U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C., 20549

FORM 10-KSB/A

(Mark one)

| X | ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended December 31, 2006

| | TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ______

Commission File Number 000-51408

FIRST VALLEY BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

Connecticut	06-1522403
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Four Riverside Avenue, Bristol, CT	06010
(Address of principal executive offices)	(Zip Code)
Issuer's telephone number	(860) 582-8868

Securities registered under Section 12(b) of the Act:
None

Securities registered under Section 12(g) of the Act:
Title of Class: Common Stock, No Par Value

Check whether the issuer (1) 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 for 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 X No___

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained statements incorporated by reference in Part III of this Form 10-KSB or any amendment of this Form 10-KSB. ( )

State issuers revenue for its most recent fiscal year: $11,182,000

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of March 9, 2007 is $17.1 million based on a price of $20.75 per share.

Indicate the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practiceable date.

Common stock, no par value	**1,194,550**
Class	Outstanding at March 9, 2007

DOCUMENTS INCORPORATED BY REFERENCE
N/A
Traditional Small Business Disclosure Format: Yes X No____

Explanatory Note

This Amendment No. 1 on Form 10-KSB/A (“Form 10-KSB/A”) to the registrant’s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, initially filed with the Securities and Exchange Commission (“SEC”) on March 30, 2007 ("Original Filing"), is being filed to add certain inadvertent omissions in the presentation of certain information required by Securites Act Guide 3 "Statistical Disclosure by Bank Holding Companies".

This Form 10-KSB/A hereby amends:

- Part II, Item 6, Management's Discussion and Analysis or Plan of Operation
  - Revised to present tabular disclosure of investment portfolio and provide weighted average yield for each range of maturities.
  - Revised to present a summary of nonaccrual, past due and restructured loans and revised to present the allocation for loan losses and tabular disclosure loan principal repayments and breakdown of allowance for loan losses by loan category (sharing dollar amount) and contractual maturities and interest rate sensitivity of selected loan categories.
  - Revised to present amount outstanding of certificates of deposit in amounts of $100,000 or more by maturity.

This Form 10-KSB/A speaks as of the end of our fiscal year ended December 31, 2006 or as of the date of the Original Filing, as applicable. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events.

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Item 1 - DESCRIPTION OF BUSINESS

First Valley Bancorp, Inc. (the "Company"), a Connecticut corporation was formed in 2005, for the purpose of becoming the one-bank holding company of Valley Bank (the "Bank"), a wholly-owned subsidiary. The Company's activity is currently limited to the holding of the Bank's outstanding common stock and the Bank is the Company's primary investment. The Company's net income is largely derived from the business of the Bank.

The Bank commenced operations as a Connecticut state-chartered commercial bank on November 15, 1999. The Bank is an insured bank under the Federal Deposit Insurance Act up to its applicable limits. Like most state-chartered commercial banks in Connecticut, it is not a member of the Federal Reserve System.

On November 21, 2006, the Company entered into a definitive merger agreement in which the Company will merge with and into New England Bancshares Acquisition, Inc. in exchange for cash and common stock of New England Bancshares, Inc. ("NEB"). NEB is a Maryland corporation based in Enfield, Connecticut and is the holding company for Enfield Federal Savings and Loan Association in Enfield, Connecticut. At the effective time of the merger, the separate corporate existence of the Company shall cease, and Valley Bank, the Company's subsidiary, will become a subsidiary of NEB. Per the definitive merger agreement, Valley Bank will continue as a separate subsidiary for a minimum of five years after the effective date, absent the occurrence of certain unexpected events.

The transaction is valued at approximately $25.6 million. The terms of the definitive merger agreement call for each outstanding share of the Company to be converted into the right to receive .8907 shares of NEB common stock and $9.00 in cash.

The transaction is subject to approval by the shareholders of the Company as well as the customary regulatory approvals.

The Bank conducts its business from four locations serving the greater Bristol community, its main office at Four Riverside Avenue, Bristol, Connecticut, 06010, and three additional full-service offices at 8 South Main Street in the Terryville section of Plymouth, Connecticut, 06786, at 98 Main Street in Southington, Connecticut, 06489, and at 888 Farmington Avenue, Bristol, Connecticut 06010.

The Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in small business, commercial real estate, residential real estate and consumer loans. In connection with both loans and deposits, the Bank does a substantial amount of business with individuals as well as customers in commercial and professional businesses. The Bank offers safe deposit boxes at all full-service locations, and other customary bank services to its customers. The Bank has drive-up facilities and automated teller machines which are connected to the NYCE, SUM and PLUS networks.

In January 2006, the Board of Directors authorized the Bank to begin offering full-time access to advisory and investment services to consumers and businesses on retirement planning, individual investment portfolios, and strategic asset management. The new services to be provided by the Bank (d/b/a Riverside Investment Services) would include mutual funds, life insurance options, tax and estate planning, and investment portfolio analysis. In April 2006, the Bank hired Thomas O. Barnes, Jr. as the Manager of Riverside Investment Services and began to provide these services. Riverside Investment Services is located on the second floor of the Bank's main office on Four Riverside Avenue, Bristol, Connecticut.

In April 2006, the Bank entered into a broker/dealer relationship with LPL (Linsco/Private Ledger) in Boston.

Prior to April 2006, the Bank had offered its customers investment services on a part-time basis through a relationship with Tracy Driscoll, Inc., a local insurance agency, and Bannon, Ohanesian & Lecours, Inc., a full-service, independent broker/dealer headquartered in West Hartford, Connecticut.

The officers and employees of the Bank have engaged in marketing activities, including the evaluation and development of new products and services, in order to enable the Bank to retain and improve its competitive position in its market. The incremental cost to the Bank for these marketing activities, which occur largely in the course of general duties by such officers and employees, cannot be calculated with any degree of certainty.

Neither the Company nor the Bank hold any patents, trademarks, licenses, franchises or concessions materially important to the Bank, other than those required or granted by regulatory authorities.

The retail nature of the Bank's operations allows for full diversification of depositors and borrowers. Most of the Bank's deposits are from individuals and small to medium size business-related sources. No material portion of the Bank's loans is concentrated within a single industry or group of related industries. No loans are made to foreign companies or governments. The Bank generally finances real estate within its market area.

At December 31, 2006, the Bank had 52 full time equivalent employees.

The Bank competes with virtually all banks and savings institutions, which offer services in its market area. The Bank directly competes in its service areas with branches of most of Connecticut's largest banks, each of which has greater financial and other resources to conduct large advertising campaigns and to allocate their investment assets in areas of highest yield and demand. These banks have higher lending limits than does the Bank by virtue of greater total capitalization and generally perform certain other functions, such as private banking and international banking services, which the Bank is not equipped to offer directly. To attract business in this competitive environment, the Bank relies heavily on local promotional activities and personal contact by its officers, directors, staff and shareholders, and on its ability to provide personalized service in a unique banking environment.

The Bank's business is affected not only by competition and general economic conditions, but also by governmental, tax, monetary and fiscal policies.

The Bank faces significant competition from other banking institutions as well as non-banks operating in the Bank's market area. Connecticut currently allows institutions from outside Connecticut to establish operations in Connecticut either through newly chartered or acquired Connecticut institutions. In recent years, institutions based in other states have opened facilities in the Bank's market area. It is uncertain what effect competition from such institutions, generally having much larger resources than the Bank, will have on the Bank.

As a bank holding company, the Company's operations are subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve Board (the "FRB"). The FRB has established capital adequacy guidelines for bank holding companies that are similar to the FDIC's capital guidelines applicable to the Bank. The Bank Holding Company Act of 1956, as amended (the "BHC Act"), limits the types of companies that a bank holding company may acquire or organize and the activities in which it or they may engage. In general, bank holding companies and their subsidiaries are only permitted to engage in, or acquire direct control of, any company engaged in banking or in a business so closely related to banking as to be a proper incident thereto. Federal legislation enacted in 1999 authorizes certain entities to register as financial holding companies. Registered financial holding companies are permitted to engage in businesses, including securities and investment banking businesses, which are prohibited to bank holding companies. While the creation of financial holding companies is evolving, to date there has been no significant impact on the Company.

Under the BHC Act, the Company is required to file annually with the FRB a report of its operations. The Company is subject to examination by the FRB. In addition, the Company will be required to obtain prior approval of the FRB to acquire, with certain exceptions, more than five percent of the outstanding voting stock of any bank or bank holding company, to acquire all or substantially all of the assets of a bank, or to merge or consolidate with another bank holding company. Moreover, the Company and the Bank are prohibited from engaging in certain tying arrangements in connection with any extension of credit or provision of any property or services. The Bank is also subject to certain restrictions imposed by the Federal Reserve Act on issuing any extension of credit to the Company or making any investments in the stock or other securities thereof and on the taking of such stock or securities as collateral for loans to any borrower. If the Company wants to engage in businesses permitted to financial holding companies but not to bank holding companies, it would need to register with the FRB as a financial holding company.

The FRB has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the FRB's view that a bank holding company should pay cash dividends only to the extent that a bank holding company's net income for the past year is sufficient to cover both the cash dividend and a rate of earnings retention that is consistent with the bank holding company's capital needs, asset quality and overall financial condition. The FRB has also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. Furthermore, under the prompt corrective action regulations adopted by the FRB pursuant to applicable law, the FRB may prohibit a bank holding company from paying any dividends if the bank holding company's bank subsidiary is classified as "undercapitalized."

A bank holding company is required to give the FRB prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net considerations paid for all such purchases or redemptions during the preceding twelve months, is equal to ten percent or more of its consolidated retained earnings. The FRB may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe or unsound practice or would violate any law, regulation, FRB order, or any condition imposed by, or written agreement with, the FRB.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act") was enacted to ease restrictions on interstate banking. Effective September 29, 1995, the Riegle-Neal Act allows the FRB to approve an application of an adequately capitalized and adequately managed bank holding company to acquire control of, or acquire all or substantially all of the assets of, a bank located in a state other than such holding company's state, without regard to whether the transaction is prohibited by laws of any state. The FRB may not approve the acquisition of a bank that has not been in existence for the minimum time period (not exceeding five years) specified by the statutory law of the host state. The Riegle-Neal Act also prohibits the FRB from approving an application if the applicant (and its depository institution affiliates) controls or would control more than 10% of the insured deposits in the United States or 30% or more of the deposits in the target bank's home state or in any state in which the target bank maintains a branch. The Riegle-Neal Act does not affect the authority of state to limit the percentage of total insured deposits in the state, which may be held or controlled by a bank or bank holding company to the extent that such limitation does not discriminate against out-of-state banks or bank holding companies. Individual states may also waive the 30% statewide concentration limits contained in the Riegle-Neal Act.

The Company is subject to capital adequacy rules and guidelines issued by the FRB, and the Bank is subject to capital adequacy rules and guidelines issued by the FDIC. The substantially parallel rules and guidelines require the Company to maintain certain minimum ratios of capital to adjusted total assets and/or risk-weighted assets. Under provisions of the Federal Deposit Insurance Corp Improvement Act of 1991, the Federal regulatory agencies are required to implement and enforce these rules in a stringent manner. The Company is also subject to applicable provisions of Connecticut law insofar as they do not conflict with, or are not otherwise preempted by, Federal banking law.

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and, in accordance with the Exchange Act, files periodic reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”).

The Bank’s operations are subject to regulation, supervision and examination by the FDIC and the State of Connecticut Department of Banking.

Federal and state banking regulations regulate, among other things, the scope of the business a bank, a bank holding company, or a financial holding company, the investments a bank may make, deposit reserves a bank must maintain, the nature and amount of collateral for certain loans a bank makes, the establishment of branches and the activities of a bank with respect to mergers and acquisitions. The Bank is subject to the federal regulations promulgated pursuant to the Financial Institutions Supervisory Act to prevent banks from engaging in unsafe and unsound practices, as well as various other federal and state laws and consumer protection laws.

The earnings and growth of the Company, the Bank and the banking industry are affected by the monetary and fiscal policies of the United States government and its agencies, particularly the FRB. The Open Market Committee of the FRB implements national monetary policy to curb inflation and combat recession. The FRB uses its power to adjust interest rates in United States Government securities, the Discount rate and the deposit reserve retention rates. The actions of the FRB influence growth of bank loans, investment and deposits. They can also affect interest rates charged on loans and paid on deposits. The nature and impact of any future changes in monetary policies cannot be predicted.

In addition to other laws and regulations, the Bank is subject to the Community Reinvestment Act (the “CRA”), which requires the Federal bank regulatory agencies, when considering certain applications involving the Company or Bank, to consider the Bank’s record of helping to meet the credit needs of the entire community, including low- and moderate-income neighborhoods. The CRA was originally enacted because of concern over unfair treatment of prospective borrowers by banks and over unwarranted geographic differences in lending patterns. Existing banks have sought to comply with CRA in various ways; some banks have made use of more flexible lending criteria for certain types of loans and borrowers (consistent with the requirement to conduct safe and sound operations), while other banks have increased their efforts to make loans to help meet identified credit needs within the consumer community, such as those for home mortgages, home improvements and small business loans. For example, this may include participation in various government insured lending programs, such as Federal Housing Administration insured or Veterans Administration guaranteed mortgage loans, Small Business Administration loans, and participation in other types of lending programs such as high loan-to-value conventional mortgage loans with private mortgage insurance. To date, the market area from which the Bank draws much of its business is Bristol, Burlington, Farmington, Plainville, Plymouth, Southington and Wolcott. As the Bank expands further, the market areas served by the Bank will continue to evolve. The

Company and the Bank have not and will not adopt any policies or practices, which discourage credit applications from, or unlawfully discriminate against, individuals or segments of the communities served by the Bank. The Bank's current CRA rating is satisfactory.

On October 26, 2001, the United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA Patriot Act, was enacted to further strengthen domestic security following the September 11, 2001 attacks. The USA Patriot Act amends various federal banking laws, particularly the Bank Secrecy Act (the “BSA”) with the intent to curtail money laundering and other activities that might be undertaken to finance terrorist actions. The USA Patriot Act also requires that financial institutions in the United States enhance already established anti-money laundering policies, procedures and audit functions and ensure that controls are reasonably designed to detect instances of money laundering through certain correspondent and private bank accounts. Verification of customer identification, maintenance of said verification records, and cross-checking names of new customers against government lists of known or suspected terrorists is also required. The Patriot Act was recently re-authorized and modified with the enactment of the USA Patriot Act Improvement and Reauthorization Act of 2005.

On July 20, 2002, the Sarbanes-Oxley Act of 2002 (the “SOX Act”) was enacted, the primary purpose of which is to protect investors through improved corporate governance and responsibilities of and disclosures by public companies. The SOX Act contains provisions for the limitations of services that external auditors may provide as well as requirements for the credentials of the Audit/Compliance Committee members. In addition, the principal executive and principal financial officers are required to certify in quarterly and annual reports that they have reviewed the report; and based on the officers’ knowledge, the reports accurately present the financial condition and results of operations of the company and contain no untrue statement or omission of material fact. The officers also certify their responsibility for establishing and maintaining a system of internal controls, which insure that all material information is made known to the officers; this certification also includes the evaluation of the effectiveness of disclosure controls and procedures and their impact upon financial reporting. Section 404 of the SOX Act entitled Management Assessment of Internal Controls, requires that each annual report include an internal control report which states that it is the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, as well as an assessment by management of the effectiveness of the internal control structure and procedures for financial reporting. This section further requires that the external auditors attest to, and report on, the assessment made by management. On December 15, 2006, the SEC extended the Section 404 compliance dates for non-accelerated filers (those issuers with non-affiliated public float of less that $75 million) to (a) fiscal years ending on or after December 15, 2007 for management's assessment regarding internal control over financial reporting and (b) fiscal years ending on or after December 15, 2008 for the auditor attestation due to the burdens on smaller companies in designing and implementing compliance with this section.

The Company does not anticipate that compliance with applicable federal and state banking laws will have a material adverse effect on its business or the business of the Bank. Compliance by the Company and the Bank with federal, state and local provisions which have been enacted or adopted regulating or otherwise relating to the discharge of material into the environment is not expected to have a material effect upon the capital expenditures, earnings or competitive position of the Company.

Item 2 - DESCRIPTION OF PROPERTY

The main office of the Company and the Bank at Four Riverside Avenue in Bristol is leased by the Bank. The Bank leases the premises under an operating lease with an original term that expires in November 2014.

In October 2002, the Bank opened a second full service office at a leased premise in the Terryville section of Plymouth. The Terryville office is leased under an operating lease that expires in September 2012.

In January 2005, the Bank opened a loan production office at a leased premise in Southington, Connecticut. The Southington office was leased under an operating lease that expired on December 31, 2005. In February 2006, the Bank signed an operating lease for a new, full-service office in Southington to replace the recently expired lease for the loan production office. The new lease expires in June 2028, but the Company has the option to terminate the lease in June 2018 at the end of twelve years.

In April 2006, the Bank entered into a sublease for an operations center on 45 North Main Street, Bristol, Connecticut. The sublease expires in September 2007. The Bank has entered into an operating lease for the same premises that will become effective and replace the sublease in September 2007. The lease expires in August 2017.

In April 2004, the Bank closed on the purchase of land and a building located at 888 Farmington Avenue, Bristol, Connecticut, 06010. The Bank leased the building to a local travel agency for several years through July 2006. In March 2007, the site opened as a full service office of the Bank.

All of the Bank’s full-service offices have available five teller windows and drive-up windows and are also equipped with ATM machines.

Management believes that these premises are adequate to accommodate the operations of the Bank for the foreseeable future although the Bank will continue to explore opportunities for additional branch offices.

Item 3 - LEGAL PROCEEDINGS

Neither the Company nor its subsidiary are a party to any material legal proceedings.

Item 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
Not applicable.

PART II
Item 5 - MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF SECURITIES

Market Information
The Common Stock of the Company is not listed on an exchange nor is it quoted on the NASDAQ Stock Market. The market for the Common Stock is illiquid and the stock up to now has not traded frequently. In March 2004, the Bank filed an application, which was approved by Advest, Inc. Brokerage Services, for Advest to act as a market maker in the Bank’s stock and to list the stock on the Over The Counter Bulletin Board (the “OTCBB”). In 2005, The Advest Group, Inc., a subsidiary of AXA Financial, was purchased by Merrill Lynch.

In July 2005, the Bank was reorganized into a bank holding company structure, resulting in the formation of the Company and the Bank becoming the wholly-owned subsidiary of the Company through a one-for-one, tax-free exchange of the Bank’s common stock for common stock of the holding company. The Company's stock is listed at www.otcbb.com under the symbol “FVLY”.

The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter equity securities. An over-the-counter equity security generally is any equity security that is not listed or traded on the NASDAQ Stock Market or a national securities exchange.

For high and low stock price information see "Common Stock Information" section in Item 6.

Holders
There were approximately 513 shareholders of record of Company common stock as of December 31, 2006.

Dividends
The Company has not paid any dividends and is unlikely to do so in the foreseeable future. The Company’s ability to pay future dividends on its Common Stock will depend on the Bank’s ability to pay dividends to the Company. Federal and state regulatory agencies prohibit banks from paying dividends from contributed capital. The Company’s Directors intend that the Company will follow a policy of retaining earnings during its early years of operation to continue to support growth in assets.

Securities Authorized for Issuance under Equity Compensation Plans
The following table presents information as of December 31, 2006 for Company's equity compensation plans.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future grant under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	123,742	$8.43	132,065
Equity compensation plans not approved by shareholders	-0-	-0-	-0-
Total	123,742	$8.43	132,065

Purchases of Equity Securities by Small Business Issuer and Affiliated Purchases

During the fourth quarter of 2006, there were no such purchases of Company common stock.

Item 6 - MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary Statement

This Annual Report on Form 10-KSB contains and incorporates by reference statements relating to future results of First Valley Bancorp, Inc. and its subsidiary, Valley Bank, that are considered "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, expectations concerning loan demand, growth and performance, simulated changes in interest rates and the adequacy of our allowance for loan losses. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, interest rate fluctuations, personal and corporate customers' bankruptcies, inflation, acquisitions and integrations of acquired businesses, the cost and successful operations of new branches, technological fluctuations, success in gaining regulatory approvals when required as well as other risks and uncertainties reported from time to time in our filings with the SEC.

Overview

The Company, a Connecticut corporation, is a bank holding company for the Bank, a Connecticut state-chartered, commercial bank and Federal Deposit Insurance Corporation (“FDIC”) insured commercial bank headquartered in Bristol, Connecticut. The Company’s principal business consists of the business of the Bank. The Company and the Bank were formed in 2005 and 1999, respectively. The Bank, which has its main office in

Bristol, opened a second full service office in the Terryville section of Plymouth in 2002. In the first quarter of 2007, the Bank opened its third and fourth full service offices in Southington, Connecticut and at 888 Farmington Avenue in Bristol. The Bank provides banking services to commercial and individual customers primarily in the town of Bristol and the neighboring communities of Burlington, Farmington, Plainville, Plymouth, Southington and Wolcott. The Bank offers to its business customers demand, savings and time deposit accounts and the granting of various types of commercial loans and commercial real estate loans. The services provided by the Bank to consumers include checking, savings and time deposit accounts, as well as mortgage loans and consumer loans.

The Bank (d/b/a/ Riverside Investment Services) provides full-time access to advisory and investment services to consumers and businesses on retirement planning, individual investment portfolios, and strategic asset management. Riverside Investment Services offers mutual funds, life insurance options, tax planning, estate planning and investment portfolio analysis.

In December 2004, the Bank's Board of Directors approved reorganizing the Bank into a bank holding company structure. It was the Board's belief that the reorganization would increase the corporate flexibility of the Bank, would allow the Bank to better take advantage of additional business opportunities, and would provide the Bank with operational and competitive benefits. The reorganization received all regulatory approvals and became effective in July 2005. As a result of the reorganization, the Bank became the wholly-owned subsidiary of the Company through a one-for-one, tax free exchange of the Bank's common stock for common stock of the holding company. The Company's stock is listed at www.otcbb.com under the symbol "FVLY".

In December 2005, the Company's Board of Directors declared a 1 for 10 stock split of the Company's Common Stock (i.e. each shareholder received one (1) additional share of Common Stock for each ten (10) shares owned). The stock split had a record date of December 30, 2005 and a payment date of January 30, 2006. All stock shares and per share amounts prior to the split have been restated to give effect to the stock split.

On November 21, 2006, the Company entered into a definitive merger agreement in which the Company will merge with and into New England Bancshares Acquisition, Inc. in exchange for cash and common stock of New England Bancshares, Inc. ("NEB"). NEB is a Maryland corporation based in Enfield, Connecticut and is the holding company for Enfield Federal Savings and Loan Association in Enfield, Connecticut. At the effective time of the merger, the separate corporate existence of the Company shall cease, and Valley Bank, the Company's subsidiary, will become a subsidiary of NEB. Per the definitive merger agreement, Valley Bank will continue as a separate subsidiary for a minimum of five years after the effective date, absent the occurrence of certain unexpected events.

The transaction is valued at approximately $25.6 million. The terms of the definitive merger agreement call for each outstanding share of the Company to be converted into the right to receive .8907 shares of NEB common stock and $9.00 in cash.

The transaction is subject to approval by the shareholders of the Company as well as the customary regulatory approvals.

The following discussion and analysis presents a review of the operating results and financial condition of the Company and the Bank, as applicable, for the years ended December 31, 2006, 2005 and 2004. The discussion below should be read in conjunction with the financial statements and other financial data presented in the Company's 2006 Financial Statements.

Capital Resources

During 2006, capital accounts increased by $831,000, or 8.6%, to $10.5 million, while book value per share increased from $8.18 at December 31, 2005 to $8.82 at December 31, 2006. The increase in capital accounts resulted from net income of $573,000, proceeds from stock issued under the stock option plan of $40,000, proceeds from shares issued through the exercise of stock options of $46,000 and net unrealized gains of $172,000 on securities available for sale, net of income taxes.

The Company and the Bank are subject to minimum capital requirements established, respectively, by the Federal Reserve Board ("FRB") and the Federal Deposit Insurance Corporation ("FDIC"). The FRB capital requirements for bank holding companies generally parallel the capital requirements applicable to state non-member banks, such as the Bank, under regulations promulgated by the FDIC. At December 31, 2006, the Company's Tier I leverage ratio was 7.5% and its Tier 1 and total risk-based capital ratios were 9.5% and 10.8%, respectively. At the end of 2005, these ratios were 8.8%, 11.6% and 12.8%, respectively. The Company is deemed to be "well capitalized" under applicable FRB regulations on the basis of its current capital measures. The Bank's capital ratios as of December 31, 2006 were a Tier 1 leverage ratio of 7.8%, and Tier 1 and total risk-based capital ratios of 9.9% and 11.1%, respectively. At the end of 2005, these ratios were 8.8%, 11.6% and 12.9%, respectively. The capital ratios of the Bank at December 31, 2005 were considered "well capitalized" for regulatory purposes.

At December 31, 2005, the Company had a total of 1,194,550 shares outstanding and approximately 513 shareholders.

Liquidity

A primary function of the Bank's asset/liability management process is to provide the Bank with adequate funds for loan requests, deposit outflows and other recurring financial obligations. The Bank's primary sources of liquidity include cash on hand and due from banks, federal funds sold, money market accounts, maturities and principal and interest payments on loans and securities, deposits and Federal Home Loan Bank of Boston ("FHLBB") advances. The Bank monitors its liquidity position carefully, so that it might identify trends that could impact its liquidity/cash flow position.

At December 31, 2006, approximately 27% of the Bank's assets were held in cash and cash equivalents and securities and 69% of the Bank's assets were held in loans. The Bank's ratio of loans to deposits, which is used as a general guideline in managing its asset/liability mix, was 81% at December 31, 2006.

The Bank has other liquidity related policy targets and thresholds which are reviewed on a regular basis by the Asset/Liability Committee ("ALCO"). The Bank reviews and sets deposit rates weekly based upon the Bank's need for funds, competition in the market area, and the availability and pricing of other funding sources.

The Bank is also a member of the FHLBB, which provides an alternative-funding source for the Bank's liquidity needs. There were $10.8 million of FHLBB advances outstanding at December 31, 2006 and $15.0 million of FHLBB advances outstanding at December 31, 2005. The Bank had additional borrowing capacity at the FHLBB of approximately $17 million at December 31, 2006.

The Company had $4.1 million of subordinated debt at December 31, 2006 that resulted from the trust preferred offering that was completed in July 2005. The debt bears an interest rate fixed at 6.42% for the first five years and a floating interest rate set at three-month LIBOR plus 190 basis points thereafter.

Each of the Bank's sources of liquidity is vulnerable to various uncertainties beyond the control of the Bank. Scheduled loan and security payments are a relatively stable source of funds, but prepayments on loans and securities, security calls, and deposit flows can all vary widely in reaction to market conditions, primarily prevailing interest rates. The Bank's financial condition is also affected by its ability to borrow at attractive rates and other market conditions.

The Bank considers its sources of liquidity to be adequate to provide for expected and unexpected balance sheet fluctuations and to provide funds for growth. Management closely monitors the Bank's liquidity/cash flow position and is not currently aware of any trends or uncertainties that would create liquidity problems in the near future.

Asset / Liability Management and Market Risk

Market risk is defined as the sensitivity of income to fluctuations in interest rates, foreign exchange rates, equity prices, commodity prices and other market-driven rates or prices. Based upon the nature of the Company's business, market risk is primarily limited to interest rate risk, which exposes the Company to risks caused by changes in interest rates affecting its loans, securities, deposits and borrowings.

The Company's ALCO is responsible for the financial management of net interest income, liquidity, capital, and other such activities. The primary objective of the Company's interest rate risk management process is to minimize the volatility to earnings from changes in interest rates. The Company manages interest rate risk by structuring its balance sheet to attempt to maximize overall profitability, increase revenue, and achieve a desired level of net interest income while managing interest rate sensitivity risk and liquidity.

The Company manages interest rate risk within limits approved by its Board of Directors using an earnings simulation model that simulates earnings over a specified time horizon to measure the amount of short-term earnings at risk under a variety of interest rate scenarios. The Company also utilizes balance sheet gap analysis to measure and monitor its short-, medium- and long-term interest rate positions and exposures. The Company's earnings analysis incorporates numerous assumptions about balance sheet changes, prepayments, product pricing and the behavior of interest rates. This type of earnings simulation includes assumptions that are inherently uncertain and, as a result, the model cannot precisely estimate the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions, and management's strategies, among other factors. The purpose of the earnings simulations is to provide management with a reasonably comprehensive view of the magnitude of the interest rate risk, the distribution of risk along the yield curve, the level of risk through time, and the amount of exposure to changes in certain interest rate relationships.

Impact of Inflation and Changing Prices
The Company's financial statements have been prepared in terms of historical dollars, without considering changes in relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on the financial institution's performance than the effect of general levels of inflation. Interest rates do not necessarily move in the same direction or the same magnitude as the prices of goods and services. Notwithstanding this, inflation can directly affect the value of loan collateral, in particular, real estate. Inflation, or disinflation, could significantly affect the Company's earnings in future periods.

Off-Balance Sheet Arrangements
At December 31, 2006, the Bank had total unadvanced commercial and consumer lines of credit of $22.0 million and total commercial and consumer loan commitments of $8.8 million. In addition, the Bank had $2.1 million in standby letters of credit at December 31, 2006. The Bank had no arrangements with any other entities that have or are reasonably likely to have a material affect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. Note 11 of the Company's 2006 Financial Statements contains information on off-balance sheet arrangements.

Contractual Obligations
At December 31, 2006, the Bank had $10.8 million in fixed rate advances from the FHLBB. Payments of the advances include monthly principal and interest payments as well as principal payments that are due at maturity. The Company had $4.1 million in subordinated debentures at December 31, 2006, which are at a fixed rate of interest until

2010 after which the notes will become floating rate. Note 6 of the Company's 2006 Financial Statements includes a schedule of borrowings by maturity.

Investments

The Bank's investment portfolio is comprised primarily of U.S. agency obligations and mortgage-backed securities. The Bank also has corporate and municipal bonds and variable rate preferred securities in its investment portfolio. Note 2 of the Company's 2006 Financial Statements identifies the composition and maturity structure of the investment portfolio.

The following table is a summary of the Company's investment portfolio at December 31 for the years shown.

	December 31,			
	2006		2005	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Government and agency obligations	$ 7,500	$ 7,398	$ 9,008	$ 8,817
Corporate bonds	2,060	2,010	2,095	2,020
Municipal bonds	2,562	2,556	2,564	2,549
Mortgage-backed securities	12,986	12,708	20,456	20,021
Equity securities	2,000	2,000	500	500
Total	$ 27,108	$ 26,672	$ 34,623	$ 33,907

The following table sets forth the stated maturities and weighted average yields of our debt securities at December 31, 2006. Certain mortgage-backed securities have adjustable interest rates and will reprice annually within the various maturity ranges. Municipal bonds and variable rate preferred securities have not been adjusted to a tax equivalent basis. These repricing schedules are not reflected in the table below.

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
December 31, 2006 (In thousands)	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
U.S. Government and agency obligations	$ 3,471	3.39%	$ 3,927	3.86%	$ -	-%	$ -	-%	$ 7,398	3.64%
Corporate bonds	504	2.93	1,506	3.68	-	-	-	-	2,010	3.49
Municipal bonds	-	-	-	-	1,179	5.59	1,377	5.82	2,556	5.71
Mortgage-backed securities	-	-	1,414	3.81	-	-	11,294	4.25	12,708	4.20
Total	$ 3,975	3.33	$ 6,847	3.81	$ 1,179	5.59	$ 12,671	4.42	$ 24,672	4.13

Loans

The Bank engages in a variety of lending activities with loans primarily categorized as commercial, commercial real estate, residential mortgage and consumer loans. Both fixed and adjustable rate loans are originated under a variety of terms. Note 3 of the Company's 2006 Financial Statements shows the composition of the loan portfolio and also gives a breakout of the Bank's investment in fixed and adjustable rate loans based upon term to maturity.

The Bank has been able to maintain a high overall credit quality through the establishment and observance of prudent lending practices and policies. The Bank established a written loan policy, which has been adopted by the Board of Directors and is reviewed at least annually. All loans are reviewed at least monthly by a Loan Committee consisting of members of the Board of Directors. The Bank currently does not engage in loan participations outside the State of Connecticut. The Bank does not have any foreign loans.

In managing the growth of its loan portfolio, the Bank has focused on: (i) the application of prudent underwriting criteria; (ii) active involvement by executive Bank officers and the Loan Committee in the approval process; and (iii) active monitoring of loans to ensure that repayments are made in a timely manner and to identify potential loan problems. At December 31, 2006, the Bank had $270,000 in non-performing loans compared with $337,000 at December 31, 2005 and no non-performing loans at December 31, 2004. These loans, delinquent 90 days or more, were accounted for on a non-accrual basis. The Bank had no accruing loans, which were contractually past due 90 days or more as to principal or interest payments. Impaired loans totaled $720,000 and $337,000, respectively, at December 31, 2006 and 2005. The Bank had no loans considered impaired at December 31, 2004. Note 3 of the Company's 2006 Financial Statements provides an analysis of the Bank's loan loss experience and allowance for possible loan losses.

The following table provides a breakdown of loans by category for the years presented.

	December 31,			
	2006		2005	
(In thousands)	Amount	Percent	Amount	Percent
Real estate loans:				
Residential	$ 22,925	16.9%	$ 22,848	20.5%
Commercial	69,603	51.2	54,653	49.0
Total real estate loans	92,528	68.1	77,501	69.5
Commercial loans	30,162	22.2	22,726	20.4
Consumer loans	13,127	9.7	11,317	10.1
Total loans	135,817	100.0%	111,544	100.0%
Net deferred loan fees	248		225	
Allowance for losses	1,860		1,546	
Loans, net	$ 133,709		$ 109,773	

The following table is a summary of the Company's nonaccrual, past due and restructured loans for the years presented.

	December 31,	
(In thousands)	2006	2005
Nonaccrual loans:		
Residential real estate	$ 257	$ 257
Commercial real estate	-	-
Commercial	-	80
Consumer and home equity	13	-
Total	270	337
Accruing loans past due 90 days or more:		
Residential real estate	-	-
Commercial real estate	-	-
Commercial	-	-
Consumer and home equity	-	-
Total	-	-
Total of nonaccrual and 90 days or more past due loans	270	337
Real estate owned	-	-
Other nonperforming assets	-	-
Total nonperforming assets	270	337
Troubled debt restructurings	174	-
Troubled debt restructurings and total nonperforming assets	$ 444	$ 337
Total nonperforming loans to total loans	0.20%	0.30%
Total nonperforming loans to total assets	0.14%	0.21%
Total nonperforming assets and troubled debt restructurings to total assets	0.23%	0.21%

The following table shows contractual maturites and interest rate sensitivity of selected loan categories:

December 31, 2006 (In thousands):	One Year Or Less	More than One to Five Years	More than Five Years	Total
Contractual Maturity:				
Residential real estate	$ 1,315	$ 1,160	$ 20,450	$ 22,925
Commercial real estate	13,188	7,785	48,630	69,603
Commercial	8,339	13,960	7,863	30,162
Consumer and home equity loans	655	3,368	9,104	13,127
Total	$ 23,497	$ 26,273	$ 86,047	$ 135,817
Interest rate sensitivity:				
Fixed-rate loans	$ 7,389	$ 17,654	$ 14,425	$ 39,468
Variable rate loans	16,108	8,619	71,622	96,349
Total	$ 23,497	$ 26,273	$ 86,047	$ 135,817

Interest income that would have been recorded for the year ended December 31, 2006, had nonaccruing loans been current according to their original terms amounted to $30,000. No interest related to nonaccrual loans was included in interest income for the year ended December 31, 2006.

The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

	December 31,			
	2006		2005	
(In thousands)	Amount	% of Loans in Category To Total Loans	Amount	% of Loans in Category To Total Loans
Residential real estate	$ 132	16.9%	$ 96	20.5%
Commercial real estate	673	51.2	596	49.0
Commercial	789	22.2	564	20.4
Consumer and home equity	149	9.7	147	10.1
Unallocated	117	-	143	-
Total allowance for loan losses	$ 1,860	100.0%	$ 1,546	100.0%

The following table sets forth an analysis of the allowance for loan losses for the periods indicated.

	December 31,	
(In thousands)	2006	2005
Allowance at beginning of period	$ 1,546	$ 1,295
Provision for loan losses	321	348
Charge offs:		
Residential real estate loans	-	-
Commercial real estate loans	-	-
Commercial loans	-	(114)
Consumer and home equity loans	(11)	-
Total charge-offs	(11)	(114)
Recoveries	4	17
Net charge-offs	(7)	(97)
Allowance at end of period	$ 1,860	$ 1,546
Allowance to nonperforming loans	689.08%	458.59%
Allowance to total loans outstanding at the end of the period	1.37%	1.39%
Net charge-offs (recoveries) to average loans outstanding during the period	0.01%	0.11%

Deposits
The Bank offers a number of different deposit accounts, including NOW accounts, business and personal checking accounts, statement and passbook savings accounts, money market deposit accounts, certificates of deposit, and IRA accounts. Note 5 of the 2006 Financial Statements identifies the composition of deposits and the maturity structure of certificates of deposit.

The following table presents certficates of deposit by maturity.

December 31, 2006 (In thousands)		Certificates of Deposit
Maturity Period		
Three months or less	$	33,339
Over three through six months		27,014
Over six through twelve months		35,377
Over twelve months		14,066
Total	$	109,796

As of December 31, 2006, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $42 million. The following table sets forth the maturity of those certificates:

December 31, 2006 (In thousands)	
Maturity period:	
Three months or less	$ 10,450
Over three through six months	9,233
Over six months through twelve months	17,763
Over twelve months	4,073
Total	41,519

Borrowed Funds
The Bank is a member of the FHLBB and has the ability to borrow from the FHLBB based on a certain percentage of the value of the Bank's qualified collateral, as defined in the FHLBB Statement of Products Policy.

The Bank utilizes advances for a number of purposes including to match fund loans and investment securities and to fill temporary funding gaps. Note 6 of the Company's 2006 Financial Statements identifies the composition and maturity structure of the Company's borrowed funds.

At December 31, 2006 and December 31, 2005, First Valley Bancorp had $15.0 million and $19.1 million, respectively, in borrowed funds. First Valley Bancorp has used excess deposit flows during the year to repay maturing FHLBB advances. The weighted average rates on borrowed funds at December 31, 2006 and December 31, 2005 were 5.32% and 4.79%, respectively.

	Years Ended December 31,			
(In thousands)		2006		2005
Maximum amount outstanding at any month-end during the period:				
FHLB advances	$	16,976	$	15,019
Subordinated debt		4,104		4,098
Average amount outstanding during the period (1):				
FHLB advances		11,210		10,707
Subordinated debt		4,101		1,717
Weighted average interest rate during the period (1):				
FHLB advances		4.48%		3.30%
Subordinated debt		6.42%		6.42%
Balance outstanding at end of period:				
FHLB advances		10,848		15,019
Subordinated debt		4,104		4,098
Weighted average interest rate at end of period:				
FHLB advances		4.90%		4.34%
Subordinated debt		6.42%		6.42%

(1) Averages are based on daily balances.

Ratios
The following are measurements relating to the Company's earnings.

	For the year ended December 31,		
	2006	2005	2004
Return on Average Assets	0.33%	0.54%	0.48%
Return on Average Equity	5.60	7.94	6.43
Average Equity to Average Assets	5.96	6.75	7.51
Basic Income per Share	$0.48	$0.63	$0.49
Diluted Income per Share	$0.45	$0.60	$0.47

Common Stock Information
The Common Stock of the Company is listed on the Over The Counter Bulletin Board under the symbol "FVLY". The Stock is traded infrequently.

There were approximately 513 shareholders of record as of December 31, 2006. At that date, there were options outstanding to purchase 118,242 shares of stock. The following stock price information reflects actual trade activity.

	Stock Price	
	High	**Low**
2006		
Quarter Ended, December 31	$ 21.85	$ 15.00
Quarter Ended, September 30	$ 16.50	$ 14.10
Quarter Ended, June 30	$ 18.75	$ 16.00
Quarter Ended, March 31	$ 21.00	$ 14.55
2005		
Quarter Ended, December 31	$ 17.00	$ 16.25
Quarter Ended, September 30	$ 20.70	$ 15.00
Quarter Ended, June 30	$ 20.00	$ 14.00
Quarter Ended, March 31	$ 20.00	$ 12.10

The closing price on December 31, 2006 was $20.50

Dividend Information
According to Connecticut General Statutes, the Bank is prohibited from declaring a dividend except from its net profits, and the total dividends declared in any one year shall not, unless specifically approved by the Connecticut Department of Banking Commissioner, exceed the total of its net profits of that year combined with its retained net profits of the preceding two years. The Bank has not paid any dividends and is unlikely to do so in the foreseeable future.

YEAR ENDED DECEMBER 31, 2006 COMPARED TO YEAR ENDED DECEMBER 31, 2005

Earnings Review
Net income for the year ended December 31, 2006 was $573,000, or $0.48 basic income per share and $0.45 income per diluted share, compared to net income of $749,000, or $0.63 basic income per share and $0.60 income per diluted share, for the prior year, a decrease of $176,000, or 23%, in net income.

The decline in 2006 net income is attributable to one-time expenses of $345,000 incurred in the last quarter of the year related to the Company's proposed merger with New England Bancshares, Inc. Excluding the one-time expenses related to the proposed merger, net income would have been $918,000, or $0.73 per diluted share, for the year. The increase in 2006 net income excluding the merger related expenses is primarily attributable to higher levels of net interest income, which more than offset the growth in noninterest expenses.

Total assets increased by $32.2 million, or 20%, during 2006. Over the same period, the Company's loan portfolio grew by $23.9 million, or 22%, while deposits increased by $35.6 million, or 28%. The Company's investment securities portfolio declined by $7.2 million, or 21%, in 2006 while borrowed money decreased by $4.2 million, or 22%.

Net Interest Income

Net interest income for the year ended December 31, 2006 amounted to $5.8 million compared to $4.9 million in 2005. The growth in 2006 is due to the increase in average interest-earning assets that more than offset a reduction in the Company's net interest margin. The net interest margin for 2006 was 3.53% compared to 3.64% in the previous year. The decline in net interest margin reflects the rising short-term interest rate environment during 2006 and a corresponding increase in the Bank's cost of funds.

Interest Income

Total interest income for 2006 was $10.8 million compared to $7.6 million in 2005. The increase in 2006 reflects both growth in average interest-earning assets, which increased by $30.9 million, and a higher average yield on interest earning assets from 5.68% in 2005 to 6.54% in 2006. The increase in average interest-earning assets was almost entirely in loans.

Interest Expense

Total interest expense for 2006 increased by $2.3 million from $2.7 million in 2005 to $5.0 million in 2006. The increase in interest expense reflects $28.5 million of growth in average interest bearing deposits and borrowed funds and a 110 basis point increase in the average cost of funds. The average cost of interest-bearing liabilities for 2006 was 3.50% compared to 2.40% in 2005.

Provision for Loan Losses

The provision for loan losses was $321,000 in 2006 compared to $348,000 in 2005. Management performs a quarterly review of the loan portfolio and based on this review, sets the level of provision it deems necessary to maintain an adequate possible loan loss allowance. At December 31, 2006, the allowance for loan losses totaled $1,860,000, or 1.37% of total loans outstanding, compared to $1,546,000, or 1.39% of total loans outstanding, at December 31, 2005. The Company had nonaccrual loans totaling $270,000 at December 31, 2006 compared to $337,000 at December 31, 2005.

Noninterest Income

Noninterest income in 2006 totaled $406,000 compared to $385,000 in 2005, an increase of $21,000, or 5%. The 2006 total includes an $86,000 realized loss on the sale of investment securities. Excluding the loss on sale of investment securities, total noninterest income in 2006 was $492,000, an increase of 28% over the prior year. The growth in 2006 excluding the loss on sale of investments reflects fees from Riverside Investment Services and growth in loan fees earned.

Noninterest Expense

Total noninterest expenses for 2006, which include $345,000 of one-time expenses relating to the Company’s proposed merger with New England Bancshares, Inc., increased by $1.0 million, or 28%. Excluding the one-time merger expenses, noninterest expenses were higher by $693,000, or 19%. In addition to the merger expenses, the overall increase is primarily due to higher expenses for salaries, benefits and taxes, including pre-opening costs related to staff hired for the Bank’s two new branch offices that opened in the first quarter of 2007, and occupancy and equipment expenses including those related to the new operations center in Bristol and full-service branch office in Southington. Total 2005 expenses included $98,000 of one-time expenses related to the formation of the Company.

Income Taxes

The Company had a total income tax expense of $574,000 in 2006 compared to $452,000 in 2005. The increase reflects the fact that the Company does not receive an income tax benefit for the $345,000 of merger related expenses incurred in the last quarter of 2006. The effective tax rates for 2006 and 2005 were 50.0% and 37.6%, respectively.

YEAR ENDED DECEMBER 31, 2005 COMPARED TO YEAR ENDED DECEMBER 31, 2004

Earnings Review
Net income for the year ended December 31, 2005 was $749,000, or $0.63 basic income per share and $0.60 income per diluted share, compared to net income of $572,000, or $0.49 basic income per share and $0.47 income per diluted share, for the prior year, an increase of $177,000, or 31%, in net income.

The increase in 2005 net income is primarily attributable to higher levels of net interest income, which more than offset the growth in noninterest expenses.

Total assets increased by $30.0 million, or 23%, during 2005. Over the same period, the Company's loan portfolio grew by $32.0 million, or 41%, while deposits increased by $21.5 million, or 20%. The Company's investment securities portfolio declined by $5.6 million, or 14%, in 2005 while borrowed money increased by $6.4 million, or 51%.

Net Interest Income
Net interest income for the year ended December 31, 2005 amounted to $4.9 million compared to $4.2 million in 2004. The growth in 2005 is due to the increase in average interest-earning assets that more than offset a reduction in the Company's net interest margin. The net interest margin for 2005 was 3.64% compared to 3.72% in the previous year. The decline in net interest margin reflects the rising short-term interest rate environment during 2005 and a corresponding increase in the Bank's cost of funds.

Interest Income
Total interest income for 2005 was $7.6 million compared to $5.9 million in 2004. The increase in 2005 reflects both growth in average interest-earning assets, which increased by $21.8 million, and a higher average yield on interest earning assets from 5.28% in 2004 to 5.68% in 2005. The increase in average interest-earning assets was almost entirely in loans.

Interest Expense
Total interest expense for 2005 increased by $1.0 million from $1.7 million in 2004 to $2.7 million in 2005. The increase in interest expense reflects $18.0 million of growth in average deposits and borrowed funds and a 58 basis point increase in the average cost of funds. The average cost of interest-bearing liabilities for 2005 was 2.40% compared to 1.82% in 2004.

Provision for Loan Losses
The provision for loan losses was $348,000 in 2005 compared to $353,000 in 2004. Management performs a quarterly review of the loan portfolio and based on this review,

sets the level of provision it deems necessary to maintain an adequate possible loan loss allowance. At December 31, 2005, the allowance for loan losses totaled $1,546,000, or 1.39% of total loans outstanding, compared to $1,295,000, or 1.63% of total loans outstanding, at December 31, 2004. The Company had nonaccrual loans totaling $337,000 at December 31, 2005 compared to no nonaccrual loans at December 31, 2004.

Noninterest Income
Noninterest income in 2005 totaled $385,000 compared to $333,000 in 2004, an increase of $52,000, or 16%. The growth in 2005 reflects higher fees from deposit accounts, ATM fees, and loan fees earned.

Noninterest Expense
Total noninterest expenses for 2005 increased by $493,000, or 15%. The increase is primarily attributable to higher expenses for salaries, employee benefits and taxes and reflects the overall growth in the Company and the staffing required to service a larger loan portfolio and a greater number of deposit accounts. Total 2005 expenses also include $98,000 of one-time expenses related to the formation of the Company. Excluding the holding company formation expenses, total noninterest expenses increased by $395,000, or 12%.

Income Taxes
The Company had a total income tax expense of $452,000 in 2005 compared to $367,000 in 2004. The increase reflects the higher net income in the current year. The effective tax rates for 2005 and 2004 were 37.6% and 39.1%, respectively.

Average Balances, Yields and Costs -
The following tables show the major categories of average assets and average liabilities together with their respective interest income or expense and the rates earned and paid by the Company (dollars in thousands):

	For Years Ended					
	December 31, 2006			December 31, 2005		
Interest Earning Assets:	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
Federal funds sold and money market accounts	$ 10,477	$ 528	5.04%	$ 5,846	$ 166	2.84%
Investment securities	29,994	1,226	4.09	38,088	1,419	3.73
Loans	124,270	9,022	7.26	89,951	6,014	6.69
Total interest-earnings assets	164,741	10,776	6.54	133,885	7,599	5.68
Non-interest-earning assets	7,044			5,940		
Total assets	$ 171,785			$ 139,825		
Interest Bearing Liabilities:						
NOW accounts	$ 3,125	$ 26	0.83%	$ 3,024	19	0.63%

Savings and money market accounts	40,044	690	1.72	43,973	573	1.30
Time deposits	83,528	3,480	4.17	54,060	1,667	3.08
Borrowed money	15,311	771	5.04	12,424	467	3.76
Total interest- bearing liabilities	142,008	4,967	3.50	113,481	2,726	2.40
Non-interest- bearing demand deposits	18,273			15,467		
Other non-interest-bearing liabilities	1, 272			1,438		
Stockholders' equity	10,232			9,439		
Total liabilities and Stockholders' equity	$ 171,785			$ 139,825		
Net interest income		5,809			4,873	
Net interest margin			3.53%			3.64%
Interest rate spread			3.04			3.28

	For Years Ended					
	December 31, 2005			December 31, 2004		
Interest Earning Assets:	Average Balance	Income/ Expense	Average Rate	Average Balance	Income/ Expense	Average Rate
Federal funds sold and money market accounts	$ 5,846	$ 166	2.84%	$ 3,989	$ 48	1.20%
Investment securities	38,088	1,419	3.73	37,075	1,309	3.53
Loans	89,951	6,014	6.69	71,055	4,561	6.42
Total interest-earnings assets	133,885	7,599	5.68	112,119	5,918	5.28
Non-interest-earning assets	5,940			6,286		
Total assets	$ 139,825			$ 118,405		
Interest Bearing Liabilities:						
NOW accounts	$ 3,024	19	0.63%	$ 2,907	11	0.38%
Savings and money market accounts	43,973	5735	1.30	41,608	455	1.09
Time deposits	54,060	1,667	3.08	40,066	1,009	2.52
Borrowed money	12,424	467	3.76	10,920	268	2.45
Total interest-bearing liabilities	113,481	2,726	2.40	95,501	1,743	1.82
Non-interest-bearing demand deposits	15,467			12,751		
Other non-interest-bearing liabilities	1,438			1,260		
Stockholders' equity	9,439			8,893		
Total liabilities and Stockholders' equity	$ 139,825			$ 118,405		
Net interest income		4,873			4,175	
Net interest margin			3.64%			3.72%
Interest rate spread			3.28			3.46

Rate/Volume Analysis
The following table sets forth the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

Net interest income can be analyzed in terms of the impact of changing rates and changing volumes. The following table describes the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated (dollars in thousands):

	2006 Compared to 2005 Increase (Decrease) Due to			2005 Compared to 2004 Increase (Decrease) Due to		
	Rate	Volume	Total	Rate	Volume	Total
Interest Income:						
Federal funds sold and money market accounts	$ 179	$ 183	$ 362	$ 88	$ 30	$ 118
Investment securities	34	(227)	(193)	74	36	110
Loans	553	2,455	3,008	198	1,255	1,453
Total interest income	766	2,411	3,177	360	1,321	1,681
Interest Expense:						
NOW accounts	6	1	7	8	0	8
Savings and money market accounts	132	(15)	117	91	27	118
Time deposits	709	1,104	1,813	256	402	658
Borrowed money	180	124	304	158	41	199
Total interest expense	1,027	1,214	2,241	513	470	983
Change in net interest income	$ (261)	$ 1,197	$ 936	$ (153)	$ 851	$ 698

Item 7 - FINANCIAL STATEMENTS

The consolidated statements of financial condition of the Company as of December 31, 2006 and December 31, 2005 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, together with the report thereon of Whittlesey & Hadley, P.C., dated March 9, 2007, are included as part of this Form 10-KSB in the "Financial Report" following page 40 hereof.

Item 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 8A - CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Within 90 days prior to the date of this report, the Company's Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures in accordance with Rule 13a-15 under the Exchange Act. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures enable the Company to record, process, summarize and report in a timely manner the information that the Company is required to disclose in its Exchange Act reports.

Change in internal controls

There were no significant changes made in the Company's internal controls over financial reporting or in other factors that could significantly affect the Company's internal controls over financial reporting.

Item 8B - OTHER INFORMATION

None.

PART III

Item 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE, COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Item 401

(a) Identify Directors and Executive Officers

Each of the current directors has held the principal occupation listed for the past five years, except as set forth below.

Name	Age	Position and Offices with Company and Bank and Principal Occupation and Employment
Thomas O. Barnes	57	Director of the Bank since 1998 and of Company since 2005. He is the Chairman of the Board of Barnes Group, Inc. where he has been employed since 1993. Barnes Group, Inc. is a public company involved in various manufacturing and distribution enterprises. Mr. Barnes is currently Chairman of the Board of the Main St. Community Foundation and has served on many other boards of charitable organizations. Mr. Barnes is the Chairman of the Strategic Planning Committee, a member of the Executive Committee, Governance Committee, Loan Committee and Salary/Personnel Committee.
James G. Biondi	69	Director of the Bank since 1998 and of Company since 2005. Mr. Biondi is retired. He was the President and CEO of Apex Machine Tool Co. Inc. from 1961 until 1997. He is a current member and past President of the Connecticut Tooling and Machine Association. Mr. Biondi was a member of the advisory Board of Directors of Bank of Southington. Mr. Biondi is the Chairman of the Loan Committee and a member of the Asset/Liability Committee and Audit/Compliance Committee.
Mark J. Blum	53	Director of the Bank and of Company since 2006. Mr. Blum has been the Executive Vice President and Chief Financial Officer of the Bank since December 2000 and Company since 2005. In December 2004, he was appointed Treasurer of the Bank. He has thirty years of banking experience. Prior to joining the Bank, he served as Executive Vice President and Chief Financial Officer of Eagle Financial Corporation and its subsidiary, Eagle Bank. He is the President of the Bristol Boy's and Girl's Club, Vice President of the Main Street Community Foundation and a Director of Bristol Hospital. Mr. Blum is Chairman of the Asset/Liability Committee and a member of the Operations/Technology Committee and Strategic Planning Committee. Mr. Blum serves as a Management Committee Liaison to the Governance Committee and Audit/Compliance Committee.

Bonnie Crane	62	Director of the Bank since 1998 and of Company since 2005. Mrs. Crane is retired. She was the Director of Human Resources at Kaba High Security Lock, Southington, Connecticut. Mrs. Crane is one of the former owners of Lori Lock Corporation of Southington, Connecticut. Mrs. Crane is the Chairman of the Salary/Personnel Committee and a member of Operations/Technology Committee.
Edmund D. Donovan	62	Director of the Bank since 1998 and of Company since 2005. Mr. Donovan serves as the Executive Vice President of Nickson Industries, Inc., a Plainville, Connecticut manufacturer of automotive exhaust hardware and has been in its employ since 1977. He is also involved in a real estate development in Southington, Connecticut. Mr. Donovan is Chairman of the Operations/Technology Committee and a member of Asset/Liability Committee, Loan Committee and Strategic Planning Committee. Mr. Donovan serves as an alternate member of the Audit\Compliance Committee.
David W. Florian	72	Director of the Bank since 1998 and of Company since 2005. Mr. Florian was the founder and CEO of Lori Lock of Southington from 1960 until 1990. He is a real estate developer and a Director and President of Bison Realty, Inc. Mr. Florian was formerly a Director of State Savings Bank located in Southington, Connecticut. Mr. Florian is the Chairman of the Audit/Compliance Committee and a member of the Executive Committee and Governance Committee.
Mark A. Gibson	44	Director of Company and the Bank since 2005. Mr. Gibson is the President and 1/3 owner of Quality Coils, Incorporated. He is also President and 1/3 owner of DynaLock Corporation. Both companies are located in Bristol, Connecticut. Mr. Gibson graduated from Rider College with a degree in accounting. Mr. Gibson has served as a Director of the Bristol Chamber of Commerce, and as both a Director of, and Vice President of, Chippanee Golf Club, as well as having served on the Advisory Board of Bank of Boston. Mr. Gibson is a member of the Audit/Compliance Committee, Operations/Technology Committee, Salary/Personnel Committee and ALCO Committee.

Edward T. McPhee, Jr.	71	Director of the Bank since 1998 and of Company since 2005. Mr. McPhee is a graduate Engineer from Lowell Technological Institute and Founder of McPhee, Ltd. and McPhee & Sons, Ltd., firms engaged in electrical contracting. He is a member of the Academy of Electrical Contractors. He is an officer and Director of Kozy Kollar, Inc., a manufacturing concern. Founder and Director of the McPhee Foundation, a charitable corporation. Mr. McPhee is a U.S. Army veteran. Mr. McPhee is a member of the Executive Committee, Governance Committee, Audit/Compliance Committee, Loan Committee and Salary/Personnel Committee.
Robert L. Messier, Jr.	64	President, Chief Executive Officer and Director of the Bank since 1998 and of Company since 2005. Mr. Messier served as Vice President and regional commercial banking officer with Eagle Bank from 1996 until its merger with Webster Bank in 1998. From 1992 to 1996, Mr. Messier was a Vice President, with corporate/small business lending regional manager responsibilities of BankBoston Connecticut. He is Director Emeritus and Past Chairman of Greater Bristol Health Care, Inc., a Director of St. Francis Hospital and Medical Center and Director of Central Connecticut Medical Management. He served as the President of the Greater Bristol Chamber of Commerce from 1995 to 1997. He has been the President of the Business Education Foundation since 1990. He was Chairman of the Central Connecticut Revolving Loan Fund from 1995 to 2006. Mr. Messier is a member of the Executive Committee, the Asset/Liability Committee, the Loan Committee, the Operations/Technology Committee, and the Strategic Planning Committee. Mr. Messier also participates in the Salary/Personnel Committee except with respect to his own compensation and serves as a Management Liaison to the Governance Committee and the Audit/Compliance Committee.
Thomas P. O'Brien	61	Director of the Bank since 1999 and of Company since 2005. Mr. O'Brien is the Manager of O'Brien Funeral Home, located in Forestville, Connecticut. Mr. O'Brien is currently serving as Chairman of the Bristol/Burlington Health District and is a member of the Bristol Board of Education. Mr. O'Brien is a member of the Asset/Liability Committee, the Loan Committee, and the Strategic Planning Committee.

David J. Preleski	50	Director of the Bank since 1998 and of Company since 2005. Mr. Preleski is a principal in the law firm of Vitrano, Preleski & Wynne, LLC where he has been employed since 1996. Attorney Preleski's previous experience includes a twenty year career in banking with Bristol Savings Bank, First Federal Bank and Webster Financial Corporation. He is a former President and Corporate Secretary of Bristol Savings Bank and has experience in retail and commercial banking and as legal liaison with bank regulatory agencies. He is a Director of the New England Carousel Museum and is Past President of the Board of Directors of the Family Center. Mr. Preleski is Chairman of the Governance Committee and a member of the Executive Committee, the Asset/Liability Committee, Loan Committee and Operations/Technology Committee.
James J. Pryor	70	Chairman and Director of the Bank since 1998 and of Company since 2005. Mr. Pryor is a Director of Allied Insurance Center. Mr. Pryor is a past Director of St. Francis Hospital and past Chairman of Bristol Hospital. Mr. Pryor was formerly an organizer and a Director of Bank of Southington in Southington, Connecticut. Mr. Pryor is the Chairman of the Executive Committee and a member of the Governance Committee and the Salary/Personnel Committee. Mr. Pryor serves as an alternate member of the Audit/Compliance Committee.

Executive Officers

The following table provides information concerning the executive officer of Company and the Bank other than Robert L. Messier, Jr., and Mark J. Blum information about whom is listed in the table above.

Name	**Age**	**Position and Offices With Company Presently Held and Principal Occupation and Employment**
Anthony M. Mattioli	47	Mr. Mattioli is the Executive Vice President and Senior Lending Officer and has been employed by the Bank since April 2000. He has been in banking and finance since 1984. Prior to joining the Bank, he was a Commercial Lender at Webster Bank and Bristol Savings Bank.

(b) Identify Significant Employees
Not applicable.

(c) Family Relationships
Not applicable.

(d) Involvement in Certain Legal Proceedings
Not applicable.

Item 405 Compliance with Section 16(a) of the Exchange Act
Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than 10% of our Common Stock, to file reports of ownership and changes in ownership of our securities with the SEC. Based solely upon a review of the copies of the forms furnished to Company, and written

representations from reporting persons that no Forms 4 were required other than those timely filed, we believe that during 2006, filing requirements under Section 16(a) applicable to our executive officers and directors were complied with in a timely manner, except that late filing on January 22, 2007 for Edward T. McPhee, Jr. who gifted First Valley Bancorp, Inc. stock totaling 6,325 shares to his grandchildren on December 26, 2006.

Item 406 Code of Ethics.
Our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer are required to comply with the First Valley Bancorp, Inc. Code of Conduct for Senior Executive Financial Officers adopted by our Board of Directors. The Code of Conduct was adopted to deter wrongdoing and promote honest and ethical conduct; full, fair, accurate and timely disclosure in public documents; compliance with law; prompt internal reporting of Code violations, and accountability for adherence to the Code. The Code of Conduct is filed with the SEC as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006. Shareholders may also request a copy of the Code, without charge, by contacting Mark J. Blum, First Valley Bancorp, Inc., Four Riverside Avenue, Bristol, Connecticut 06010.

Item 407(c)(3) Material changes to procedures by which security holders may recommend nominees
The process of reviewing and making recommendations for nominations and appointments to the Board of Directors is the responsibility of the Governance Committee. All members of the Governance Committee are considered "independent" directors under The NASDAQ Stock Market, Inc. rules. Under Company's By-Laws, nominations for directors may be made by any shareholder of any outstanding class of capital stock of Company who delivers notice along with the additional information and materials required by our charter to Company's President not less than 20 days and no more than 130 days before the annual meeting. There have been no material changes to the procedures by which shareholders may recommend nominees to the Company's Board of Directors since the Company's 10-KSB for year ended December 31, 2005.

Item 407(d)(4) Audit Committee
The Board of Directors of the Company established an Audit/Compliance Committee for the purpose of overseeing the accounting and financial reporting processes of the Company and the audits of financial statements of the Company. The members of the Audit/Compliance Committee are Mr. Florian, Chairman, Messrs. Biondi, Gibson and McPhee. Messrs. Donovan and Pryor serve as alternates on the Audit/Compliance Committee. Messrs. Blum and Messier serve as Management Liaisons to the Committee.

Item 407(d)(5) Audit Committee Financial Expert
Each member of the Audit/Compliance Committee is independent under the rules and regulations of the Securities Exchange Act of 1934 (the "Exchange Act") and The NASDAQ Stock Market, Inc ("NASDAQ"). Messrs. Donovan and Gibson have both been determined to have the professional experience deemed necessary to qualify as an

audit committee financial expert under Securities and Exchange Commission (the "SEC") rules.

Item 10. - Executive Compensation
The following table sets forth for the year ended December 31, 2006, the cash and non-cash compensation paid or awarded by the Company to the President and Chief Executive Officer, the Executive Vice President, Chief Financial Officer and Treasurer and the Executive Vice President - Senior Lending Officer.

Summary Compensation Table

Name and Principal Position	**Year**	**Salary (1) ($)**	**Bonus (2) ($)**	**Stock Awards (3) ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Nonqualified Deferred Compensation Earnings ($)**	**All Other Compensation (4) ($)**	**Total ($)**
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Robert L. Messier, Jr. President, and Chief Executive Officer	2006	$163,962	$ 40,500	$ -	$ -	$ -	$ -	$ 81,892	$ 286,354
Mark Blum, Executive Vice President, Chief Financial Officer, and Treasurer	2006	$119,865	$ 21,960	$17,787	$ -	$ -	$ -	$ -	$ 159,613
Anthony Mattioli, Executive Vice President, Senior Lending Officer	2006	$114,865	$ 21,060	$17,387	$ -	$ -	$ -	$ -	$ 153,312

(1) Salary figures include amounts deferred under Valley Bank's 401K Profit-Sharing Plan.

(2) Annual bonuses awarded under the incentive compensation plan may include both cash bonuses and/or the fair value of stock bonuses on the date of the award. Amounts awarded for 2006 include only cash bonuses. The bonuses were awarded for meeting certain objectives of the Board of Directors.

(3) Stock awards include the fair value of stock compensation awards. Assumptions made in valuing these awards are disclosed in footnote 12, "Employee and Director Benefit Plan" to First Valley Bancorp's Consolidated Financial Statements for year ended December 31, 2006, following page 40 hereof. Mr. Messier was awarded no shares in 2006. Mr. Blum and Mr. Mattioli were awarded 102 shares and 77 shares, respectively, in 2006. In addition, the amounts shown for Messrs. Blum and Mattioli reflect the value of restricted stock awards.

(4) All other compensation for Mr. Messier includes $69,000 relating to a SERP agreement, with the remaining amount for automobile, 401K match, country club dues and life insurance premiums. Compensation in the form of perquisites and other personal benefits provided by us has been omitted when the total amount of those perquisites and personal benefits constituted less than $10,000 for the Named Executive Officer for 2006.

Valley Bank and Robert L. Messier, Jr., President and Chief Executive Officer of Valley Bank, are parties to a one-year employment agreement, which expires July 1, 2007, and which may be renewed for an additional one-year period. On November 21, 2006, Valley Bank (the "Bank"), a wholly owned subsidiary of the Company, and Robert L. Messier, Jr., the President and Chief Executive Officer of the Company and the Bank, amended the terms of Mr. Messier's employment agreement dated July 1, 2004, as amended, to provide for a yearly salary of $180,000.00. The agreement provides, among other things, for an annual review of Mr. Messier's salary, for merit increases at the discretion of Valley Bank's Board of Directors, and for participation in bonuses and employee benefit plans and fringe benefits which are or may be adopted by Valley Bank for its executive employees.

The Valley Bank Board of Directors may terminate Mr. Messier's employment agreement at any time with or without cause. If he were terminated without cause, Mr. Messier would be entitled to receive either a monthly payment over the remaining term of the agreement or a lump sum amount equal to six months of Mr. Messier's salary.

If Mr. Messier's employment is terminated within three years of a change in control of Valley Bank, either involuntarily by action of Valley Bank or by Mr. Messier, the agreement provides for a lump sum severance payment to Mr. Messier on or before his last day of employment with Valley Bank equal to three times the highest annual compensation paid or payable to Mr. Messier. Valley Bank and Mark J. Blum, Executive Vice President, Chief Financial Officer and Treasurer and Anthony M. Mattioli, Executive Vice President and Senior Lending Officer are also parties to Change of Control Agreements with terms that are generally similar to Mr. Messier's.

On November 21, 2006, the Bank entered into an agreement with Robert L. Messier, Jr., the President and Chief Executive Officer of the Bank and the Company, memorializing the terms of a supplemental retirement program for Mr. Messier previously approved by the Board of Directors in June 2005. The SERP Agreement provides Mr. Messier with a benefit equal to an annual sum of $30,000, payable in equal monthly installments of $2,500 for 180 consecutive months. The first monthly payment shall be made on July 1, 2008. If Mr. Messier dies prior to receiving the full amount of the SERP benefit, the Bank shall pay a survivor benefit to Carol Messier, his spouse, equal to the excess of such amount as of the earlier of Mr. Messier's date of death or the date of the last installment payment, less the amount of the SERP benefit already paid. The SERP benefit is payable notwithstanding Mr. Messier's termination of employment or a change in control of the Bank prior to July 1, 2008.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth for the year ended December 31, 2006, information concerning unexercised options; stock that has not vested; and equity incentive plan awards for each named executive officer outstanding as of December 31, 2006.

	Option Awards					**Stock Awards**			
Name	**Number Of Securities Underlying Unexercised Options (#) Exercisable (1)**	**Number Of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number Of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)(2)**	**Option Expiration Date (3)**	**Number of Shares Or Units Of Stock That Have Not Vested (#)**	**Market Value Of Shares Or Units Of Stock That Have Not Vested ($)**	**Equity Incentive Plan Award: Number Of Unearned Shares, Units Or Other Rights That Have Not Vested (#)(4)**	**Equity Incentive Plan Award: Market Or Payout Value Of Unearned Shares, Units Or Other Rights That Have Not Vested ($)(5)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**
Robert L. Messier, Jr. President, and Chief Executive Officer	3,993 3,630	$ -	-	$7.51 $9.09	5/24/10 4/28/13	- -	-	-	-
Mark Blum, Executive Vice President, Chief Financial Officer, and Treasurer	-	-	-	-	-	-	-	2,750	$56,375
Anthony Mattioli, Executive Vice President, Senior Lending Officer	-	-	-	-	-	-	-	2,750	$56,375

(1) During 2006, the Company did not grant stock options to any of the Named Executive Officers. At December 31, 2006, Mr. Messier had 7,623 total shares underlying unexercised options. All options are fully vested and currently exercisable.

(2) The total options outstanding at December 31, 2006 are at an average exercise price of $8.26.

(3) All options are exercisable for a ten (10) year period from the effective date of the actual grant.
(4) In July 2005, Messrs. Blum and Mattioli were each awarded 2,500 shares of common stock (2,750 shares after adjusting for stock splits) payable in July 2008.
(5) Value of shares is based upon the $20.50 closing price of the Company's common stock on December 31, 2006.

Compensation of Directors
The following table sets forth for the year ended December 31, 2006, the compensation paid or awarded by the Bank to each of the Directors.

Name	Fees Earned Or Paid in Cash ($) (1)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)(2)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Thomas O. Barnes	$3,725	-	-	-	-	-	$3,725
James G. Biondi	$4,475	-	-	-	-	-	$4,475
Bonnie Crane	$3,075	-	-	-	-	-	$3,075
Edmund D. Donovan	$6,950	-	-	-	-	-	$6,950
David W. Florian	$4,700	-	-	-	-	-	$4,700
Mark A. Gibson	$2,425	-	-	-	-	-	$2,425
Edward T. McPhee, Jr.	$3,550	-	-	-	-	-	$3,550
Thomas P. O'Brien	$3,750	-	-	-	-	-	$3,750
David J. Preleski	$5,025	-	-	-	-	-	$5,025
James J. Pryor	$8,125	-	-	-	-	-	$8,125

(1) Includes fees paid for service on the Board of Directors and Board Committees of both Company and the Bank.

(2) Compensation in the form of perquisites and other personal benefits provided by us has been omitted for each Director as the total amount of those perquisites and personal benefits constituted less than $10,000 for 2006.

The Company's directors who are also officers do not receive any compensation for service as members of the Board of Directors or committees thereof. Non-officer directors receive a fee of $125 for each meeting of the Board of Directors attended. In addition, non-officer directors who serve as the chair of a Board committee receive an additional $50 for each meeting attended and non-officer directors who serve as chair of a standing committee receive an additional fee of $25 or each meeting attended. The compensation totaled approximately $50,000 for 2006.

Item 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Item 201(d) Securities Authorized for Issuance Under Equity Compensation Plans
Please refer to Item 5 for information required under Item 201(d).

Item 403 Security Ownership of Certain Beneficial Owners and Managment
The table below provides certain information about beneficial ownership of our Common Stock as of March 9, 2007. The table shows information for:

- each person, or group of affiliated persons, who is known to Company to beneficially own more than 5% of our Common Stock;
- each of our directors;
- each of our executive officers named in the Summary Compensation Table; and
- all of our directors and executive officers as a group.

Except as otherwise noted, the persons or entities in this table have sole voting and investing power with respect to all shares of common stock beneficially owned by them, subject to community property laws, where applicable. The address of each person is care of Company at our principal executive office. With the exception of the proposed merger of the Company, as more fully described on the Company's Form 8-K dated November 28, 2006, to our knowledge, no arrangement exists the operation of which might result in a change in control of Company.

The percentage ownership column below is based on a total of 1,194,550 shares of Common Stock outstanding as of March 9, 2007. For purposes of the table below, we treat shares of common stock subject to options that are currently exercisable or exercisable within 60 days after March 9, 2007 to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of the person, but we do not treat the shares as outstanding for the purpose of computing the percentage ownership of any other shareholder.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
5% Shareholders:		
Leo G. Charette	62,147**	5.2%
Edward T. McPhee, Jr. - Director	63,508	5.3%
David W. Florian - Director	73,505	6.1%

Directors and Executive Officers:

Thomas O. Barnes Director	42,892	3.6%
Mark J. Blum Executive Vice President, Treasurer and Chief Financial Officer and Director	8,093	0.7%
James G. Biondi Director	54,478	4.5%
Bonnie Crane Director (and Director Nominee)	17,108	1.4%
Edmund D. Donovan Director	17,727	1.5%
Mark A. Gibson Director (and Director Nominee)	4,740	0.4%
Anthony M. Mattioli Executive Vice President and Senior Lending Officer	7,177	0.6%
Robert L. Messier, Jr. President, Chief Executive Officer and Director	28,869	2.4%
Thomas P. O'Brien Director	39,690	3.3%
David J. Preleski Director (and Director Nominee)	12,243	1.0%
James J. Pryor Chairman of the Board, Director (and Director Nominee)	45,147	3.7%
All directors and executive officers as a group (14 persons)(2)	415,177**	32.0%

** Mr. Charette's stock and options are not included in above total as Mr. Charette is not a director or executive officer of First Valley Bancorp, Inc., or Valley Bank.

(1) "Beneficial ownership" is defined pursuant to regulations of the SEC as shares over which a person has direct or indirect sole or shared voting or investment (purchase and sale) power, and includes shares subject to options exercisable within sixty days.

The table above includes certain shares owned by spouses, other immediate family members and others over which the persons named in the table possess shared voting and/or shared investment power as follows: Mr. Barnes, 363 shares; Mr. Blum, 363 shares; Mr. Biondi, 8,897 shares; Mrs. Crane, 965 shares; Mr. Donovan, 4,602 shares; Mr. Gibson, 3,386 shares; Mr. Mattioli, 242 shares; Mr. McPhee, 26,495 shares; Mr. Messier, 11,306 shares; Mr. O'Brien, 7,262 shares, Attorney Preleski, 3,346 shares; and Mr. Pryor, 20,281 shares.

Outstanding options reflected in the table are held as follows: Mr. Barnes, 8,228 shares; Mr. Biondi, 8,228 shares; Mrs. Crane, 8,228 shares; Mr. Donovan, 8,228 shares; Mr. Florian, 8,228 shares; Mr. McPhee, 8,228 shares; Mr. Messier, 7,623 shares; Mr. O'Brien, 8,228 shares; Attorney Preleski, 8,228 shares; and Mr. Pryor, 24,866 shares.

(2) This amount does not include shares beneficially owned by Mr. Leo G. Charette.

Item 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Item 404 Transactions with Related Persons, Promoters and Certain Control Persons
In the ordinary course of business, the Bank has made loans to officers and directors (including loans to members of their immediate families and loans to companies of which a director owns 10% or more). The total amount of loans to officers and directors outstanding as of December 31, 2006 was $2.9 million. In the opinion of management, all of such loans were made in the ordinary course of business of the Bank on substantially the same terms, including interest rates and collateral requirements, as those then prevailing for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Mr. David J. Preleski, a Director of Company and the Bank, is a partner of the law firm of Vitrano, Preleski & Wynne, LLC, which provides legal services to Company and the Bank. In the opinion of the Board, the services of Attorney Preleski's firm to Company and the Bank are provided on terms at least as favorable as could be obtained from independent parties. Company and the Bank expect to continue to use the services of this firm in the future. In 2006, Company and the Bank paid the firm $12,488.00 for services provided.

Mr. Thomas O. Barnes, a Director of the Bank, is a one-third owner of Bristol Holding, L.L.C. In 1999, the Bank entered into a fifteen-year lease with Carpenter Realty Corp., The S. Carpenter Construction Corp. and Bristol Holding, L.L.C. The lease is at market rates based on similar properties in this market area. The annual rent at December 31, 2006, was $161,986.00.

Item 407(a) Director Independence
It is the policy of the Board of Directors that a majority of its directors be independent within the meaning of applicable laws and regulations and the listing standards of NASDAQ. Although not required under the applicable rules and regulations of the Over The Counter Bulletin Board, the Board of Directors uses the corporate governance standards of the NASDAQ Stock Market in making its determinations of director's

independence. Our Board of Directors has affirmatively determined that all of the directors, except Messrs. Messier and Blum are independent. Our Board has also affirmatively determined that three of the Board's committees, the Audit/Compliance, Governance and Salary/Personnel Committees are comprised entirely of independent directors within the meaning of applicable laws and regulations and the listing standards of NASDAQ.

Item 13 - EXHIBITS

(a) List of Documents Filed as Part of This Report.

(1) Financial Statements Filed:

1. Report of Independent Registered Public Accounting Firm
2. Consolidated Statements of Financial Condition as of December 31, 2006 and 2005
3. Consolidated Statements of Income for each of the three years in the period ended December 31, 2006
4. Consolidated Statements of Changes in Stockholders' Equity for each of the three years in the period ended December 31, 2006
5. Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2006
6. Notes to Consolidated Financial Statements

(2) Financial Statement Schedules. All schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the financial statement and related notes.

(b) Exhibits: The following exhibits are filed as Exhibits to this Form 10-KSB, as required by Regulation S-B.

2.1	Agreement and Plan of Reorganization by and between Valley Bank and First Valley Bancorp, Inc. dated as of May 23, 2005 (incorporated by reference to Company's Form 8-A dated June 27, 2005)
2.2	Agreement and Plan of Merger dated November 21, 2006 by and between New England Bancshares, Inc., New England Bancshares Acquisition, Inc. and First Valley Bancorp, Inc. (incorporated by reference to Company's Form 8-K dated November 28, 2006)
3.1	Certificate of Incorporation (incorporated by reference to Company's Form 8-A dated June 27, 2005)
3.2	Bylaws (incorporated by reference to Company's Form 8-A dated June 27, 2005)
4.1	Instruments Defining Rights of Security Holders (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.1	Employment Agreement between Valley Bank and Robert L. Messier, Jr. dated July 1, 2004 (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.1.1	Amendment to Employment Agreement between Valley Bank and Robert L. Messier, Jr. dated November 1, 2004 (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.1.2	Addendum to Employment Agreement between Valley Bank and Robert L. Messier, Jr. dated November 21, 2006.

10.2	Change in Control Agreement dated October 1, 2004 by and between Valley Bank and Mark J. Blum (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.3	Change in Control Agreement dated October 1, 2004 by and between Valley Bank and Anthony M. Mattioli (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.4	Change in Control Agreement dated October 1, 2004 by and between Valley Bank and Robert L. Messier, Jr. (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.5	Stock Option and Stock Compensation Plan (incorporated by reference to Company's Form 8-A dated June 27, 2005)
10.6	Supplemental Executive Retirement Plan dated November 21, 2006 between Valley Bank and Robert L. Messier, Jr.
14	Code of Ethics
16	Letter on change in certifying accountant (incorporated by reference to Company's Form 8-K filed on January 30, 2006)
21	Subsidiaries
23	Consent of Whittlesey & Hadley, P.C.
31.1	Chief Executive Officer Certification Pursuant to 17 CFR 240.13a-14, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to 17 CFR 240.13a-14, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

Item 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Whittlesey & Hadley, P.C. performed and will perform both audit and non-audit professional services for Company and on our behalf. During 2006, Whittlesey & Hadley, P.C.'s audit services included an audit of our consolidated financial statements and a review of certain filings with the SEC. All professional services rendered by Whittlesey & Hadley, P.C. during 2006 were furnished at customary rates and terms. Snyder & Haller, P.C. was the Bank's independent registered public accounting firm since the Bank's formation in 1999 until that firm merged with Whittlesey & Hadley, P.C. in January 2006.

During the period covering the fiscal years ended December 31, 2006 and 2005, Whittlesey & Hadley, P.C. performed the following professional services:

	2006	2005
Audit Fees consist of fees for professional services rendered for the audit of the consolidated financial statements and review of financial statements included in quarterly reports on Form 10-QSB and services connected with statutory and regulatory filings or engagements.	$52,000	$43,000
Audit Related Fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of financial statements not reported above in "Audit Fees"		
Tax Service Fees consist of fees for tax return preparation, planning and tax advice.	$ 5,300	$ 4,750
Other Fees	-0-	-0-

Policy on Audit/Compliance Committee Pre-Approval of Audit and Non-Audit Services

The Audit/Compliance Committee's policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit/Compliance Committee has delegated pre-approval authority to its Chair when expedition of services if necessary. The Chair is required to report any decisions to pre-approve such services to the full Audit/Compliance Committee at its next meeting. The independent registered public accounting firm and management are required to periodically report to the full Audit/Compliance Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit/Compliance Committee approved all of the fees set forth in the table above.

SIGNATURES

In accordance with Section 13 of the Securities Exchange Act of 1934, the Bank has duly caused this report to be signed by the undersigned, thereunto duly authorized.

/s/ Robert L. Messier, Jr.
Robert L. Messier, Jr.
President and Chief Executive
Officer

Dated: April 12, 2007

/s/ Mark J. Blum
Mark J. Blum
Executive Vice President, Treasurer, Chief
Financial Officer and Principal Accounting Officer

Dated: April 12, 2007

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

/s/ Robert L. Messier, Jr. Robert L. Messier, Jr. President and Chief Executive Officer and Director	Dated: March 30, 2007
/s/ Mark J. Blum Mark J. Blum Executive Vice President, Treasurer, Chief Financial Officer, Principal Accounting Officer and Director	Dated: March 30, 2007
/s/ Thomas O. Barnes Thomas O. Barnes Director	Dated: March 30, 2007
/s/ James G. Biondi James G. Biondi Director	Dated: March 30, 2007
/s/ Bonnie Crane Bonnie Crane Director	Dated: March 30, 2007
/s/ Edmund D. Donovan Edmund D. Donovan Director	Dated: March 30, 2007
/s/ David W. Florian David W. Florian Director	Dated: March 30, 2007
/s/ Mark A. Gibson Mark A. Gibson Director	Dated: March 30, 2007

/s/ Edward T. McPhee, Jr.
Edward T. McPhee, Jr. Director

Dated: March 30, 2007

/s/ Thomas P. O'Brien
Thomas P. O'Brien Director

Dated: March 30, 2007

/s/ David J. Preleski
David J. Preleski Director

Dated: March 30, 2007

/s/ James J. Pryor
James J. Pryor Director

Dated: March 30, 2007

First Valley Bancorp

Consolidated Financial Statements

December 31, 2006

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WHITTLESEY & HADLEY, P.C.
Certified Public Accountants/Consultants
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Hartford, Connecticut 06106
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
First Valley Bancorp, Inc.
Bristol, Connecticut

We have audited the accompanying consolidated statements of financial condition of First Valley Bancorp, Inc. (the "Company") and subsidiary as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years ended December 31, 2006, 2005 and 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Companies Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Valley Bancorp, Inc. and subsidiary at December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the years ended December 31, 2006, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
March 9, 2007

Consolidated Statements of Financial Condition

	2006	2005
	(in thousands except share data)	
ASSETS		
Cash and due from depository institutions	$ 12,319	$ 3,447
Federal funds sold and money market accounts	13,841	9,220
Investment securities	26,672	33,907
Loans receivable, net	133,709	109,773
Loans held for sale	1,080	252
Premises and equipment, net	2,321	1,435
Federal Home Loan Bank of Boston Stock	719	855
Accrued income receivable	865	680
Deferred income taxes	1,052	904
Other assets	569	453
Total assets	$ 193,147	$ 160,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	$ 164,758	$ 129,200
Borrowed funds	14,952	19,117
Mortgagors' escrow accounts	169	176
Other liabilities	2,737	2,733
Total liabilities	182,616	151,226
Commitments and Contingencies		
Stockholders' equity		
Common stock, no par value; authorized 3,000,000 shares; issued and outstanding 1,194,550 and 1,186,236 in 2006 and 2005, respectively	899	892
Additional paid in capital	8,273	8,194
Retained earnings	1,627	1,054
Accumulated other comprehensive loss	(268)	(440)
Total stockholders' equity	10,531	9,700
Total liabilities and stockholders' equity	$ 193,147	$ 160,926

See notes to consolidated financial statements.

	For the Years Ended December 31,		
	2006	2005	2004
	(in thousands except share data)		
Interest income			
Interest on loans	$ 9,022	$ 6,014	$ 4,561
Interest and dividends on investments and deposits	1,754	1,585	1,357
Total interest income	10,776	7,599	5,918
Interest expense			
Deposits and escrow	4,196	2,259	1,475
Borrowed money	771	467	268
Total interest expense	4,967	2,726	1,743
Net interest income	5,809	4,873	4,175
Provision for loan losses	321	348	353
Net interest income after provision for loan losses	5,488	4,525	3,822
Noninterest income			
Service charges and other fees	492	385	327
Realized gains (losses) on investments	(86)	-	6
Total noninterest income	406	385	333
Noninterest expense			
Salaries	2,196	1,736	1,528
Employee benefits and taxes	428	347	306
Occupancy and equipment	791	655	671
Professional fees	206	139	145
Marketing	132	106	104
Office supplies	74	74	67
Outside service fees	179	225	146
Organizational costs	-	98	-
Merger related expenses	345	-	-
Other	396	329	249
Total noninterest expense	4,747	3,709	3,216
Income before income tax expense	1,147	1,201	939
Income tax expense	574	452	367
Net income	$ 573	$ 749	$ 572
Basic income per share	$ 0.48	$ 0.63	$ 0.49
Diluted income per share	0.45	0.60	0.47
Weighted-average shares outstanding - basic	1,191,018	1,184,930	1,178,639
Weighted-average shares outstanding - diluted	1,261,859	1,239,000	1,207,895

See notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings (deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
			(in thousands)		
Balance at December 31, 2003	$ 884	$ 8,090	$ (267)	$ (62)	$ 8,645
Net income	-	-	572	-	572
Shares issued under stock compensation plan	3	36	-	-	39
Net unrealized gains (losses) on available-for-sale securities	-	-	-	(97)	(97)
Balance at December 31, 2004	$ 887	$ 8,126	$ 305	$ (159)	$ 9,159
Net income	-	-	749	-	749
Shares issued under stock compensation plan	5	68	-	-	73
Net unrealized gains (losses) on available-for-sale securities	-	-	-	(281)	(281)
Balance at December 31, 2005	$ 892	$ 8,194	$ 1,054	$ (440)	$ 9,700
Net income	-	-	573	-	573
Shares issued under stock compensation plan	2	38	-	-	40
Shares issued through exercise of stock options	5	41	-	-	46
Net unrealized gains (losses) on available-for-sale securities	-	-	-	172	172
Balance at December 31, 2006	$ 899	$ 8,273	$ 1,627	$ (268)	$ 10,531

See notes to consolidated financial statements.

	For the Years Ended December 31,		
	2006	2005	2004
		(in thousands)	
Cash flows from operating activities			
Net income	$ 573	$ 749	$ 572
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	321	348	353
Depreciation	235	232	218
Provision for deferred taxes	(258)	(92)	(110)
Realized losses (gains) on investments	86	-	(6)
Realized losses (gains) on premises and equipment	5	-	-
Amortization (accretion) of premiums (discounts), net	98	171	209
Amortization of debt issuance costs	6	2	-
Common stock issued as compensation	40	73	39
Net change in:			
Deferred loan fees	23	20	49
Accrued income receivable	(185)	(120)	(159)
Other assets	(116)	(266)	(14)
Other liabilities	4	1,527	320
Net cash provided by operating activities	832	2,644	1,471
Cash flows from investing activities			
Proceeds from maturities, calls and paydowns of available-for-sale securities	11,711	24,081	17,472
Proceeds sales of available-for-sale securities	3,121	-	509
Purchase of available-for-sale securities	(7,500)	(19,072)	(23,651)
Loan originations net of principal payments	(25,108)	(32,664)	(18,762)
Redemption (purchase) of Federal Home Loan Bank of Boston Stock	136	(128)	(108)
Proceeds from sale of premises and equipment	17	-	-
Purchase of premises and equipment	(1,142)	(143)	(762)
Net cash used by investing activities	(18,765)	(27,926)	(25,302)
Cash flows from financing activities			
Change in DDA, NOW, money market, and savings accounts	(12,640)	6,763	12,068
Change in time deposit accounts	48,198	14,691	14,413
Proceeds from borrowed funds	25,000	16,046	8,875
Repayments of borrowed funds	(29,171)	(9,610)	(8,576)
Change in mortgagors' escrow accounts	(7)	26	10
Proceeds from issuance of common stock	46	-	-
Net cash provided by financing activities	31,426	27,916	26,790
Net change in cash and cash equivalents	13,493	2,634	2,959
Cash and cash equivalents at beginning of year	12,667	10,033	7,074
Cash and cash equivalents at end of year	$ 26,160	$ 12,667	$ 10,033
Supplemental disclosures			
Cash paid during the year for:			
Interest	$ 5,028	$ 2,542	$ 1,621
Income taxes	$ 835	$ 604	$ 397

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business
First Valley Bancorp, Inc. (the Company) is a state chartered holding company formed in 2005 for the purpose of acquiring all of the common stock of Valley Bank. Existing shares in Valley Bank common stock were exchanged for an equal and proportionate amount of shares of Company stock.

Valley Bank (the Bank) is a state chartered commercial bank which commenced operations on November 15, 1999. The Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in small business, real estate, residential and consumer loans. The Bank is subject to competition from other financial institutions throughout the region.

Both the Company and the Bank are subject to the regulations of certain state and federal agencies and undergoes periodic examinations by those regulatory authorities.

Basis of presentation and principles of consolidation
The consolidated financial statements include the accounts of First Valley Bancorp, Inc. and its wholly-owned subsidiary, Valley Bank. Significant intercompany accounts and transactions have been eliminated in consolidation. Prior to the formation of the Company the amounts reflected are those of the Bank.

The accounting and reporting policies of the Company conform to generally accepted accounting principles in the United States of America and to general practices within the banking industry. Such policies have been followed on a consistent basis.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet, and income and expenses for the period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for losses on loans. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly in Connecticut.

Cash and cash equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and amounts due from depository institutions, federal funds sold, and money market accounts.

Investment securities
The Company's investments are categorized as available-for-sale. Available-for-sale securities are securities that are held for indefinite periods of time and are carried at fair value with unrealized gains and losses reported as a separate component of capital, net of estimated income taxes.

Mortgage-backed securities, which include collateralized mortgage obligations (CMO's), are either U.S. Government Agency securities or are rated in one of the top two ratings categories by at least one of the major rating agencies at the time of purchase. One of the risks inherent when investing in mortgage-backed securities and CMO's is the ability of such instruments to incur prepayments of principal prior to maturity. Because of prepayments, the weighted-average yield of these securities may also change, which could affect earnings.

Gains or losses on the sales of securities are recognized at trade date utilizing the specific identification method.

Loans receivable and allowance for loan losses
Loans receivable are stated at unpaid principal balance less deferred loan fees, and the allowance for loan losses.

Uncollected interest on loans receivable is accrued as earned based on rates applied to principal amounts outstanding. Recognition of income on the accrual basis is generally discontinued after 90 days past due. Payments ultimately collected are allocated to reduce principal and accrued interest unless there are doubts concerning collectibility. If there are any doubts regarding collectibility all payments are used to reduce principal and any accrued interest is reversed to reduce interest income.

Loan origination fees and certain direct loan origination costs are being deferred and the net amount amortized on a level-yield basis as an adjustment to the related loan yield over its contractual life. Unamortized net fees are recognized upon early repayment of the loans.

The allowance for loan losses is established by a provision charged to earnings and is maintained at a level considered adequate to provide for potential loan losses based on management's evaluation of known and inherent risks in the loan portfolio. When a loan or portion of a loan is considered uncollectible, it is charged against the allowance for loan losses. Recoveries of loans previously charged-off are credited to the allowance when collected.

Management makes regular evaluations of the loan portfolio to determine the adequacy of the level of the allowance for loan losses. Numerous factors are considered in the evaluation, including a review of certain borrowers' current financial status and credit standing, available collateral, loss experience in relation to outstanding loans, the overall loan portfolio quality, management's judgment regarding prevailing and anticipated economic conditions, and other relevant factors.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Loans held-for-sale
Loans held-for-sale are valued at the lower of cost or market as determined by outstanding commitments from investors. All loans sold by the Company are sold on a non-recourse basis. Gains or losses on the sale of loans are determined using the specific identification method.

Premises and equipment
Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method at rates based on estimated useful lives. Estimated lives are 39 years for buildings and 3 to 10 years for furniture, fixtures and equipment. Expenditures for replacements or major improvements are capitalized. Expenditures for normal maintenance and repairs are charged to expense as incurred. Upon the sale or retirement of premises and equipment, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is included in income.

Computation of fair values
The calculation of fair value estimates of financial instruments is dependent upon certain subjective assumptions and involves significant uncertainties. Changes in assumptions could significantly affect the estimates. These estimates do not reflect any possible tax ramifications, estimated transaction costs or any premium or discount that could result from offering the Company’s entire holdings of a particular financial instrument.

1. Summary of Significant Accounting Policies - *(Continued)*

The following methods and assumptions were utilized by the Company in estimating the fair values of its on-balance sheet financial instruments:

Cash and cash equivalents - The carrying amounts reported in the statement of financial condition approximate these assets' fair value.

Investment securities - Fair values for investment securities are based on quoted market prices.

Loans receivable - For variable rate loans that reprice frequently and without significant change in credit risk, fair values are based on carrying values. The fair value of other loans is estimated by discounted cash flow analyses using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Accrued income receivable - The carrying value of accrued income receivable approximates fair value.

Deposits - For the present value calculation of non-maturity deposits, an assumption is required as to the maturity, or life, of these deposits. The Company is currently using the FDICIA 305 proposal recommended for this purpose. On non-maturity deposits, fair value is based on using a discounted cash flow technique that uses current interest rates and applies interest expense into the future compared to Federal Home Loan Bank current loan interest rates. Fair values for time certificates of deposit are estimated using a discounted cash flow technique that applies interest rates currently being offered to a schedule of aggregated expected monthly maturities on time deposits.

FHLBB Advances - Fair values are estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Subordinated debts - Fair value is determined using quoted market prices.

Mortgagors' escrow accounts - The carrying value of escrow accounts approximates fair value.

Income taxes
The Bank accounts for certain income and expense items differently for financial reporting purposes than for income tax purposes. Provisions for deferred taxes are being made in recognition of these temporary differences.

Earnings per share
Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Related party transactions
Directors and officers of the Company and their affiliates have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions, were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risks of collectibility or favored treatment or terms, or present other unfavorable features.

Stock Based Compensation
As more fully described in Note 12, the Bank has a long-term incentive plan authorizing various types of market and performance based incentive awards that may be granted to directors, officers and employees. In December 2004, the Financial Accounting Standards Board revised Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123R"). This Statement eliminated the alternative intrinsic value method of accounting, in accordance with the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for recognizing the cost of employee services received in share-based payment transactions, thereby reflecting the economic consequences of those transactions in the financial statements. SFAS 123R requires all entities to follow the same accounting standard and account for such transactions using the fair-value-based method. On March 29, 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107"). SAB 107 expresses the views of the SEC staff regarding SFAS 123R and certain rules and regulations and provides the SEC's views regarding the valuation of share-based payment arrangements for public companies. On April 14, 2005, the Securities and Exchange Commission (the "SEC") delayed the effective date for SFAS 123R, which allows companies to implement the statement at the beginning of their first fiscal year beginning after June 15, 2005, which would be January 1, 2006 for the Company. Previously, the Company applied APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its long-term incentive plan.

The following table illustrates the effect on net income and earnings per share as if the fair value based method described in SFAS No. 123, "Accounting for Stock-Based Compensation" had been applied to the Bank's long-term incentive plan.

	For The Years Ended December 31,		
(in thousands except share data)	2006	2005	2004
Net income, as reported	$ 573	$ 749	$ 572
Stock-based employee compensation included in net income	-	-	-
Total stock-based employee compensation expense determined under the fair value based method for all awards	-	-	(20)
Pro forma net income	$ 573	$ 749	$ 552
Earnings per share:			
Basic, as reported	$ 0.48	$ 0.63	$ 0.49
Diluted, as reported	0.45	0.60	0.47
Basic, pro forma	0.48	0.63	0.47
Diluted, pro forma	0.45	0.60	0.45

The Company adopted Statement No. 123(R) on January 1, 2006.

1. Summary of Significant Accounting Policies - *(Continued)*

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Tax Positions." This interpretation clarifies the application of SFAS. No. 109, "Accounting for Income Taxes," by establishing a threshold condition that a tax position must meet for any part of the benefit of that position to be recognized in the financial statements. In addition to recognition, FASB Interpretation No. 48 provides guidance concerning measurement, derecognition, classification, and disclosure of tax positions and is effective for fiscal years ending after December 15, 2006. Adoption of this Interpretation is not expected to have a significant impact on the results of operations and financial condition.

In March 2006, the Financial Accounting Standards Board issued Statement No. 156, "Accounting for Servicing of Financial Assets." Statement 156, which is an amendment to SFAS No. 140, simplifies the accounting for servicing assets and liabilities, such as those common with mortgage securitization activities. The new Standard clarifies when an obligation to service financial assets should be separately recognized as a servicing asset or a servicing liability; requires that a separately recognized servicing asset or servicing liability be initially measured at fair value, if practicable; and permits an entity with a separately recognized servicing asset or servicing liability to choose either the Amortization Method or Fair Value Method for subsequent measurement. Statement No. 156 is effective for separately recognized servicing assets and liabilities acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006, with early adoption permitted. Adoption of this statement is not expected to have a material effect on results of operations or financial condition.

2. Investment Securities

The amortized cost basis and estimated fair values of investment securities were as follows:

	December 31, 2006			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale securities:				
Debt securities:				
U.S. government and agency obligations:				
Due in less than one year	$ 3,500	$ -	$ (29)	$ 3,471
Due from one through five years	4,000	-	(73)	3,927
	7,500	-	(102)	7,398
Corporate bonds:				
Due in less than one year	506	-	(2)	504
Due from one through five years	1,554	-	(48)	1,506
	2,060	-	(50)	2,010
Municipal bonds:				
Due after five years through ten years	1,179	-	-	1,179
Due after ten years	1,383	-	(6)	1,377
	2,562	-	(6)	2,556
Mortgage-backed securities	12,986	4	(282)	12,708
Total debt securities	25,108	4	(440)	24,672
Equity securities:				
Variable rate preferred securities	2,000	-	-	2,000
Total available-for-sale securities	$ 27,108	$ 4	$ (440)	$ 26,672

2. Investment Securities -*(Continued)*

	December 31, 2005			
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale securities:				
Debt securities:				
U.S. government and agency obligations:				
Due in less than one year	$ 1,509	$ -	$ (23)	$ 1,486
Due from one through five years	7,499	-	(168)	7,331
	9,008	-	(191)	8,817
Corporate bonds:				
Due from one through five years	2,095	-	(75)	2,020
Municipal bonds:				
Due after ten years	2,564	-	(15)	2,549
Mortgage-backed securities	20,456	1	(436)	20,021
Total debt securities	34,123	1	(717)	33,407
Equity securities:				
Variable rate preferred securities	500	-	-	500
Total available-for-sale securities	$ 34,623	$ 1	$ (717)	$ 33,907

The Company had realized losses of $85,597 and no gains for the year ended December 31. 2006. There were no realized gains or losses in the year ended December 31, 2005. Gross gains of $5,511 and no losses were realized on available-for-sale securities for the year ended December 31, 2004.

At December 31, 2006 and 2005 debt securities with a carrying and market value of $9,772,538 and $12,411,682, respectively, were pledged as collateral to secure public deposits and FHLBB advances.

The Bank has 50 individual investment securities in which the market value of the security is less than the cost of the security. Management believes that these unrealized losses are temporary and are the result of market conditions over the past several years.

The following is a summary of the market value and related unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Length of Time in Continuous Unrealized Loss Position					
	Less than 12 months		12 months or more		Total	
(in thousands)	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. agency obligations	$ -	$ -	$ 7,398	$ (102)	$ 7,398	$ (102)
Corporate bonds	-	-	2,010	(51)	2,010	(51)
Municipal bonds	1,320	(3)	551	(2)	1,871	(5)
Mortgage-backed securities	-	-	11,852	(282)	11,852	(282)
Total investment securities	$ 1,320	$ (3)	$ 21,811	$ (437)	$ 23,131	$ (440)

3. Loans

At December 31, the composition of the Bank's loan portfolio was as follows:

	2006	2005
	(dollars in thousands)	
Commercial mortgages	$ 69,603	$ 54,653
Commercial loans	30,162	22,726
Residential mortgages	22,925	22,848
Consumer and home equity loans	13,127	11,317
	135,817	111,544
Less:		
Deferred loan origination fees	248	225
Allowance for loan losses	1,860	1,546
Loans receivable, net	$ 133,709	$ 109,773
Weighted average yield	7.24%	6.66%

3. Loans- *(Continued)*
The Bank's lending activities are conducted principally in Connecticut. The Bank's investment in loans includes both adjustable and fixed rate loans. At December 31, the composition of the Bank's investment in loans was as follows:

	2006	2005
	(in thousands)	
Fixed rate:		
Term to maturity		
1 month through 1 year	$ 7,389	$ 4,064
1 year through 3 years	4,010	4,643
3 years through 5 years	13,644	10,192
5 years through 10 years	9,538	12,691
Over 10 years	4,887	4,724
	39,468	36,314
Adjustable rate:		
Rate adjustment		
1 month through 1 year	39,102	22,409
1 year through 3 years	21,383	15,594
3 years through 5 years	33,148	29,948
5 years through 10 years	2,716	7,279
	96,349	75,230
Total loans	$ 135,817	$ 111,544

The adjustable rate loans have interest rate adjustment limitations and are indexed to the one to five year U.S. Treasury rate, the Wall Street Journal Prime Rate, or Federal Home Loan Bank advance rates.

Transactions in the allowance for possible loan losses for the years ended December 31, were as follows:

	2006	2005
	(in thousands)	
Balance at beginning of period	$ 1,546	$ 1,295
Provision for loan losses	321	348
Charge offs	(11)	(114)
Recoveries	4	17
Balance at end of period	$ 1,860	$ 1,546

Nonperforming loans totaled $269,947 and $337,215 at December 31, 2006 and 2005, respectively. These loans, delinquent 90 days or more, were accounted for on a non-accrual basis. The amount of income that was contractually due but not recognized on nonperforming loans totaled $30,196 and $22,060 in 2006 and 2005, respectively. Impaired loans totaled $720,255 and $337,215 at December 31, 2006 and 2005, respectively. These loans had specific reserves of $139,033 at December 31, 2006 and $3,851 at December 31, 2005. At December 31, 2006 and 2005 outstanding commitments to lend additional funds to borrowers with loans on which the accrual of interest has been discontinued were $25,000 and none, respectively.

4. Premises and Equipment

Premises and equipment at December 31, are summarized as follows:

	2006	2005
	(in thousands)	
Office building	$ 658	$ 650
Leasehold improvements	783	757
Furniture, fixtures and equipment	1,016	767
Construction in progress	828	10
	3,285	2,184
Accumulated depreciation	964	749
Premises and equipment, net	$ 2,321	$ 1,435

Depreciation expense amounted to $234,868, $232,233, and $218,118 during the years ended December 31, 2006, 2005 and 2004, respectively.

In 2004, the Bank purchased a building on Farmington Avenue, in Bristol, that it plans on opening as a full service office in the first quarter of 2007. The building was previously leased and rental income for the years ended December 31, 2006, 2005, and 2004 was $16,800, $28,800 and $21,600, respectively.

The Bank is obligated under a 15 year lease agreement on the building it currently occupies in Bristol and a 10 year lease agreement on its office in Terryville.

On February 14, 2006, the Bank entered into a 22 year lease agreement for a new full-service office in Southington that opened in January of 2007.

On April 4, 2006, the Bank entered into a short-term sublease expiring in September 2007 for an operations center in Bristol. The Bank has entered into a ten year lease agreement on the same premises that will become effective and replace the sublease in September 2007.

Total rent expense for the years ended December 31, 2006, 2005 and 2004 was $220,398, $187,384, and $169,446, respectively.

The following is a schedule of future annual minimum rental payments required under leases, as of December 31, 2006:

	(in thousands)
2007	$ 283
2008	335
2009	363
2010	376
2011	397
Thereafter	1,717
Total	$ 3,471

5. Deposits

The balances and the rates at which the Bank paid interest on deposit accounts December 31, were as follows:

	2006		2005	
	(dollars in thousands)			
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Non-interest checking	$ 18,225	-%	$ 17,166	-%
Regular savings	17,782	0.79	22,575	0.77
Money market savings	15,309	2.71	23,154	2.23
NOW accounts	3,646	1.25	4,707	0.47
	54,962	1.09	67,602	1.05
Certificate accounts maturing in:				
Under 12 months	95,730	4.77	34,187	3.42
12 to 24 months	11,066	4.47	21,003	3.52
24 to 36 months	839	4.47	4,000	3.68
36 to 48 months	1,271	4.88	852	4.43
48 to 60 months	890	4.88	1,556	4.89
	109,796	4.74	61,598	3.52
Total deposits	$ 164,758	3.52	$ 129,200	2.23

Certificates with balances of $100,000 or more were $41,518,655 and $17,294,949 at December 31, 2006 and 2005, respectively.

6. Borrowed Funds

Total borrowed funds with maturity dates and cost of funds were as follows at December 31:

	2006		2005	
Year of Maturity:	Amount Due	Weighted Average Rate	Amount Due	Weighted Average Rate
		(dollars in thousands)		
FHLBB Advances:				
2006	$ -	- %	$ 9,875	4.35%
2007	8,567	5.11	2,653	4.49
2008	815	2.95	872	2.95
2012	493	4.72	568	4.72
2016	973	4.77	1,050	4.77
Subtotal - FHLBB Advances	10,848	4.90	15,019	4.34
Subordinated Debt:				
2035	4,104	6.42	4,098	6.42
Total borrowed funds	$ 14,952	5.32	$ 19,117	4.79

All advances are at fixed rates of interest. The advances are secured by investment securities held in safekeeping at the Federal Home Loan Bank of Boston (FHLBB).

The Bank is required to maintain an investment in capital stock of the FHLBB as a condition of membership. The carrying value of FHLBB stock approximates fair value based on the redemption provisions of the FHLBB.

On July 28, 2005 the Company formed FVB Capital Trust I. The trust has no independent assets or operations and was created for the sole purpose of issuing trust preferred securities and investing the proceeds thereof in an equivalent amount of junior subordinated debentures issued by the Company.

Trust preferred securities issued by the statutory trust are considered regulatory capital for purposes of determining the Company's Tier 1 capital ratio and the Bank's Tier 1 capital ratio to the extent that the trust preferred proceeds have been invested in the Bank's capital.

The subordinated debentures, which bear an interest rate fixed at 6.42% for the first five years and a floating interest rate set at three-month LIBOR plus 190 basis points thereafter, mature on August 23, 2035 and can be redeemed at the Company's option in an amount equal to 100% of the principal amount of the debt securities beginning in 2010 and thereafter. The trust securities have identical terms except the duration of the trust in 35 years.

Notes to Consolidated Financial Statements

7. Income Taxes

The components of income tax expense for the years ended December 31, were as follows:

	2006	2005	2004
		(in thousands)	
Current:			
Federal	$ 630	$ 431	$ 385
State	202	113	92
Total current	832	544	477
Deferred:			
Federal	(208)	(73)	(99)
State	(50)	(19)	(11)
Total deferred	(258)	(92)	(110)
Income tax expense	$ 574	$ 452	$ 367

A reconcilement of the statutory federal income tax rate applied to income before taxes with the income tax provision was as follows:

	2006	2005	2004
		(in thousands)	
Tax on income at statutory rates	$ 390	$ 408	$ 319
Increase (decrease) resulting from:			
State tax, net of federal tax benefit	101	61	53
Non deductible merger expenses	117	-	-
Tax-exempt municipal income	(34)	-	-
Other items, net	-	(17)	(5)
Income tax expense	$ 574	$ 452	$ 367

The components of deferred taxes included in the balance sheet are as follows at December 31:

	2006	2005
	(in thousands)	
Deferred tax receivable:		
Reserve for loan losses	$ 705	$ 579
Deferred income for books previously taxed	96	88
Deferred compensation	87	-
Organizational costs	38	-
Available-for-sale securities	167	277
	1,093	944
Deferred tax payable:		
Depreciation	(41)	(40)
	(41)	(40)
Net deferred tax receivable	$ 1,052	$ 904

SFAS No. 109 requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not, that some or all of the deferred tax assets will not be realized. As of December 31, 2006, the Company believes that all deferred tax assets will be realized in the future and no valuation allowance is necessary.

8. Regulatory Matters

Regulatory Capital

The Company and its subsidiary, Valley Bank, are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum ratios of 4.00% for Tier 1 leverage, 4.00% for Tier 1 risk-based capital and 8.00% for total risk-based capital. As of December 31 2006, the Company and its subsidiary meet all capital requirements to which it is subject.

At December 31, 2006, the Company and its subsidiary's capital ratios were considered well capitalized for regulatory purposes. To be categorized as well capitalized, the Bank must maintain a Tier 1 leverage ratio of 5.00%, a Tier 1 risk-based capital ratio of at least 6.00%; and a total risk-based capital ratio of at least 10.00%. There have been no subsequent conditions or events which management believes have changed their status.

The following is a summary of the Company's and its subsidiary's actual capital:

	2006		2005	
First Valley Bancorp, Inc.	Amount	Ratio	Amount	Ratio
		(dollars in thousands)		
Tier 1 leverage	$ 13,940	7.49 %	$ 13,340	8.80 %
Tier 1 risk-based capital	13,940	9.52	13,340	11.58
Total risk-based capital	15,770	10.77	14,780	12.83

8. Regulatory Matters - *(Continued)*

Valley Bank	2006 Amount	2006 Ratio	2005 Amount	2005 Ratio
	(dollars in thousands)			
Tier 1 leverage	$ 14,449	7.77 %	$ 13,355	8.81 %
Tier 1 risk-based capital	14,449	9.87	13,355	11.60
Total risk-based capital	16,279	11.12	14,795	12.86

The Bank's capital reported to regulators includes $3.2 million of proceeds from a trust preferred offering that is not included in capital under generally accepted accounting principles.

9. Employee Benefits

The Bank has a 401K plan covering each employee who meets the minimum age and length of service requirements. Employees may defer gross compensation up to certain limits defined in the Internal Revenue Code. The Bank matched 10% of the amount of an employees' contribution in the year ended December 31, 2004, and 25% in 2005 and 2006. In addition, the Bank has made additional discretionary contributions at year-end on a pro-rata basis to all participating employees. In December 2006, 2005 and 2004, the Bank made discretionary contributions of $12,000, $12,000, and $10,000, respectively. In total, the Bank contributed $38,715, $38,176, and $21,615 during the years ended December 31, 2006, 2005 and 2004, respectively.

10. Comprehensive Income

For the year ended December 31, comprehensive income was comprised of:

	2006	2005	2004
		(in thousands)	
Net income	$ 573	$ 749	$ 572
Other comprehensive income (loss):			
Unrealized holding gains (losses) on securities available-for-sale	195	(461)	(149)
Reclassification adjustment for loss (gain) recognized in net income	86	-	(6)
Other comprehensive income (loss) before tax expense	281	(461)	(155)
Income tax expense related to items of other comprehensive income (loss)	(109)	180	58
Other comprehensive income (loss) net of tax	172	(281)	(97)
Total comprehensive income	$ 745	$ 468	$ 475

11. Financial Instruments

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition.

The contractual amounts of outstanding commitments were as follows at December 31:

	2006	2005
	(in thousands)	
Commitments to extend credit:		
Loan commitments	$ 8,759	$ 11,184
Unadvanced lines of credit	21,992	21,931
Standby letters of credit	2,139	1,089
Outstanding commitments	$ 32,890	$ 34,204

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. In extending commitments, the Bank evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management’s credit evaluation of the counter-party.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in a loan commitment.

Management does not anticipate any material losses as a result of these commitments.

11. Financial Instruments - *(Continued)*

The estimated fair value of the Bank’s financial instruments at December 31, were as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial assets				
Cash and cash equivalents	$ 26,160	$ 26,160	$ 12,667	$ 12,667
Investment securities	26,672	26,672	33,907	33,907
Loans receivable	133,709	132,445	109,773	109,466
Accrued income receivable	865	865	680	680
Financial liabilities				
Deposits	164,758	160,056	129,200	123,759
Borrowed funds	14,952	14,844	19,117	18,963
Mortgagors' escrow accounts	169	169	176	176

Commitments to extend credit and standby letters of credit have short maturities and therefore have no significant fair values.

12. Employee and Director Benefit Plan

During 2000, the Shareholders and the Board of Directors approved a plan entitled "Valley Bank 1999 Stock Option and Stock Compensation Plan, as amended".

The Company accounts for stock options issued in accordance with APB Opinion No. 25, under which no compensation cost has been recognized. A table illustrating the effect of the plan had compensation cost been determined consistent with Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation”, is included in Note 1.

The fair value of each option grant is estimated on the date of grant using the minimum value method. This method calculates a fair value per share that is equal to the difference between the present value of the exercise price and the current price of the stock reduced to exclude the present value of any expected dividends during the option's life. The following assumptions were used for option grants in 2004 and 2003: a risk free interest rate of 4.24% and 3.92%, respectively, an expected life equal to the grant life and an expected dividend yield of 0%. For options granted in 2004 and 2003, the weighted average fair values per share were approximately $7.59 and $7.49, respectively.

The plan initially reserved 141,075 shares of common stock to be used for eligible Bank employees and directors in the form of stock options or stock awards. The Plan was subsequently amended in 2003 and 2004, at which time additional shares totaling 30,724 and 117,600 respectively, were added.

Options are exercisable for a ten-year period from the effective date of the actual grant. However, the options may not be exercised before they vest.

The plan terminates on November 19, 2009.

Information regarding the Company's stock option plan as of December 31, is summarized below:

	2006			2005			2004		
	Number of shares		Weighted Average Exercise Price	Number of shares		Weighted Average Exercise Price	Number of shares		Weighted Average Exercise Price
Outstanding at beginning of year	124,050	$	8.21	124,050	$	8.21	118,000	$	8.14
Granted	-		-	-		9.50	6,050		9.50
Exercised	5,808		8.00	-		-	-		-
Forfeited	-		-	-		-	-		-
Outstanding at end of year	118,242	$	8.22	124,050	$	8.21	124,050	$	8.21
Options exercisable at end of year	118,242	$	8.22	124,050	$	8.21	124,050	$	8.21

As further described in Note 1, the Company adopted Statement No. 123(R) on January 1, 2006.

13. Stock Split

On December 19, 2005, the Company's Board of Directors declared a 1 for 10 stock split effective January 30, 2006 for shareholders of record on December 30, 2005. All stock shares and per share amounts have been restated to give effect to the stock splits.

14. Definitive Merger Agreement

On November 21, 2006, the First Valley Bancorp, Inc. (the "Company") entered into a definitive agreement in which the Company will merge with and into New England Bancshares Acquisition, Inc. in exchange for cash and common stock of New England Bancshares, Inc. ("NEB"). NEB is a Maryland corporation based in Enfield, Connecticut and is the holding company for Enfield Federal Savings and Loan Association in Enfield, Connecticut. At the effective time of the merger, the separate corporate existence of the Company shall cease, and Valley Bank, the Company's subsidiary, will become a subsidiary of NEB. Per the definitive agreement, Valley Bank will continue as a separate subsidiary for a minimum of five years after the effective date, absent the occurrence of certain unexpected events.

The transaction is valued at approximately $25.6 million. The terms of the definitive agreement call for each outstanding share of the Company to be converted into the right to receive .8907 shares of NEB common stock and $9.00 in cash.

The transaction is subject to approval by the shareholders of the Company as well as the customary regulatory approvals.

Notes to Consolidated Financial Statements

15. Parent Company Only Financial Statements

The following financial statements are for the Company (First Valley Bancorp, Inc.) only, and should be read in conjunction with the consolidated financial statements of the Company.

Statements of Financial Condition

	2006	2005
	(in thousands)	
ASSETS		
Cash and due from depository institutions	$ 425	$ 714
Investment in Valley Bank	14,365	13,040
Other assets	125	197
Total assets	$ 14,915	$ 13,951
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Subordinated debentures	$ 4,104	$ 4,098
Payable to Valley Bank	113	-
Other liabilities	42	28
Total liabilities	4,259	4,126
Stockholders' Equity	10,656	9,825
Total liabilities and stockholders' equity	$ 14,915	$ 13,951

Statements of Income

	2006	2005
	(in thousands)	
Dividends from subsidiary	$ -	$ 125
Interest and dividend income on investments	8	3
Interest expense on borrowed money	271	116
Net interest income	(263)	12
Organizational expenses	-	98
Professional services	42	1
Merger related expenses	345	-
Other noninterest expense	10	1
Total noninterest expense	397	100
Loss before income tax benefit and equity in undistributed net income of subsidiary	(660)	(88)
Income tax benefit	(107)	(72)
Loss before equity in undistributed net income of subsidiary	(553)	(16)
Equity in undistributed net income of subsidiary	1,126	765
Net income	$ 573	$ 749

15. Parent Company Only Financial Statements - *(Continued)*

Statements of Cash flows

	2006	2005
	(in thousands)	
Cash flows from operating activities		
Net income	$ 573	$ 749
Adjustments to reconcile net income to cash provided by operating activities:		
Equity in undistributed net income of subsidiary	(1,126)	(765)
Amortization of discount on subordinated debt	6	2
Net change in:		
Accrued interest receivable	-	(1)
Payable to Valley Bank	113	-
Other assets	72	(196)
Other liabilities	14	29
Net cash provided by operating activities	(348)	(182)
Cash flows from investing activities		
Payments for investments in and advances to subsidiaries	-	(3,200)
Net cash used by investing activities	-	(3,200)
Cash flows from financing activities		
Proceeds from borrowed funds	-	4,096
Proceeds from issuance of common stock	59	-
Net cash provided by financing activities	59	4,096
Net change in cash and cash equivalents	(289)	714
Cash and cash equivalents at beginning of year	714	-
Cash and cash equivalents at end of year	$ 425	$ 714
Supplemental disclosures		
Cash paid during the year for:		
Income taxes	$ -	$ -