with the same period in 2002 due to changes in customers' needs for these types of accounts during low interest rate periods. The decline in interest rates on deposits caused a net decrease in interest expense on deposits by \$16.0 million.

Average long and short-term debt, consisting primarily of Federal Home Loan Bank ("FHLB") advances increased \$145.1 million or 15.4 percent and \$290.7 million or 157.4 percent, respectively, for the six months ended June 30, 2003 compared with the first six months in 2002, as Valley took advantage of lower rate intermediate-term financing in the latter part of 2002 and lower rate short-term financing in 2003. The impact on interest expense was an increase of \$2.3 million over the six months ended June 30, 2002.

At the start of the third quarter, Valley began to reposition some of its borrowings to take advantage of low long-term interest rates. It is anticipated that this strategy will enable Valley to better match its lower yielding fixed rate loans should interest rates rise*. Interest expense may increase for the remainder of this year as a result of prepayment costs associated with this strategy as well as higher interest costs on longer-term borrowings converted from short-term borrowings.* We anticipate that our net interest margin will increase in future years as a result of this repositioning.*

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The following table reflects the components of net interest income for each of the three months ended June 30, 2003 and 2002.

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

	Three Months Ended June 30,					
	2003			2002		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(in thousands)					
Assets						
Interest earning assets:						
Loans (1) (2)	\$6,050,578	\$92,283	6.10%	\$5,389,510	\$91,974	6.10%
Taxable investments	2,375,933	30,962	5.21%	2,345,559	36,549	6.10%
Tax-exempt investments (1)	244,754	4,257	6.96%	230,963	3,967	6.10%
Federal funds sold and other short-term investments	21,700	86	1.59%	73,611	327	1.59%
Total interest earning assets	8,692,965	\$127,588	5.87%	8,039,643	\$132,817	6.10%
Allowance for loan losses	(67,938)			(65,923)		
Cash and due from banks	191,002			178,182		
Other assets	435,716			345,601		
Unrealized gain on securities available for sale	56,582			45,244		
Total assets	\$9,308,327			\$8,542,747		
Liabilities and Shareholders' Equity						
Interest bearing liabilities:						
Savings deposits	\$3,096,965	\$ 6,427	0.83%	\$2,674,772	\$ 8,632	1.59%
Time deposits	2,229,817	12,218	2.19%	2,423,577	18,019	2.19%
Total interest bearing deposits	5,326,782	18,645	1.40%	5,098,349	26,651	2.19%
Short-term borrowings	478,997	1,404	1.17%	173,841	619	1.17%
Long-term debt	1,072,829	13,236	4.93%	924,383	12,640	4.93%
Total interest bearing liabilities	6,878,608	33,285	1.94%	6,196,573	39,910	2.19%
Demand deposits	1,536,919			1,432,362		
Other liabilities	70,926			53,266		
Capital securities	200,000			200,000		
Shareholders' equity	621,874			660,546		
Total liabilities and shareholders' equity	\$9,308,327			\$8,542,747		
Net interest income (tax equivalent basis)		94,303			92,907	
Tax equivalent adjustment		(1,548)			(1,460)	
Net interest income		\$92,755			\$91,447	

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Net interest rate differential	3.93%	4
	-----	---
Net interest margin (3)	4.34%	4
	=====	===

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- (1) Interest income is presented on a tax equivalent basis using a 35 percent federal tax rate.
 - (2) Loans are stated net of unearned income and include non-accrual loans.
 - (3) Net interest income on a tax equivalent basis as a percentage of total average interest earning assets.
-

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The following table reflects the components of net interest income for the six months ended June 30, 2003 and 2002.

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

Six Months Ended June 30,						
2003			2002			
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
(in thousands)						
Assets						
Interest earning assets:						
Loans (1) (2)	\$5,954,306	\$184,170	6.19%	\$5,355,424	\$182,933	6.83%
Taxable investments	2,370,344	62,795	5.30%	2,303,560	70,679	6.14%
Tax-exempt investments (1)	245,222	8,387	6.84%	226,426	7,821	6.91%
Federal funds sold and other short-term investments	18,831	173	1.84%	111,555	964	1.73%
Total interest earning assets	8,588,703	\$255,525	5.95%	7,996,965	\$262,397	6.56%
Allowance for loan losses	(66,855)			(65,849)		
Cash and due from banks	194,498			181,803		
Other assets	419,795			324,263		
Unrealized gain on securities available for sale	58,554			38,245		
Total assets	\$9,194,695			\$8,475,427		
Liabilities and Shareholders' Equity						
Interest bearing liabilities:						
Savings deposits	\$3,039,919	\$ 13,137	0.86%	\$2,610,759	\$ 16,720	1.28%
Time deposits	2,176,896	24,171	2.22%	2,408,553	36,585	3.04%
Total interest bearing deposits	5,216,815	37,308	1.43%	5,019,312	53,305	2.12%
Short-term borrowings	475,446	2,789	1.17%	184,717	1,445	1.56%
Long-term debt	1,085,182	26,464	4.88%	940,121	25,537	5.43%
Total interest bearing liabilities	6,777,443	66,561	1.96%	6,144,150	80,287	2.61%
Demand deposits	1,532,697			1,421,508		
Other liabilities	57,903			46,550		
Capital securities	200,000			200,000		
Shareholders' equity	626,652			663,219		
Total liabilities and shareholders' equity	\$9,194,695			\$8,475,427		

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	=====		=====	
Net interest income				
(tax equivalent basis)	188,964		182,110	
Tax equivalent adjustment	(3,053)		(2,883)	
	-----		-----	
Net interest income	\$185,911		\$179,227	
	=====		=====	
Net interest rate differential		3.99%		3.95
		-----		-----
Net interest margin (3)		4.40%		4.55
		=====		=====

-
- (1) Interest income is presented on a tax equivalent basis using a 35 percent federal tax rate.
 - (2) Loans are stated net of unearned income and include non-accrual loans.
 - (3) Net interest income on a tax equivalent basis as a percentage of total average interest earning assets.
-

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The following table demonstrates the relative impact on net interest income of changes in volume of interest earning assets and interest bearing liabilities and changes in rates earned and paid by Valley on such assets and liabilities.

CHANGE IN NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

	Three Months Ended June 30, 2003 Compared with 2002			Six Months Ended June 30, 2003 Compared with 2002		
	Increase (Decrease) (1)			Increase (Decrease) (1)		
	Interest	Volume	Rate	Interest	Volume	Rate

(in thousands)						
Interest income:						
Loans (2)	\$ 309	\$10,639	\$(10,330)	\$ 1,237	\$19,409	\$(18,172)
Taxable investments	(5,587)	468	(6,055)	(7,884)	2,000	(9,884)
Tax-exempt investments (2)	290	239	51	566	644	(78)
Federal funds sold and other short-term investments	(241)	(209)	(32)	(791)	(848)	57
	(5,229)	11,137	(16,366)	(6,872)	21,205	(28,077)

Interest expense:						
Savings deposits	(2,205)	1,213	(3,418)	(3,583)	2,448	(6,031)
Time deposits	(5,801)	(1,352)	(4,449)	(12,414)	(3,269)	(9,145)
Short-term borrowings	785	912	(127)	1,344	1,783	(439)
Long-term debt	596	1,907	(1,311)	927	3,698	(2,771)
	(6,625)	2,680	(9,305)	(13,726)	4,660	(18,386)

Net interest income (tax equivalent basis)	\$1,396	\$ 8,457	\$(7,061)	\$ 6,854	\$16,545	\$ (9,691)

(1) 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.

(2) Interest income is adjusted to a tax equivalent basis using a 35 percent federal tax rate.

Non-Interest Income

Non-interest income continues to represent a considerable source of income for Valley, representing 17.2 percent and 17.0 percent of total income for the three and six months ended June 30, 2003. For the three and six months ended June 30, 2003 non-interest income increased 28.4 percent and 34.8 percent compared with the same periods in 2002.

The following table presents the components of non-interest income for the three and six months ended June 30, 2003 and 2002.

	NON-INTEREST INCOME			
	Three Months Ended		Six Months Ended	
	June 30,			
	2003	2002	2003	2002
	(in thousands)			
Trust and investment services	\$ 2,156	\$ 1,192	\$ 4,230	\$ 2,370
Insurance fees, commissions and premiums	4,202	735	9,004	1,521
Service charges on deposit accounts	5,682	4,827	10,959	9,712
Gains on securities transactions, net	2,968	2,609	6,179	2,964
Fees from loan servicing	2,459	2,415	4,451	4,913
Gains on sales of loans, net	2,727	1,562	5,315	3,342
Bank owned life insurance ("BOLI")	1,564	1,806	3,078	3,222
Other	4,464	5,275	8,646	10,421
Total non-interest income	\$26,222	\$20,421	\$51,862	\$38,465

For the three and six months ended June 30, 2003, trust and investment services income increased \$964 thousand or 80.9 percent and \$1.9 million or 78.5 percent, respectively, as compared with the same periods in 2002, primarily due to additional revenues from the newly acquired Glen Rauch operations.

Insurance fees, commissions and premiums increased \$3.5 million or 472 percent and \$7.5 million or 492 percent for the three and six months ended June 30, 2003, compared with the same periods in 2002, due to Valley's recent acquisitions of Masters and NIA/Lawyers.

For the three and six month periods ended June 30, 2003, service charges on deposit accounts increased \$855 thousand or 17.7 percent and \$1.2 million or 12.8 percent, respectively, compared with the same periods in 2002, due to increases in service fees charged.

Gains on securities transactions, net, increased \$359 thousand or 13.8 percent and \$3.2 million or 108 percent for the three and six months ended June 30, 2003, compared with the same periods in 2002. The bond market has continued to display significant strength resulting in record refinancing rates. During the first half of 2003, Valley identified many individual bonds which experienced fast prepayment speeds. Many of these securities had substantial unrealized gains, low give-up yields and if not sold, had a strong likelihood of paying off at par within a very short time. Management made the decision to sell selected positions to realize these gains and will continue to monitor its inventory for more opportunities as part of its program of active portfolio management. The majority of these gains were generated from mortgage-backed securities.

Fees from loan servicing increased slightly by \$44 thousand or 1.8 percent and decreased by \$462 thousand or 9.4 percent for the three and six months ended June 30, 2003, respectively, compared with

the same periods in 2002. This decrease was mainly attributed to a reduction in fee income on a lower volume of serviced mortgages, due to heavy refinancing and payoff activity, as borrowers took advantage of lower interest rates. However, the increase in the current quarter is mainly due to a recent acquisition of mortgage servicing rights. On May 1, 2003, Valley purchased approximately \$15 million of loan servicing rights on a \$1 billion newly originated low coupon mortgage portfolio. This purchase included a 90 day window that reimburses Valley for payoffs that occur through August 1, 2003.

Gains on sales of loans, net, for the three and six months ended June 30, 2003 increased \$1.2 million or 74.6 percent and \$2.0 million or 59.0 percent, respectively, compared with the same periods in 2002. These increases were primarily attributed to the sale of \$73 million and \$144 million in residential mortgage loans for the three and six months ended June 30, 2003 compared with \$47 million and \$109 million sold for the same periods in 2002. Valley continues to sell some of its newly originated conforming residential mortgage loans with low long-term fixed rates into the secondary market to balance its overall asset mix and loan growth strategy.

Other non-interest income decreased \$811 thousand or 15.4 percent and \$1.8 million or 17.0 percent for the three and six months ended June 30, 2003, respectively, compared with the same periods in 2002. These decreases were mainly due to a \$1.6 million gain recorded from the sale of a Canadian subsidiary during the second quarter of 2002 and a settlement of a lawsuit of approximately \$800 thousand recorded during the first quarter of 2002. The significant components of other non-interest income include fees generated from letters of credit and acceptances, credit cards and safe deposit box rentals totaling approximately \$2.4 million and \$4.4 million for the three and six months ended June 30, 2003 compared with \$2.2 million and \$4.2 million for the three and six months ended June 30, 2002.

Non-Interest Expense

The following table presents the components of non-interest expense for the three and six months ended June 30, 2003 and 2002.

	NON-INTEREST EXPENSE			
	Three Months Ended		Six Months Ended	
	June 30,			
	2003	2002	2003	2002
	(in thousands)			
Salary expense	\$24,647	\$20,882	\$49,067	\$41,963
Employee benefit expense	5,892	4,701	12,198	9,547
Net occupancy expense	8,767	7,118	17,182	13,995
Amortization of intangible assets	3,609	2,714	6,375	4,903
Advertising	2,014	2,335	3,872	3,773
Distributions on capital securities	3,932	3,932	7,864	7,865
Other	11,014	8,879	21,387	17,821
Total non-interest expense	\$59,875	\$50,561	\$117,945	\$99,867

Non-interest expense increased by \$9.3 million or 18.4 percent and \$18.1 million or 18.1 percent for the three and six months ended June 30, 2003, compared with 2002 levels. These increases were due largely to increased salary expense for the recently acquired subsidiaries, business expansion including new and refurbished branches, additional amortization of loan servicing rights and higher expenses and depreciation charges in connection with recent investments in technology systems. The largest components of non-interest expense were salaries and employee

benefit expense representing 51 percent and 52 percent of total non-interest expense for the three and six months ended June 30, 2003.

The efficiency ratio measures a bank's total non-interest expense as a percentage of net interest income plus total non-interest income. Valley's efficiency ratio for the three and six months ended June 30, 2003 increased to 50.32 percent and 49.60 percent, compared with an efficiency ratio of 45.20 percent and 45.88 percent for the same periods in 2002. The additional expenses incurred as mentioned in the above paragraph, resulted in the increase in the efficiency ratio. Valley strives to control its efficiency ratio and expenses as a means of producing increased earnings for its shareholders.* The efficiency ratio for prior periods have been revised to exclude tax equivalent adjustments on net interest income and include all items of income and expense.

Salary expense increased \$3.8 million or 18.0 percent and \$7.1 million or 16.9 percent for the three and six months ended June 30, 2003, compared with the same periods in the prior year. These increases were primarily due to the acquisition of Masters, NIA/Lawyers and Glen Rauch, as well as increased branch and lending staff. At June 30, 2003, Valley's full-time equivalent staff was 2,342 compared with 2,126 at June 30, 2002.

Employee benefit expense increased by \$1.2 million or 25.3 percent and \$2.7 million or 27.8 percent for the three and six month period ended June 30, 2003, compared with the same periods last year. These increases were primarily due to increased benefit costs as well as recent acquisitions and business expansion discussed above, which attributed to increased insurance and retirement benefit costs. In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," an expense of \$68 thousand and \$145 thousand, net of tax was recorded on the fair value of stock options granted for the three and six month periods ended June 30, 2003, while no expenses were recorded in the same periods of 2002.

Net occupancy expense for the three and six months ended June 30, 2003 increased by \$1.6 million or 23.2 percent and \$3.2 million or 22.8 percent, compared with the same periods in 2002. These increases were largely due to business expansion including new branches and the recent acquisitions of Masters, NIA/Lawyers and Glen Rauch; larger snow-related cleanup costs; higher rental and repair costs; and increased depreciation charges in connection with recent investments in technology systems.

Amortization of intangible assets consisting primarily of amortization of loan servicing rights increased \$895 thousand or 33.0 percent and \$1.5 million or 30.0 percent for the three and six months ended June 30, 2003, compared with the same periods in 2002. Amortization of loan servicing rights for residential mortgages totaled \$3.1 million and \$5.4 million for the three and six months ended June 30, 2003, compared with \$2.4 million and \$4.3 million recorded in the same periods in 2002. These increases were a result of a large volume of prepayments on higher interest rate mortgages and additional amortization expense of \$170 thousand and \$340 thousand for the three and six months ended June 30, 2003 on identified intangibles recorded in connection with Valley's recent acquisitions. Under new accounting rules effective January of 2002, amortization of goodwill ceased; instead, Valley reviews the goodwill asset for impairment annually. During 2002, management evaluated the goodwill in each segment and determined that an impairment expense was not required to be recorded. For 2003, management will evaluate goodwill for impairment in the latter part of the year.

Distributions on capital securities consist of amounts paid or accrued on the \$200 million of 7.75 percent trust preferred securities issued in November of 2001. The cost for the three and six month period ended June 30, 2003 was \$3.9 million and \$7.9 million. During the second quarter of 2003, FASB issued a final statement, SFAS No. 150, requiring that trust preferred securities be reported in future periods as long-term debt and related distributions on these securities as interest expense. SFAS 150 is effective at the beginning of the first interim period beginning after June 15, 2003. Although there will be no impact on net income, net interest margin is expected to decrease since costs on Valley's trust preferred securities will be recorded as interest expense as compared to the present classification of non-interest expense.*

Other non-interest expense increased \$2.1 million and \$3.6 million for the three and six month periods ended June 30, 2003 compared with the same periods last year primarily due to increased business and recent acquisitions. The

significant components of other non-interest expense include data processing, professional fees, postage, telephone, stationery, insurance, title search fees and service fees totaling approximately \$9.0 million and \$17.3 million for the three and six months ended June 30, 2003.

Income Taxes

Income tax expense as a percentage of pre-tax income was 34.2 percent and 34.1 percent for the three and six months ended June 30, 2003, compared with 30.4 percent and 28.7 percent for the same periods in 2002. The increase in the effective tax rate reflected a tax benefit of \$1.75 million and \$5.25 million recorded for the three and six months ended June 30, 2002, as a result of the restructuring of an existing subsidiary into a REIT.

Business Segments

VNB has four business segments it monitors and reports on to manage its business operations. These segments are consumer lending, commercial lending, investment management and corporate and other adjustments. Lines of business and actual structure of operations determine each segment. Each is reviewed routinely for its asset growth, contribution to pre-tax net income and return on average interest earning assets. Expenses related to the branch network, all other components of retail banking, along with the back office departments of the bank are allocated from the corporate and other adjustments segment to each of the other three business segments. Valley's consumer lending segment currently is inclusive of the Financial Services Division. The financial reporting for each segment contains allocations and reporting in line with VNB's operations, which may not necessarily be compared with any other financial institution. The accounting for each segment includes internal accounting policies designed to measure consistent and reasonable financial reporting.

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The following table presents the financial data for the three months ended June 30, 2003 and 2002.

	Three Months Ended June 30, 2003			
	(in thousands)			
	Consumer Lending	Commercial Lending	Investment Management	Corporate and other adjustments
Average interest earning assets	\$3,098,456	\$2,972,887	\$2,621,622	\$0
Income (loss) before income taxes	\$21,557	\$20,703	\$22,137	\$(7,050)
Return on average interest-earning assets (pre-tax)	2.78%	2.79%	3.38%	0%
	Three Months Ended June 30, 2002			
	(in thousands)			
	Consumer Lending	Commercial Lending	Investment Management	Corporate and other adjustments
Average interest earning assets	\$2,697,783	\$2,732,105	\$2,609,755	\$0
Income (loss) before income taxes	\$20,469	\$17,460	\$20,138	\$(734)
Return on average interest earning assets (pre-tax)	3.03%	2.56%	3.09%	0%

Consumer Lending

The consumer lending segment had a return on average interest earning assets before taxes of 2.78 percent for the three months ended June 30, 2003 compared with 3.03 percent for the three months ended June 30, 2002. Average interest earning assets increased \$401 million or 14.9 percent, attributed to volume gains in residential mortgages, home equity and automobile loans. Increases in residential mortgage and home equity loans were driven by favorable interest rates and ongoing marketing efforts. Increases in automobile loans were achieved primarily as a result of increased indirect auto lending through continued expansion of Valley's auto loan dealer base. Average interest rates on consumer loans decreased 25 basis points, while the expenses associated with funding sources decreased 46 basis points to 1.53 percent. Income before income taxes increased \$1.1 million to \$21.6 million mainly due to additional fee income from Masters, NIA/Lawyers and Glen Rauch; increased residential mortgage fees and an increase in net interest income.

Commercial Lending

The return on average interest earning assets before taxes increased 23 basis points to 2.79 percent for the three months ended June 30, 2003, compared with 2.56 percent for the three months ended June 30, 2002. Average interest earning assets increased \$241 million or 8.8 percent as a result of increased loan volume, particularly in commercial

loans and commercial mortgages. Interest rates on commercial loans decreased by 53 basis points and the expenses associated with funding sources decreased by 46 basis points to 1.53 percent. Income before income taxes increased \$3.2 million to \$20.7 million due to increased net interest income and a lower provision for loan losses partly offset by the increase in allocation of the internal expense transfer resulting from increased average volume.

Investment Management

The return on average interest earning assets before taxes increased 29 basis points to 3.38 percent for the three months ended June 30, 2003 compared with 3.09 percent for the three months ended June 30, 2002. The yield on interest earning assets, which includes federal funds sold, decreased 73 basis points to 5.54 percent and the expenses associated with funding sources decreased 46 basis points to 1.53 percent. Average interest earning assets increased \$11.9 million. Income before income taxes increased by \$2.0 million primarily as a result of higher non-interest income of \$3.7 million offset by a decrease in net interest income of \$1.7 million. The investment portfolio is comprised predominantly of mortgage-backed securities that have generated significant cash flows invested at lower rates during the first half of 2003, as low mortgage rates have triggered record refinancing activity. During the first and second quarter of 2003, Valley continued to add high quality mortgage-backed paper that provides a liquid, short duration based on the current interest rate environment and an attractive spread.

Corporate Segment

The corporate segment represents income and expense items not directly attributable to a specific segment such as distributions on capital securities and service charges on deposit accounts. The loss before taxes for the corporate segment was \$7.1 million for the three months ended June 30, 2003, compared with a loss of \$734 thousand for the three months ended June 30, 2002. This increase was primarily the result of lower non-interest income, higher back-office operating expenses and increased internal transfer expense.

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The following table presents the financial data for the six months ended June 30, 2003 and 2002.

	Six Months Ended June 30, 2003				
	(in thousands)				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and other adjustments	Total
Average interest earning assets	\$3,037,121	\$2,937,116	\$2,614,466	\$0	\$8,588,709
Income (loss) before income taxes	\$ 44,332	\$39,881	\$45,657	\$(15,052)	\$118,818
Return on average interest-earning assets (pre-tax)	2.92%	2.72%	3.49%	0%	
	Six Months Ended June 30, 2002				
	(in thousands)				
	Consumer Lending	Commercial Lending	Investment Management	Corporate and other adjustments	Total
Average interest earning assets	\$2,680,149	\$2,713,525	\$2,603,291	\$0	\$7,997,065
Income (loss) before income taxes	\$ 40,601	\$36,558	\$ 36,899	\$(3,912)	\$109,146
Return on average interest earning assets (pre-tax)	3.03%	2.69%	2.83%	0%	

Consumer Lending

The consumer lending segment had a return on average interest earning assets before taxes of 2.92 percent for the six months ended June 30, 2003 compared with 3.03 percent for the six months ended June 30, 2002. Average interest earning assets increased \$357 million or 13.3 percent, attributed to volume gains in residential mortgages, home equity and automobile loans. Increases in residential mortgage and home equity loans were driven by favorable interest rates and ongoing marketing efforts. Increases in automobile loans were achieved primarily as a result of increased indirect auto lending through continued expansion of Valley's auto loan dealer base. Average interest rates on consumer loans decreased 93 basis points, while the expenses associated with funding sources decreased 46 basis points to 1.55 percent. Income before income taxes increased \$3.7 million to \$44.3 million mainly due to additional fee income from Masters, NIA/Lawyers and Glen Rauch; increased residential mortgage fees and an increase in net interest income.

Commercial Lending

The return on average interest earning assets before taxes increased to 2.72 percent for the six months ended June 30, 2003 compared with 2.69 percent for the six months ended June 30, 2002. Average interest earning assets increased \$224 million or 8.2 percent as a result of increased loan volume particularly in commercial loans and commercial mortgages. Interest rates on commercial loans decreased by 56 basis points and the expenses associated with funding sources decreased by 46 basis points to 1.55 percent. Income before income taxes increased \$3.3 million to \$39.9 million compared with \$36.6 million last year mainly due to an increase in net interest income and a lower provision for loan losses offset by the increase in allocation of the internal expense transfer resulting from increased average volume.

Investment Management

The return on average interest earning assets before taxes increased 66 basis points to 3.49 percent for the six months ended June 30, 2003 compared with 2.83 percent for the six months ended June 30, 2002. The yield on interest earning assets, which includes federal funds sold decreased 36 basis points and the expenses associated with funding sources decreased 46 basis points to 1.55 percent. Average interest earning assets increased \$11.2 million. Income before income taxes increased \$8.8 million primarily as a result of gains on securities sold. The investment portfolio is comprised predominantly of mortgage-backed securities that have generated significant cash flow during the first half of 2003, as low mortgage rates have triggered record refinancing activity. During the first half of 2003, Valley continued to add high quality mortgage-backed paper that provides a liquid, short duration based on the current interest rate environment and an attractive spread.

Corporate Segment

The corporate segment represents income and expense items not directly attributable to a specific segment such as distributions on capital securities and service charges on deposit accounts. The loss before taxes for the corporate segment was \$15.1 million for the six months ended June 30, 2003, compared with a loss of \$3.9 million for the six months ended June 30, 2002. This increase was primarily the result of higher back-office operating expenses and increased internal transfer expense.

ASSET/LIABILITY MANAGEMENT

Interest Rate Sensitivity

Valley's success is largely dependent upon its ability to manage interest rate risk. Interest rate risk can be defined as the exposure of Valley's net interest income to the movement in interest rates. Valley does not currently use derivatives to manage market and interest rate risks. Valley's interest rate risk management is the responsibility of the Asset/Liability Management Committee ("ALCO"). ALCO establishes policies that monitor and coordinate Valley's sources, uses and pricing of funds.

Valley uses 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 twelve and twenty-four 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 on the prepayment assumptions of certain assets and liabilities as of June 30, 2003. The model assumes changes in interest rates without any proactive change in the balance sheet by management. According to the model run for the period ended June 30, 2003, over a twelve month period, an immediate interest rate increase of 100 basis points resulted in an increase in net interest income of 3.81 percent or \$13.8 million, while an immediate interest rate decrease of 100 basis points resulted in a decrease in net interest income of 6.13 percent or \$22.2 million.* Management cannot provide any assurance about the actual effect of changes in interest rates on Valley's net interest income.*

Valley's net interest margin is affected by changes in interest rates and cash flows from its loan and investment portfolio. In a low interest rate environment, greater cash flow is received from mortgage loans and mortgage-backed securities due to greater refinancing activity. These larger cash flows are then reinvested into various investments at lower interest rates causing net interest margin pressure. Valley actively manages these cash flows in conjunction with its liability mix, duration and rates to maximize net interest margin. In addition, Valley took advantage of lower rate intermediate term financing in the latter part of 2002 and lower rate short-term financing in 2003. At the start of the third quarter, Valley began to reposition some of its borrowings to take advantage of low long-term interest rates. It is anticipated that this strategy will enable Valley to better match its lower yielding fixed rate loans should interest rates rise*. Interest expense may increase for the remainder of this year as a result of prepayment costs associated with this strategy as well as higher interest costs on longer-term borrowings converted from short-term borrowings.* We anticipate that our net interest margin will increase in future years as a result of this repositioning.*

Liquidity

Liquidity measures the ability to satisfy current and future cash flow needs as they become due. Maintaining a level of liquid funds through asset/liability management seeks to ensure that these needs are met at a reasonable cost. On the asset side, liquid funds are maintained in the form of cash and due from banks, federal funds sold, investment securities held to maturity maturing within one year, securities available for sale and loans held for sale. Liquid assets amounted to \$2.5 billion at June 30, 2003 and at December 31, 2002. This represents 28.1 percent and 29.1 percent of earning assets at June 30, 2003 and December 31, 2002, respectively, and 26.2 percent and 27.2 percent of total assets at June 30, 2003 and December 31, 2002.

On the liability side, the primary source of funds available to meet liquidity needs is VNB's core deposit base, which generally excludes certificates of deposit over \$100 thousand. Core deposits averaged approximately \$5.8 billion for the six months ended June 30, 2003 and \$5.5 billion for the year ended December 31, 2002, representing 67.4 percent and 67.2 percent, respectively, of average earning assets. Demand and savings deposits have continued to increase as an alternative to low interest rates on certificates of deposits and the effects of a sluggish equity market. Short-term and long-term borrowings

through federal funds lines, repurchase agreements, FHLB advances and large dollar certificates of deposit, generally those over \$100 thousand are also used as funding sources. During the first half of 2003, average short-term FHLB advances increased by \$75 million.

Additional liquidity is derived from scheduled loan and investment payments of principal and interest, as well as prepayments received. For the six months ended June 30, 2003 proceeds, from the sales of investment securities available for sale amounted to \$403 million compared with \$282 million for the same period in 2002. For the six months ended June 30, 2003, proceeds from maturities, redemptions and prepayments of investment securities available for sale totaled \$765 million compared with \$535 million for the same period in 2002. Liquidity was substantially higher due to heavy prepayment activity on mortgage loans and mortgage-backed securities. Purchases of investment securities for the six months ended June 30, 2003 were \$1.2 billion. Short-term borrowings and certificates of deposit over \$100 thousand amounted to \$1.4 billion, on average, for the six months ended June 30, 2003 and \$1.3 billion for the year ended December 31, 2002.

Valley's recurring cash requirements consist primarily of dividends to shareholders and distributions on trust preferred securities. This cash need is routinely satisfied by dividends collected from its subsidiary bank along with cash and earnings on investments owned. Projected cash flows from these sources are expected to be adequate to pay dividends and distributions on trust preferred securities, given the current capital levels and current profitable operations of its subsidiary.* In addition, Valley has, as approved by the Board of Directors, repurchased shares of its outstanding common stock. The cash required for these purchases of shares has been met by using its own funds, dividends received from its subsidiary bank as well as borrowed funds and the proceeds from the issuance of \$200 million in trust preferred securities.

As of June 30, 2003 and December 31, 2002, Valley had a total of \$2.1 billion of securities available for sale recorded at their fair value. As of June 30, 2003, the investment securities available for sale had an unrealized gain of \$36.1 million, net of deferred taxes, compared with \$41.3 million, net of deferred taxes, at December 31, 2002. This change was primarily due to a temporary decrease in prices. These securities are not considered trading account securities, which may be sold on a continuous basis, but rather, are securities which may be sold to meet the various liquidity and interest rate requirements of Valley. As of June 30, 2003, Valley had a total of \$3.5 million in trading securities.

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Loan Portfolio

The following table reflects the composition of the loan portfolio for the periods presented.

LOAN PORTFOLIO				
	June 30, 2003	March 31, 2003	December 31, 2002	June 30, 2002
Commercial	\$1,163,176	\$1,140,736	\$1,115,784	\$1,090,000
Total commercial loans	1,163,176	1,140,736	1,115,784	1,090,000
Construction	203,391	187,016	200,896	200,000
Residential mortgage	1,648,293	1,581,777	1,427,715	1,310,000
Commercial mortgage	1,564,096	1,568,991	1,515,095	1,440,000
Total mortgage loans	3,415,780	3,337,784	3,143,706	2,950,000
Home equity	467,322	449,919	451,543	420,000
Credit card	10,727	10,381	11,544	10,000
Automobile	958,900	928,114	932,672	920,000
Other consumer	117,483	102,174	107,239	80,000
Total consumer loans	1,554,432	1,490,588	1,502,998	1,440,000
Total loans	\$6,133,388	\$5,969,108	\$5,762,488	\$5,480,000
As a percent of total loans:				
Commercial loans	19.0 %	19.1%	19.4%	19.5%
Mortgage loans	55.7	55.9	54.5	53.1%
Consumer loans	25.3	25.0	26.1	27.4%
Total	100.0 %	100.0%	100.0%	100.0%

During the second quarter of 2003, Valley's total loan portfolio continued to grow at a steady upward trend, while maintaining emphasis on credit quality. During the quarter, total loans grew 2.8 percent from March 31, 2003, while on an annualized basis, total loans increased 11.0 percent reflecting overall growth in residential mortgage, commercial loans and consumer loans. Valley cannot guarantee that the current level of loan growth will continue throughout the year.*

For the three months ended June 30, 2003, commercial loans increased 2.0 percent or 7.9 percent annualized, partly due to increased commercial line draw downs, new commercial loans, as well as increased aviation and equipment leasing activity.

For the three months ended June 30, 2003, total mortgage loans increased 2.3 percent or 9.3 percent on an annual basis, mainly due to a favorable interest rate environment and continuing stable economic conditions in Valley's lending area. This growth was primarily due to a 4.2 percent or 16.8 percent annualized increase in the residential mortgage portfolio. Valley often sells many of its newly originated conforming residential mortgage loans with low long-term fixed rates into the secondary market, but may retain amounts necessary to balance Valley's overall asset

mix and loan growth strategy. For the first half of 2003, Valley elected to sell approximately \$144 million of the \$792 million in originated residential mortgage loans. As a result of current increases in long term interest rates subsequent to June 30, 2003, the volume of new residential mortgage applications has declined compared with the higher volumes of refinancing activity over the first half of 2003. Valley anticipates that it will close a majority of its residential mortgage applications presently under commitment, many of which are contracted to be sold during the third quarter of 2003.* Commercial mortgage loans decreased slightly for the three months ended June 30, 2003, but increased \$49 million or 3.2 percent for the first half of 2003 or 6.5 percent on an annualized basis.

Consumer loans, for the three months ended June 30, 2003, posted an increase of 4.3 percent or 17.1 percent annualized, primarily from home equity and automobile loans. Automobile loan growth was constrained during the first quarter, but increased in the second quarter despite manufacturers' based incentives, such as zero percent financing and aggressive competition from other lending institutions in our marketplace. Valley continued to expand its dealer network in additional markets within New Jersey, New York and Pennsylvania.

Non-performing Assets

Non-performing assets include non-accrual loans and other real estate owned ("OREO"). Loans are generally placed on a non-accrual status when they become past due in excess of 90 days as to payment of principal or interest. Exceptions to the non-accrual policy may be permitted if the loan is sufficiently collateralized and in the process of collection. OREO is acquired through foreclosure on loans secured by land or real estate. OREO is reported at the lower of cost or fair value at the time of acquisition and at the lower of fair value, less estimated costs to sell, or cost thereafter. Levels of non-performing assets remain relatively low as a percentage of the total loan portfolio and OREO as shown in the table below.

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Loans 90 days or more past due and still accruing, which were not included in the non-performing category steadily decreased over the periods presented in the table below. Valley cannot predict if this downward trend will continue.* These loans are primarily commercial mortgage loans and commercial loans which are generally well secured and in the process of collection. Also included are matured commercial mortgage loans in the process of being renewed, which totaled \$1.0 million at June 30, 2003, \$961 thousand at March 31, 2003, \$1.7 million at December 31, 2002 and \$4.2 million at June 30, 2002.

Total loans past due in excess of 30 days were 0.75 percent of all loans at June 30, 2003 compared with 0.87 percent at March 31, 2003, 1.20 percent at December 31, 2002 and 1.05 percent at June 30, 2002.

The following table sets forth non-performing assets and accruing loans, which were 90 days or more past due as to principal or interest payments on the dates indicated in conjunction with asset quality ratios for Valley.

	LOAN QUALITY			
	June 30, 2003	March 31, 2003	December 31, 2002	June 30, 2002

	(in thousands)			
Loans past due in excess of 90 days and still accruing	\$ 3,023	\$4,698	\$ 4,931	\$10,2
Non-accrual loans	\$23,894	\$26,799	\$21,524	\$19,5
Other real estate owned	172	448	43	

Total non-performing assets	\$24,066	\$27,247	\$21,567	\$19,5

Troubled debt restructured loans	\$ 0	\$ 0	\$ 0	\$ 8

Non-performing loans as a % of loans	0.39%	0.46%	0.37%	0.

Non-performing assets as a % of loans plus other real estate owned	0.39%	0.46%	0.37%	0.

Allowance as a % of loans	1.10%	1.12%	1.11%	1.

Allowance for Loan Losses

At June 30, 2003, the allowance for loan losses totaled \$67.5 million compared with \$64.1 million at December 31, 2002. The allowance was adjusted by provisions charged against income and loans charged-off net of recoveries. Net loan charge-offs were \$1.1 million and \$518 thousand for the six and three months ended June 30, 2003 compared with \$3.9 million and \$613 thousand for six and three months ended June 30, 2002. Valley cannot guarantee that the low level of net charge-offs during the first half of 2003 will continue in future periods.*

The allowance for loan losses is maintained at a level estimated to absorb probable loan losses of the loan portfolio.* The allowance is based on ongoing evaluations of the probable estimated losses inherent in the loan portfolio. VNB's methodology for evaluating the appropriateness of the allowance consists of several significant elements, which include the allocated allowance, specific allowances for identified problem loans, portfolio segments and the unallocated allowance. The allowance also incorporates the results of measuring impaired loans as called for in SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures."

The following table summarizes the relationship among loans, loans charged-off, loan recoveries, the provision for loan losses and the allowance for loan losses on the dates indicated.

ALLOWANCE FOR LOAN LOSSES				
Three Months Ended				
	June 30, 2003	March 31, 2003	December 31, 2002	June 30, 2002
(in thousands)				
Average loans outstanding	\$6,050,578	\$5,856,965	\$5,690,264	\$5,389,510
Beginning balance:				
Allowance for loan losses	\$ 66,791	\$ 64,087	\$ 66,189	\$ 64,223
Loans charged-off	(2,143)	(2,167)	(5,552)	(5,265)
Recoveries	1,074	1,616	784	1,367
Net charge-offs	(1,069)	(551)	(4,768)	(3,898)
Provision charged to operations	1,755	3,255	2,666	3,974
Ending balance: Allowance for loan losses	\$ 67,477	\$ 66,791	\$ 64,087	\$ 64,299
Ratio of net charge-offs during the period to average loans outstanding during the period	0.05%	0.04%	0.24%	0.27%

Capital Adequacy(3)

A significant measure of the strength of a financial institution is its shareholders' equity. At June 30, 2003 and December 31, 2002 shareholders' equity totaled \$629.1 million and \$631.7 million, respectively, or 6.62 percent and 6.92 percent of total assets. The decline in shareholders' equity was mainly the result of the repurchase of Valley's common stock as discussed below.

On May 13, 2003, Valley's Board of Directors authorized the repurchase of an additional 2.5 million shares of the Company's outstanding common stock. Purchases may be made from time to time in the open market or in privately negotiated transactions generally not exceeding prevailing market prices. Reacquired shares are held in treasury and are expected to be used for general corporate purposes.* Valley's Board of Directors had previously authorized the repurchase of up to 10.5 million shares of the Company's outstanding common stock on August 21, 2001. As of June 30, 2003, Valley had repurchased approximately 10.2 million shares of its common stock at an average cost of \$24.50 per share. For the second quarter ended June 30, 2003, Valley repurchased 670 thousand shares at an average cost of \$24.82 or \$16.6 million. Valley expects to continue its existing repurchase program until all 10.5 million shares are purchased before the newly authorized program becomes effective.

On April 9, 2003, the Board of Directors declared a five percent stock dividend issued on May 16, 2003, to shareholders of record on May 2, 2003 and also agreed to maintain the annual cash dividend at \$0.90 per share, on an after-stock-dividend basis, representing an increase of 5 percent in the cash payout. This dividend was issued out of the treasury shares acquired under the share repurchase program.

Included in shareholders' equity as a component of accumulated other comprehensive income at June 30, 2003 was a \$36.1 million unrealized gain on investment securities available for sale, net of tax, compared with an unrealized gain of \$41.3 million at December 31, 2002.

Risk-based guidelines define a two-tier capital framework. Tier I capital consists of common shareholders' equity and trust preferred securities, less disallowed intangibles and is adjusted to exclude unrealized gains and losses, net of tax. Total risk-based capital consists of Tier I capital and the allowance for loan losses up to 1.25 percent of risk-adjusted assets. Risk-adjusted assets are determined by assigning various levels of risk to different categories of assets and off-balance sheet activities.

In November 2001, Valley sold \$200 million of trust preferred securities, a portion of which qualifies as Tier I capital, within regulatory limitations. Including these securities, Valley's capital position at June 30, 2003, under risk-based capital guidelines was \$761.7 million or 10.86 percent of risk-weighted assets for Tier 1 capital and \$821.5 million or 11.93 percent for Total risk-based capital. The comparable ratios at December 31, 2002 were 11.49 percent for Tier 1 capital and 12.55 percent for Total risk-based capital. At June 30, 2003 and December 31, 2002, Valley exceeded the minimum leverage requirement having Tier 1 leverage ratios of 8.20 percent and 8.68 percent, respectively. Valley's ratios at June 30, 2003 were above the "well capitalized" requirements, which require Tier I capital to risk-adjusted assets of at least 6 percent, Total risk-based capital to risk-adjusted assets of 10 percent and a minimum leverage ratio of 5 percent. The continued consolidation of the Issuer Trusts and the appropriate balance sheet classification of trust preferred securities is currently under review pursuant to FIN 46. Although the Federal Reserve Board has issued interim guidance that continues to recognize trust preferred securities as a component of Tier 1 capital, it is possible that a change may result in these securities' qualifying for Tier 2 capital rather than Tier 1 capital. If Tier 2 capital treatment had been required at June 30, 2003, Valley would remain "well capitalized" under the Federal bank regulatory agencies definitions.

Book value per share amounted to \$6.71 at June 30, 2003 and \$6.65 at December 31, 2002.

(3) Share data reflects the 5% stock dividend issued on May 16, 2003.

The primary source of capital growth is through retention of earnings. Valley's rate of earnings retention, derived by dividing undistributed earnings per share by net income per share was 45.0 percent for the six months ended June 30, 2003, compared with 46.8 percent for the six months ended June 30, 2002. Cash dividends declared amounted to \$0.44 per share, for the six months ended June 30, 2003, equivalent to a dividend pay-out ratio per diluted share of 55.0 percent, compared with 53.2 percent for the same period in 2002. Valley's Board of Directors continues to believe that cash dividends are an important component of shareholder value and that, at its current level of performance and capital, Valley expects to continue its current dividend policy of a quarterly cash distribution of earnings to its shareholders.*

Recent Accounting Pronouncements

See page 8 for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See page 24 for a discussion of interest rate sensitivity.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Company's management, have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

The Company's Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any changes in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 4. Submission of Matters to a Vote of Security Holders

(a) On April 9, 2003, the Annual Meeting of Shareholders of Valley National Bancorp was held. The Shareholders voted upon the election of 16 persons, named in the Proxy Statement, to serve as directors of the Corporation for the ensuing year. All directors were elected and there was no solicitation in opposition to management's nominees as listed in the Proxy Statement. The following is a list of directors elected at the Annual Meeting with the number of votes "For" and "Withheld". There were no abstentions in regards to the election of directors.

Name	Number of Votes For	Withheld
Andrew B. Abramson	72,984,343	507,085
Charles J. Baum	73,012,609	478,820
Pamela Bronander	73,024,738	466,690
Joseph Coccia, Jr	72,292,042	1,199,387
Graham O. Jones	72,425,236	1,066,192
Walter H. Jones, III	72,426,364	1,065,063
Gerald Korde	73,029,458	461,971
Gerald H. Lipkin	72,537,955	953,473
Robinson Markel	69,551,292	3,940,138
Robert E. McEntee	73,008,278	483,149
Richard S. Miller	72,426,457	1,064,973
Robert Rachesky	68,494,507	4,996,923
Barnett Rukin	68,517,643	4,973,785
Peter Southway	72,517,612	973,818
Richard F. Tice	73,022,272	469,158
Leonard J. Vorcheimer	73,029,521	461,907

Item 5. Other Information

This information is being provided under Item 11 of Form 8-K to provide notice of a pension fund blackout period. Valley National Bank, as plan sponsor of the Valley National Bank Savings and Investment Plan (the "401k Plan") changed record-keepers from Benefit Services, Corp. ("BSC") to Fidelity Investments, effective May 27, 2003. In order for BSC to perform a final reconciliation of the 401k Plan assets and for Fidelity to establish participant accounts, a blackout period was imposed under the 401k Plan that began May 27, 2003 and ended during the week of June 22, 2003.

During that blackout period, the ability of all participants in the plan to purchase, sell or otherwise acquire or transfer an interest in plan assets, to make changes in investment options, to initiate distributions or loans and to change payroll deferral percentages was suspended. All of Valley's common stock was subject to the blackout period. The person designated by Valley to respond to inquiries about the blackout period was Bill Bennett, by mailing to 1455 Valley Road, Wayne, NJ 07470 or by telephone at (973) 686-5406. We received notice of the blackout period from the plan administrator on April 25, 2003, as required by Section 101(i)(2)(E) of the Employment Retirement Income Security Act of 1974.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(3)(A) Certificate of Incorporation incorporated herein by reference to the Registrant's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.

(3)(B) By-laws are incorporated herein by reference to the Registrant's Form 10-K Annual Report for the year ended December 31, 1998.

(31.1) Certification of Gerald H. Lipkin, Chairman, President and Chief Executive Officer of the Company, pursuant to Securities Exchange Act Rule 13a - 14(a).

(31.2) Certification of Alan D. Eskow, Executive Vice President and Chief Financial Officer of the Company, pursuant to Securities Exchange Act 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 Gerald H. Lipkin, Chairman, President and Chief Executive Officer of the Company and Alan D. Eskow, Executive Vice President and Chief Financial Officer of the Company

(b) Current Reports on Form 8-K

(1) Filed July 17, 2003 to furnish under Item 12, Valley's second quarter earnings.

(2) Filed April 17, 2003 to furnish under Item 12, Valley's first quarter earnings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALLEY NATIONAL BANCORP

(Registrant)

Date: August 18, 2003

/s/ GERALD H. LIPKIN

GERALD H. LIPKIN

CHAIRMAN, PRESIDENT AND

CHIEF EXECUTIVE OFFICER

Date: August 18, 2003

/s/ ALAN D. ESKOW

ALAN D. ESKOW

EXECUTIVE VICE PRESIDENT AND

CHIEF FINANCIAL OFFICER

EXHIBITS INDEX

Exhibit Number	Exhibit Description
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Exhibit 31.1

CERTIFICATIONS

I, Gerald H. Lipkin, certify that:

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

Date: August 18, 2003

/s/ Gerald H. Lipkin

Gerald H. Lipkin
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Alan D. Eskow, certify that:

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

Date: August 18, 2003

/s/ Alan D. Eskow

Alan D. Eskow
Executive Vice President and
Chief Financial Officer

Exhibit 32

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

In connection with the Quarterly Report on Form 10-Q/A of Valley National Bancorp (the "Company") for the quarterly period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Gerald H. Lipkin, as Chief Executive Officer of the Company, and Alan D. Eskow, as Chief Financial Officer, each hereby certifies, 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 their knowledge:

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

/s/ Gerald H. Lipkin

Gerald H. Lipkin
Chairman, President and Chief Executive Officer
August 18, 2003

/s/ Alan D. Eskow

Alan D. Eskow
Executive Vice President and Chief Financial Officer
August 18, 2003