VALLEY NATIONAL BANCORP
Form 424B3
February 25, 2005

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Registration No. 333-122680

**MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT**

The Board of Directors of Shrewsbury Bancorp has approved the merger of Shrewsbury into Valley National Bancorp.

If the merger is completed, you will be entitled to elect to receive $48.00 in cash or $48.00 in Valley common stock for each share of Shrewsbury common stock you own.

Valley will pay up to 40% of the aggregate merger consideration in cash. If you elect to receive cash and there is an oversubscription for cash, you will receive a portion of the consideration in Valley common stock as described in further detail below.

If you elect to receive Valley common stock, the amount of Valley common stock you receive will be based on the average market price of Valley common stock shortly before completion of the merger. Based on the closing price of Valley common stock on February 18, 2005, you would receive approximately 1.822 shares of Valley common stock for each share of Shrewsbury common stock you own. Cash will be paid instead of fractional shares.

Valley common stock is listed on the New York Stock Exchange under the symbol “VLY”.

We expect the merger to be generally tax-free with respect to Valley common stock you receive and generally taxable with respect to the cash you receive.

Assuming that 60% of the aggregate merger consideration is paid in Valley common stock, when the merger is completed, Shrewsbury shareholders will own about 3,096,500 shares, or approximately 3% of Valley's common stock.

The merger cannot be completed unless Shrewsbury's shareholders approve it. We have scheduled a special meeting so you can vote on the merger. **The Shrewsbury Board of Directors recommends that you vote to approve the merger.**

The date, time and place of the meeting are as follows:

March 29, 2005
2:00 p.m.
Molly Pitcher Inn
88 Riverside Avenue

Red Bank, New Jersey 07701

Only shareholders of record as of February 15, 2005 are entitled to attend and vote at the meeting.

**Your vote is very important.** Whether or not you plan to attend the meeting, please take the time to vote by completing and mailing the enclosed proxy card to us or by voting via telephone or the internet. Approval of the merger by Shrewsbury shareholders is based on approval by holders of two-thirds (2/3) of the shares entitled to vote. A Shrewsbury shareholder's failure to vote, a broker non-vote, or an abstention has the same effect as a vote against the merger. If you sign, date and mail your proxy card without indicating how you want to vote your proxy will be counted as a vote in favor of the merger.

**James W. Harkness, Jr.**
President and Chief Executive Officer
Shrewsbury Bancorp

**Neither the Securities and Exchange Commission, nor any bank regulatory agency, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This proxy statement-prospectus is dated February 24, 2005,
and is first being mailed to Shrewsbury shareholders on February 25, 2005.

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**Shrewsbury Bancorp**
**465 Broad Street**
**Shrewsbury, New Jersey 07702**

**Notice of Special Meeting of Shareholders**
**to be held on March 29, 2005**

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Shrewsbury Bancorp will be held on Tuesday, March 29, 2005, at 2:00 p.m., local time.

The location of the special meeting will be the Molly Pitcher Inn, 88 Riverside Avenue, Red Bank, New Jersey 07701. The special meeting will be held for the following purposes:

(1) To consider and vote upon an Agreement and Plan of Merger dated as of December 2, 2004, among Valley National Bancorp, Valley National Bank, Shrewsbury Bancorp and Shrewsbury State Bank, pursuant to which Shrewsbury Bancorp will merge with and into Valley National Bancorp.
(2) To transact other business that may properly come before the special meeting or any adjournments or postponements thereof.

The Board of Directors has fixed February 15, 2005, as the record date for the determination of the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments thereof. Only shareholders of record as of the close of business on that date will be entitled to vote at the special meeting or any adjournment or postponement thereof.

**The Shrewsbury Board of Directors recommends that shareholders vote "FOR" approval and adoption of the merger agreement.**

By Order of the Board of Directors,

**James W. Harkness, Jr.**
*President and Chief Executive Officer*

Shrewsbury, New Jersey
February 24, 2005

**You are cordially invited to attend this special meeting. It is important that your shares be represented regardless of the number of shares you own. If you will be unable to be present at the special meeting or even if you anticipate that you will attend, please sign and date the enclosed proxy card and return it in the accompanying envelope without delay as instructed on the enclosed proxy card. You will be most welcome at the special meeting and may then vote in person if you so desire, even though you may have executed and returned the proxy card. Any stockholder who executes a proxy card may revoke their proxy at any time before it is exercised. You may also vote your shares by telephone or on the internet by following the instructions on the proxy card.**

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**HOW TO GET COPIES OF RELATED DOCUMENTS**

**This document incorporates important business and financial information about Valley National Bancorp that is not included in or delivered with this document. Shrewsbury shareholders may receive this information free of charge by writing or calling Shareholder Relations, Dianne Grenz, Valley National Bancorp, 1455 Valley Road, Wayne, New Jersey 07470; telephone number (973) 305-8800.**

**Shrewsbury has historically provided its shareholders with annual reports. Shrewsbury shareholders may receive this information free of charge by writing or calling John R. Feeney, Shrewsbury Bancorp, 465 Broad Street, Shrewsbury, New Jersey 07702; telephone number (732) 842-7700 extension 230.**

**We will respond to your request within one business day by sending the requested documents by first class mail or other equally prompt means. In order to ensure timely delivery of the documents in advance of the meeting, any request should be made by March 24, 2005.**

## QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: **WHAT IS THE PURPOSE OF THIS DOCUMENT?**

A: This document serves as both a proxy statement of Shrewsbury and a prospectus of Valley. As a proxy statement, it is being provided to you because the Shrewsbury Board of Directors is soliciting your proxy for use at the Shrewsbury special meeting of shareholders at which the Shrewsbury shareholders will consider and vote on the merger agreement among Shrewsbury, Shrewsbury State Bank, Valley and Valley National Bank. As a prospectus, it is being provided to you because Valley is offering to exchange shares of its common stock and cash for your shares of Shrewsbury common stock upon completion of the merger.

Q: **WHY ARE SHREWSBURY AND VALLEY PROPOSING TO MERGE?**

A: We are proposing to merge Shrewsbury with and into Valley because we believe that combining the strengths of two companies with similar cultures is in the best interests of each of our shareholders, customers and employees. Please see "The Proposed Merger—Shrewsbury's Reasons for the Merger" and "The Proposed Merger—Recommendations of the Shrewsbury Board of Directors" at page 21 for the various factors considered by the Shrewsbury Board of Directors in recommending that Shrewsbury's shareholders vote **FOR** the proposal to approve the merger agreement and the merger.

Q: **WHAT WILL I RECEIVE IN THE MERGER?**

A: Upon completion of the merger, Shrewsbury shareholders will either receive cash or stock, or a combination of cash and stock, depending upon the results of an election procedure that we have described in this proxy statement-prospectus. Shrewsbury shareholders that elect to receive cash will receive $48.00 in cash for each share of Shrewsbury common stock that is converted into cash. Shares of Shrewsbury common stock which are converted into Valley common stock will be converted into that number of shares of Valley common stock equal to $48.00 divided by the average closing sale price of Valley's common stock on the New York Stock Exchange during a specified period prior to the closing date. These amounts are subject to reduction if Shrewsbury's shareholders' equity falls below a certain amount, as described in more detail below.

A maximum of 40% of Shrewsbury's shares outstanding immediately prior to the consummation of the merger may be converted into cash, and the remainder will be converted into Valley common stock. If holders of 40% or less of Shrewsbury shares outstanding immediately prior to the consummation elect to receive cash, all such shares will be converted to cash and the remainder will be converted to Valley common stock. If holders of more than 40% of Shrewsbury's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the exchange agent will reduce the number of shares of Shrewsbury common stock so converted to 40% by a pro rata reduction.

Q: **IS IT POSSIBLE THAT I WILL RECEIVE LESS THAN $48.00 IN CASH OR VALLEY COMMON STOCK FOR MY SHARES?**

A: Yes. If Shrewsbury's shareholders' equity, subject to certain adjustments specified in the merger agreement, is less than $59 million as of the end of the month immediately preceding the closing, the amount of cash or Valley common stock you receive for your Shrewsbury shares will be reduced. The merger agreement provides that the aggregate consideration paid by Valley to Shrewsbury shareholders will be reduced, on a dollar-for-dollar basis, by the amount that Shrewsbury's shareholders' equity is less than $59 million. By way of example, if Shrewsbury's shareholders' equity is equal to $58 million on the end of the month prior to the closing date, the amount of cash and/or dollar value of Valley common stock you receive for each of your Shrewsbury shares will be reduced by an amount equal to $1 million divided by the number of shares of Shrewsbury common stock outstanding. At this time we do not expect there will be a

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reduction because Shrewsbury's current shareholders' equity is in excess of $61 million, but that could change.

Q: **WHAT ARE THE TAX CONSEQUENCES OF THE MERGER TO ME?**

A: We expect that for federal income tax purposes, the merger will be a taxable event to those Shrewsbury shareholders who receive cash in whole or in part in exchange for their Shrewsbury common stock, and the merger will not be a taxable event to those Shrewsbury shareholders who receive solely Valley common stock in exchange for their Shrewsbury common stock.

We each will have no obligation to complete the merger unless tax counsel provides a legal opinion that the common stock exchange portion of the merger (as opposed to the payment of cash) will qualify as a transaction that is generally tax-free for federal income tax purposes. The legal opinion will not bind the Internal Revenue Service, however, and the Internal Revenue Service could take a different view of the transaction.

We urge you to consult your tax advisor to gain a full understanding of the tax consequences of the merger to you. Tax matters are very complicated, and in many cases, the tax consequences of the merger will depend on your particular facts and circumstances. See “The Proposed Merger—Federal Income Tax Consequences,” beginning at page 36.

Q: **DO I HAVE RIGHTS TO DISSENT FROM THE MERGER?**

A: No.

Q: **ARE THERE ANY REGULATORY OR OTHER CONDITIONS TO THE MERGER OCCURRING?**

A: Yes. The merger must be approved by the Office of the Comptroller of the Currency and a waiver or approval by the Board of Governors of the Federal Reserve System. As of the date of this proxy statement-prospectus, we have received the necessary regulatory approvals. In addition, the merger must be approved by the holders of two-thirds (2/3) of the shares of Shrewsbury common stock entitled to vote on the record date. A Shrewsbury shareholder's failure to vote, a broker non-vote, or an abstention has the same effect as a vote against the merger.

Valley shareholders do not have to approve the merger; accordingly, Valley shareholders will not vote on this proposal.

Completion of the merger is also subject to certain other conditions, including no material adverse change in the financial condition of Shrewsbury. See “The Proposed Merger—Conditions to the Merger,” beginning at page 33.

Q: **WHAT DOES THE SHREWSBURY BOARD OF DIRECTORS RECOMMEND?**

A: **The Shrewsbury Board of Directors has approved the merger and the merger agreement and believes that the proposed merger is in the best interests of Shrewsbury and its shareholders. Accordingly, the Shrewsbury Board of Directors recommends that you vote FOR approval of the merger agreement and the merger.**

Q: **WHAT DO I NEED TO DO NOW?**

**A: After you have carefully read this proxy statement-prospectus, you should indicate on your proxy card how you want your shares to be voted, then sign, date and mail the proxy card in the enclosed WHITE postage-paid envelope as soon as possible so that your shares may be represented and voted at the Shrewsbury special meeting. In addition, you may attend the Shrewsbury special meeting in person and vote, whether or not you have signed and mailed your proxy card. If you sign, date and return your proxy but do not indicate**

**how you want to vote, your proxy will be counted as a vote in favor of the merger agreement and the merger. You may**

**also vote your shares by telephone or on the internet on or before 5:00 p.m., eastern standard time, on March 28, 2005 by following the instructions on the proxy card. Approval of the merger by Shrewsbury shareholders is based on approval by holders of two-thirds (2/3) of the shares entitled to vote. A Shrewsbury shareholder's failure to vote, a broker non-vote, or an abstention has the same effect as a vote against the merger.**

Q: **AM I REQUIRED TO SUBMIT MY ELECTION FORM WHEN I SUBMIT MY PROXY CARD?**

A: No. We have sent you separately an election form for your use in making an election to receive either cash or Valley common stock pursuant to the merger. The election form should be returned to American Stock Transfer & Trust Company, the exchange agent, in the BROWN postage-paid envelope and must be received no later than 5:00 p.m., eastern standard time, on March 24, 2005, which is the date five business days prior to March 31, 2005, the date on which we anticipate we will consummate the merger. If you do not submit an election form or if you submit an election form after the deadline, your shares will be converted into Valley common stock. See "The Proposed Merger—Exchange of Shares" at page 19.

Q: **WHY HAVE I RECEIVED TWO ENVELOPES?**

A: You have separately received two envelopes because your proxy card and election form are to be sent to two different places. Your proxy card should be returned to Shrewsbury's proxy solicitor in the WHITE envelope included with this proxy statement-prospectus. Your election form was mailed to you separately and should be returned to the exchange agent in the BROWN envelope.

Q: **MUST MY ELECTION FORM COVER ALL OF MY SHREWSBURY SHARES?**

A: Yes. Each holder of Shrewsbury shares may submit only one election form. The only exception is for shareholders who hold shares on behalf of others or shareholders who hold shares in a retirement account. Shareholders who hold Shrewsbury shares as nominees, trustees or in other representative capacities may submit multiple election forms, provided that each such election form covers all the shares of Shrewsbury common stock held by such representative for a particular beneficial owner. Shareholders who hold shares in a retirement account may also submit multiple election forms as long as each such election form covers all shares held by such shareholder individually and in the retirement account.

Q: **CAN I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?**

A: Yes. There are two ways for you to revoke your proxy and change your vote. First, you may send a later-dated, signed proxy card before our special meeting or change your vote via telephone or the internet prior to 5:00 p.m., eastern standard time, on March 28, 2005 as provided on the proxy card. Second, you may revoke your proxy by written notice (which you could personally deliver at the special meeting) to the Secretary of Shrewsbury at any time prior to the vote on the merger. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote. If you deliver such a notice or if you do not submit a proxy, you may vote your shares at the special meeting.

Q: **CAN I CHANGE MY ELECTION FORM AFTER I HAVE MAILED IT TO THE EXCHANGE AGENT?**

A: Yes, provided that you deliver a notice of revocation to the exchange agent prior to the election deadline, which will be 5:00 p.m., eastern standard time, on March 24, 2005, the date which is the fifth day prior to March 31, 2005, the anticipated closing date of the merger. You may deliver a new election form with your notice of revocation, provided that both documents are received prior to the election deadline.

Q: **SHOULD I SEND IN MY STOCK CERTIFICATES NOW?**

A: You should only submit your Shrewsbury stock certificates when you submit your election form. If you do not submit an election form, Valley will mail to you instructions for exchanging your stock certificates promptly after the merger is completed.

Q: **IS THERE OTHER INFORMATION I SHOULD CONSIDER?**

A: Yes. Much of the business and financial information about Valley that may be important to you is not included in this document. Instead, that information is incorporated by reference to documents separately filed by Valley with the Securities and Exchange Commission. This means that Valley may satisfy its disclosure obligations to you by referring you to one or more documents separately filed by it with the SEC. See “Information Incorporated by Reference” beginning at page 43 for a list of documents that Valley has incorporated by reference into this proxy statement-prospectus and for instructions on how to obtain copies of those documents. The documents are available to you without charge.

Q: **WHY HAVEN'T YOU INCLUDED A SUBSTANTIAL AMOUNT OF FINANCIAL INFORMATION ABOUT SHREWSBURY IN THIS DOCUMENT?**

A: As a Shrewsbury shareholder, you receive annual financial information as distributed by Shrewsbury to its shareholders. In considering the proposed merger, we believe you are in more need of information concerning Valley. Due to the size of Valley relative to the size of Shrewsbury, financial information about Shrewsbury is not material. Furthermore, financial information about Shrewsbury is not required to be provided in this proxy statement-prospectus by any applicable law or regulation. However, if you require copies of Shrewsbury's most recent annual reports to shareholders, you may obtain them from Shrewsbury.

**Q: WHAT IF THERE IS A CONFLICT BETWEEN DOCUMENTS?**

A: You should rely on the LATER FILED DOCUMENT. Information in this proxy statement-prospectus may update information contained in one or more of the Valley documents incorporated by reference. Similarly, information in documents that Valley may file after the date of this proxy statement-prospectus may update information contained in this proxy statement-prospectus or information contained in previously filed documents.

Q: **WHEN DO YOU EXPECT TO MERGE?**

A: We are working toward completing the merger as quickly as possible and have set a tentative closing date of March 31, 2005, although this could change. We cannot close the merger until the last business day of the month after our shareholders approve the merger.

Q: **WHOM SHOULD I CALL WITH QUESTIONS OR TO OBTAIN ADDITIONAL COPIES OF THIS PROXY STATEMENT-PROSPECTUS?**

A: If you have questions about the special meeting or if you need additional copies of this proxy statement-prospectus, you should contact:

James W. Harkness, Jr.
President and Chief Executive Officer
Shrewsbury Bancorp
465 Broad Street
Shrewsbury, New Jersey 07702
Telephone: 732-842-7700

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## SUMMARY

*This is a summary of certain information regarding the proposed merger and the shareholder meeting to vote on the merger. We urge you to carefully read the entire proxy statement-prospectus, including the appendixes, before deciding how to vote.*

### What this Document is About

The Board of Directors of Shrewsbury Bancorp has approved the merger of Shrewsbury into Valley National Bancorp. In order to complete the merger, the shareholders of Shrewsbury must approve it. The Shrewsbury Board has called a special meeting of Shrewsbury shareholders to vote on the merger. This document is the proxy statement used by the Shrewsbury Board to solicit proxies for the meeting. It is also the prospectus of Valley regarding the Valley common stock to be issued if the merger is completed.

### Voting on the Merger

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| Shares Entitled to Vote | The Shrewsbury Board has selected February 15, 2005 as the record date for the meeting. Each of the 2,832,510 shares of Shrewsbury common stock outstanding on the record date are entitled to vote at the meeting. |
| Vote Required to Approve the Merger | Approval by Shrewsbury shareholders is based on approval by the holders of two-thirds (2/3) of the shares of Shrewsbury common stock entitled to vote. A Shrewsbury shareholder's failure to vote, a broker non-vote, or an abstention has the same effect as a vote against the merger. |
| **The Companies** | |
| Valley | Valley, a New Jersey corporation, is the bank holding company for Valley National Bank. Valley National Bank is a national bank that operates 133 offices in 87 communities serving 11 counties throughout northern New Jersey and Manhattan. At December 31, 2004, Valley had consolidated assets of $10.8 billion. Valley's principal executive offices are located at 1455 Valley Road, Wayne, New Jersey 07470 and its telephone number is (973) 305-8800. |
| Shrewsbury | Shrewsbury, a New Jersey corporation, is the bank holding company for Shrewsbury State Bank. Shrewsbury State Bank is a New Jersey-chartered commercial bank that operates 12 branches located in Monmouth County New Jersey. At December 31, 2004, Shrewsbury had consolidated assets of $428 million. Shrewsbury's principal executive offices are located at 465 Broad Street, Shrewsbury, New Jersey 07702 and its telephone number is (732) 842-7700. |
| **The Merger** | |
| General Description | Shrewsbury will merge with Valley, with Valley as the surviving entity. The merger will occur on the last day of the month which is ten business days or more after all material conditions to closing have been met or such earlier date as the parties agree. The terms of the proposed merger are set forth in a merger agreement signed by |

Shrewsbury and Valley and their bank subsidiaries. A copy of the merger agreement is attached as Appendix A to this document and is incorporated herein by reference.

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| Consideration to Shrewsbury Shareholders | In the merger, you will receive at your election, either Valley common stock or cash, subject to potential proration and reduction as described on page 18. For each of your shares of Shrewsbury common stock you will receive either $48.00 in cash or $48.00 in Valley common stock. On December 2, 2004, the last trading day before the merger was publicly announced, the closing price of Valley common stock was $27.91, which would imply a value per Shrewsbury share of approximately 1.720 shares of Valley common stock. The exact amount of Valley common stock issued for each share of Shrewsbury common stock converted to Valley common stock will be determined based on the average closing price of Valley common stock over a period shortly before the completion of the merger.<br>The amount of merger consideration will be reduced if Shrewsbury's shareholders' equity, subject to certain adjustments specified in the merger agreement, is less than $59 million as of the end of the month immediately preceding the closing. The merger agreement provides that the aggregate consideration paid by Valley to Shrewsbury shareholders will be reduced, on a dollar-for-dollar basis, by the amount that Shrewsbury's shareholders' equity is less than $59 million. By way of example, if Shrewsbury's shareholders' equity is equal to $58 million on the end of the month prior to the closing date, the amount of cash and/or dollar value of Valley common stock you receive for each of your Shrewsbury shares will be reduced by an amount equal to $1 million divided by the number of shares of Shrewsbury common stock outstanding, or approximately $.35 per share, resulting in you receiving $47.65 per Shrewsbury share. We presently have no reason to believe the value will be reduced because Shrewsbury's current shareholders' equity is in excess of $61 million. However, we can give you no assurances that Shrewsbury's shareholders' equity will not fall below $59 million following the date of this proxy statement-prospectus. |
| Cash Instead of Fractional Shares | You will not receive fractional shares of Valley common stock in the merger. Instead you will receive, without interest, cash equal to the fractional share interest you otherwise would have received, multiplied by $48.00. |
| No Dissenters Rights | You do not have dissenters' rights of appraisal in connection with the merger. |
| Tax-Free Nature of the Merger | Valley's counsel, Pitney Hardin LLP, has delivered its opinion that the merger will qualify as a tax-free reorganization. The conversion of Shrewsbury stock will be generally tax-free for Valley and Shrewsbury. You will recognize no taxable gain or loss with respect to the Valley common stock that you receive until you sell the Valley common stock. The amount of cash that you |

receive will generally be taxable.

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| | **We urge you to read the more complete description of the merger's tax consequences on page 36 and to consult your own tax advisors regarding the specific tax consequences of the merger to you under applicable tax laws.** |
| Making an Election and Exchanging Your Stock Certificates | You have received separately from this proxy statement-prospectus an election form allowing you to choose to receive either cash or Valley common stock in exchange for your Shrewsbury shares. The election form also serves as a letter of transmittal and instructions for exchanging your Shrewsbury stock certificates. In order to make an effective election to receive cash or stock, you must send your stock certificates when you return your election form to American Stock Transfer & Trust Company, the exchange agent. If you do not submit an election form, then, promptly after the merger is completed, you will receive a letter and instructions on how to surrender your Shrewsbury stock certificates in exchange for Valley stock certificates and cash in lieu of fractional shares. You will need to carefully review and complete these materials and return them as instructed along with your stock certificates for Shrewsbury common stock.<br>If you do not have stock certificates but hold shares of Shrewsbury common stock with your broker in “street name”, you will need to provide your broker with instructions regarding your election. If you do not instruct your broker to make an election, your broker will automatically exchange your shares for Valley common stock upon completion of the merger. |
| Dividends | Valley and Shrewsbury have agreed in the merger agreement that Shrewsbury may declare quarterly cash dividends equal to those declared by Valley multiplied by 1.75. |
| Reselling the Stock You Receive in the Merger | The shares of Valley common stock to be issued in the merger will be registered under the Securities Act of 1933. Except as noted in this paragraph, and in more |

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| | detail in the section “Resale Considerations Regarding Valley Common Stock” on page 32, you may freely transfer those shares after you receive them. Shrewsbury has identified its directors, executive officers and others who may be deemed its “affiliates.” Those persons have entered into agreements restricting their ability to transfer the shares they will get in the merger. |
| Reasons for the Merger | As part of Shrewsbury's strategic review, which included working with a financial advisor, Shrewsbury's Board determined that the interests of Shrewsbury's shareholders, and specifically the return on their investment going forward would be best served by a merger with a larger institution at this time. Valley entered into the merger agreement as part of Valley's ongoing strategy of growth through acquisitions. |

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| Opinion of Shrewsbury's Financial Advisor | Among other factors considered in deciding to approve the merger, the Shrewsbury Board of Directors received the opinion of its financial advisor, Sandler O'Neill, that as of December 1, 2004 (the date on which the Shrewsbury Board of Directors approved the merger agreement), the merger consideration was fair to the holders of Shrewsbury common stock from a financial point of view (without giving effect to any adjustment). This opinion was subsequently confirmed in writing as of the date of this document. The updated opinion of Sandler O'Neill is included as Appendix B to this document. You should read this opinion carefully and completely. The opinion outlines the procedures followed, assumptions made, matters considered and qualification and limitations on the review undertaken by Sandler O'Neill in rendering the opinion. Sandler O'Neill's opinion is directed to the Shrewsbury Board of Directors and does not constitute a recommendation to any shareholder as to any matters relating to the merger. Shrewsbury has agreed to pay Sandler O'Neill a fee of approximately $1,359,700 in connection with the merger, based on the transaction price of $48.00 per share. A substantial portion of this fee is payable and contingent upon the completion of the merger; Sandler O'Neill has also received a fee of $150,000 for rendering its opinion which will be credited against the fee payable upon closing of the merger. For information on how Sandler O'Neill arrived at its opinion, see page 24. |
| Differences in Shareholders' Rights | Your rights as a Shrewsbury shareholder are currently governed by New Jersey corporate law and Shrewsbury's certificate of incorporation and by-laws. The rights of Valley shareholders are governed by New Jersey corporate law and Valley's certificate of incorporation and by-laws. The rights of Shrewsbury and Valley shareholders differ. See page 41. |
| Conditions to the Merger | Completion of the merger is contingent on a number of conditions, including:<br>• Approval of the merger by Shrewsbury shareholders at Shrewsbury's special meeting of shareholders;<br>• Continuing approval of bank regulators;<br>• Absence of any suit or proceeding that would have the effect of preventing the merger; and<br>• Receipt of an opinion from Valley's counsel regarding the tax-free nature of the merger; this condition will not be waived without resoliciting the vote of Shrewsbury shareholders. |
| Regulatory Approval | Completion of the merger requires approval by the Office of the Comptroller of the Currency and the approval or waiver of approval by the Board of Governors of the Federal Reserve System. OCC approval does not constitute an endorsement of the merger or a determination that the terms of the merger are fair to Shrewsbury shareholders. Valley and Shrewsbury have applied for and received OCC approval and have received a waiver from the Federal Reserve. |

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| Terminating the Merger Agreement; Termination Fees | Either Shrewsbury or Valley can terminate the merger agreement if the merger has not been completed by September 30, 2005 or if certain conditions to the merger, including regulatory approvals, have not been satisfied. Under certain circumstances, if the merger agreement is terminated and Shrewsbury is acquired by another entity within 18 months after the termination, Valley is entitled to receive a termination fee from Shrewsbury of $4,125,000 plus an amount equal to its reasonable out-of-pocket expenses. Shrewsbury may also be entitled to receive a termination fee from Valley equal to its investment banker and legal fees and expenses if regulatory approval is withdrawn. For a more complete description of these and other termination rights available to Shrewsbury and Valley, see page 35. |
| Shrewsbury has Agreed Not to Solicit Alternative Transactions | In the merger agreement, Shrewsbury has agreed not to encourage, negotiate with, or provide any information to any person other than Valley concerning an acquisition transaction involving Shrewsbury or Shrewsbury State Bank. However, Shrewsbury may take certain of these actions if its Board of Directors determines that it should do so. This determination by the Board must be made after the Board consults with counsel, and must be based on the Board's fiduciary duties. This restriction may deter other potential acquirers of control of Shrewsbury. |
| Financial Interests of Shrewsbury's Directors and Officers in the Merger | The merger agreement also provides that Valley will indemnify the directors and officers of Shrewsbury against certain liabilities for a six-year period following completion of the merger.<br>At the February 15, 2005 record date, directors and executive officers of Shrewsbury and their affiliates of Shrewsbury owned 376,489 shares or 13.3% of the Shrewsbury common stock.<br>For additional information on the benefits of the merger to Shrewsbury |

management, see page 21.

## SUMMARY FINANCIAL DATA OF VALLEY

The following table sets forth selected consolidated financial data for each of the periods indicated. The financial data for the years ended December 31, 2003, 2002, 2001, 2000 and 1999 are derived from Valley's audited consolidated financial statements. The information at September 30, 2004 and 2003 and for the nine months ended September 30, 2004 and 2003 is unaudited and may not be indicative of results for the full fiscal year. In management's opinion, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation for this period and date have been made.

The per common share data below has been restated to give retroactive effect to stock splits and stock dividends.

| | At or For Nine Months Ended September 30, | | At or For Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 | 2000 | 1999 |
| | (Dollars in thousands, except per share data) | | | | | | |
| **INCOME STATEMENT DATA:** | | | | | | | |
| Interest income | $ 381,622 | $ 373,312 | $ 497,498 | $ 517,419 | $ 553,486 | $ 568,206 | $ 517,818 |
| Interest expense | 105,248 | 113,565 | 148,922 | 173,453 | 220,935 | 252,648 | 208,792 |
| Net interest income | 276,374 | 259,747 | 348,576 | 343,966 | 332,551 | 315,558 | 309,026 |
| Provision for possible loan losses | 4,799 | 6,095 | 7,345 | 13,644 | 15,706 | 10,755 | 11,035 |
| Net interest income after provision for possible loan losses | 271,575 | 253,652 | 341,231 | 330,322 | 316,845 | 304,803 | 297,991 |
| Non-interest income | 63,140 | 85,187 | 108,197 | 81,238 | 68,476 | 59,100 | 53,803 |
| Non-interest expense | 162,755 | 164,211 | 216,278 | 192,264 | 185,966 | 171,139 | 164,719 |
| Income before income taxes | 171,960 | 174,628 | 233,150 | 219,296 | 199,355 | 192,764 | 187,075 |
| Income taxes | 57,413 | 59,582 | 79,735 | 64,680 | 64,151 | 66,027 | 61,734 |
| Net income | $ 114,547 | $ 115,046 | $ 153,415 | $ 154,616 | $ 135,204 | $ 126,737 | $ 125,341 |
| **PER COMMON SHARE DATA:** | | | | | | | |
| Earnings per share: | | | | | | | |
| Basic | $ 1.16 | $ 1.16 | $ 1.55 | $ 1.51 | $ 1.26 | $ 1.17 | $ 1.10 |
| Diluted | 1.16 | 1.16 | 1.55 | 1.50 | 1.26 | 1.16 | 1.09 |
| Book value | 7.05 | 6.48 | 6.62 | 6.33 | 6.44 | 6.10 | 5.83 |
| Cash Dividends | 0.66 | 0.63 | 0.85 | 0.81 | 0.75 | 0.70 | 0.67 |
| **RATIOS:** | | | | | | | |
| Return on average assets | 1.51% | 1.65% | 1.63% | 1.78% | 1.68% | 1.66% | 1.70% |
| Return on average equity | 22.80 | 24.35 | 24.21 | 23.59 | 19.70 | 20.24 | 18.30 |
| **FINANCIAL CONDITION DATA:** | | | | | | | |
| Total assets | $10,630,850 | $9,741,766 | $9,880,740 | $9,148,456 | $8,589,951 | $7,901,260 | $7,755,707 |
| Investment securities held to maturity | 1,278,403 | 1,249,983 | 1,232,239 | 590,892 | 503,061 | 577,450 | 560,673 |
| Investment securities available for sale | 1,799,130 | 1,666,712 | 1,805,680 | 2,140,366 | 2,171,695 | 1,626,086 | 1,644,167 |
| Trading account securities | 2,346 | 2,976 | 4,252 | — | — | — | — |
| Loans (net of unearned income) | 6,823,625 | 6,155,223 | 6,172,409 | 5,762,488 | 5,331,807 | 5,189,110 | 4,991,849 |
| Allowance for possible loan losses | 65,324 | 65,138 | 64,650 | 64,087 | 63,803 | 61,995 | 64,228 |
| Deposits | 7,402,105 | 7,169,571 | 7,162,968 | 6,683,387 | 6,306,974 | 6,136,828 | 6,010,233 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Shareholders' equity | 696,166 | 638,104 | 652,789 | 631,738 | 678,375 | 655,982 | 652,708 |

## SUMMARY FINANCIAL DATA OF SHREWSBURY

The following table sets forth selected consolidated financial data for each of the periods indicated. The financial data for the years ended December 31, 2003, 2002, 2001, 2000 and 1999 are derived from Shrewsbury's audited consolidated financial statements. The information at September 30, 2004 and 2003 and for the nine months ended September 30, 2004 and 2003 is unaudited and may not be indicative of results for the full fiscal year. In management's opinion, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation for this period and date have been made.

The per common share data below has been restated to give retroactive effect to stock dividends, including the 4% stock dividend declared on October 27, 2004.

| | At or For Nine Months Ended September 30, | | At or For Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 | 2000 | 1999 |
| | (Dollars in thousands, except per share data) | | | | | | |
| **INCOME STATEMENT DATA:** | | | | | | | |
| Interest income | $ 14,514 | $ 13,861 | $ 18,642 | $ 19,890 | $ 21,173 | $ 21,891 | $ 18,909 |
| Interest expense | 2,373 | 2,754 | 3,565 | 4,634 | 6,132 | 6,400 | 4,976 |
| Net interest income | 12,141 | 11,107 | 15,077 | 15,256 | 15,041 | 15,491 | 13,933 |
| Provision for possible loan losses | 90 | 90 | 120 | 135 | 205 | 362 | 390 |
| Net interest income after provision for possible loan losses | 12,051 | 11,017 | 14,957 | 15,121 | 14,836 | 15,129 | 13,543 |
| Non-interest income | 3,019 | 4,037 | 5,189 | 3,827 | 3,181 | 2,847 | 3,038 |
| Non-interest expense | 8,436 | 8,608 | 11,423 | 10,686 | 9,895 | 9,141 | 9,153 |
| Income before income taxes | 6,634 | 6,446 | 8,723 | 8,262 | 8,122 | 8,835 | 7,428 |
| Income taxes | 2,213 | 2,150 | 2,935 | 2,759 | 2,611 | 3,142 | 2,578 |
| Net income | $ 4,421 | $ 4,296 | $ 5,788 | $ 5,503 | $ 5,511 | $ 5,693 | $ 4,850 |
| **PER COMMON SHARE DATA:** | | | | | | | |
| Earnings per share: | | | | | | | |
| Basic | $ 1.55 | $ 1.50 | $ 2.02 | $ 1.89 | $ 1.87 | $ 1.89 | $ 1.60 |
| Diluted | 1.55 | 1.50 | 2.02 | 1.89 | 1.87 | 1.89 | 1.60 |
| Book value | 21.65 | 19.79 | 20.33 | 18.58 | 16.85 | 14.90 | 13.03 |
| Cash Dividends | — | — | — | — | — | — | — |
| **RATIOS:** | | | | | | | |
| Return on average assets | 1.42% | 1.45% | 1.45% | 1.49% | 1.68% | 1.85% | 1.76% |
| Return on average equity | 9.98 | 10.44 | 10.43 | 10.70 | 11.76 | 13.70 | 12.94 |
| **FINANCIAL CONDITION DATA:** | | | | | | | |
| Total assets | $424,438 | $413,463 | $405,950 | $389,880 | $355,332 | $314,086 | $286,328 |
| Investment securities held to maturity | 2,825 | 5,305 | 4,394 | 8,028 | 15,244 | 22,213 | 26,423 |
| Investment securities available for sale | 122,225 | 136,300 | 124,834 | 113,016 | 80,392 | 68,201 | 50,751 |
| Trading account securities | — | — | — | — | — | — | — |
| Loans (net of unearned income) | 265,449 | 241,593 | 247,915 | 212,169 | 184,868 | 183,023 | 182,026 |
| Allowance for possible loan losses | 3,193 | 3,170 | 3,192 | 3,103 | 2,998 | 2,889 | 2,438 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Deposits | 339,089 | 331,559 | 321,326 | 308,999 | 283,749 | 251,919 | 242,794 |
| Shareholders' equity | 61,323 | 56,771 | 58,198 | 53,453 | 49,197 | 44,231 | 39,455 |

## COMPARATIVE PER SHARE MARKET PRICE INFORMATION

The table below presents, for the periods indicated, the high and low closing prices per share of Valley common stock and Shrewsbury common stock. The prices of Valley common stock and Shrewsbury common stock have been restated to give retroactive effect to stock dividends and stock splits. The second table presents information concerning the last sale price of Valley common stock and of Shrewsbury common stock on December 2, 2004, the last trading day before the merger agreement was announced, and on February 18, 2005, a date shortly before the date of this proxy statement-prospectus. Valley common stock is listed on the New York Stock Exchange under the symbol "VLY" and Shrewsbury common stock is traded on the Over the Counter Market under the symbol "SHRW.PK". We urge you to obtain current market quotations for Valley common stock and Shrewsbury common stock.

| | Closing Price Valley Common Stock | | Closing Price Shrewsbury Common Stock | |
|---|---|---|---|---|
| | **High** | **Low** | **High** | **Low** |
| **2003:** | | | | |
| First Quarter | $ 24.95 | $ 21.77 | $ 29.49 | $ 27.35 |
| Second Quarter | 25.84 | 22.87 | 31.11 | 27.56 |
| Third Quarter | 27.63 | 25.74 | 29.78 | 28.45 |
| Fourth Quarter | 28.54 | 26.76 | 32.36 | 28.67 |
| **2004:** | | | | |
| First Quarter | $ 27.43 | $ 25.73 | $ 36.98 | $ 29.12 |
| Second Quarter | 27.14 | 24.15 | 33.89 | 31.43 |
| Third Quarter | 26.21 | 24.27 | 43.75 | 33.17 |
| Fourth Quarter | 28.44 | 25.83 | 58.00 | 42.31 |
| **2005:** | | | | |
| First Quarter (through February 18, 2005) | $ 27.82 | $ 25.27 | $ 47.75 | $ 46.75 |

| Date | Closing Sale Price Per Share of Valley Common Stock | Closing Sale Price Per Share of Shrewsbury Common Stock | Equivalent Value of Valley Common Stock Per Share of Shrewsbury Common Stock |
|---|---|---|---|
| December 2, 2004 | $ 27.91 | $ 58.00 | $ 48.00 |
| February 18, 2005 | $ 26.35 | $ 47.75 | $ 48.00 |

## INTRODUCTION

The Board of Directors of Shrewsbury Bancorp and Valley National Bancorp have approved an Agreement and Plan of Merger, dated as of December 2, 2004, among Valley, Valley's subsidiary, Valley National Bank, Shrewsbury and Shrewsbury's subsidiary, Shrewsbury State Bank. The merger agreement provides for Shrewsbury to be merged with Valley, with Valley as the surviving corporation. The merger cannot be completed unless the shareholders of Shrewsbury approve it.

This document serves two purposes. It is the proxy statement being used by the Shrewsbury Board to solicit proxies for use at a special Shrewsbury shareholders' meeting called by the Board to seek approval of the merger agreement. It is also the prospectus of Valley regarding the Valley common stock to be issued if the merger is completed. Thus, we sometimes refer to this document as the proxy statement-prospectus.

This document describes the merger agreement in detail. A copy of the merger agreement is attached as Appendix A to this document and is incorporated herein by reference. We urge you to read this entire document and the appendixes carefully.

All information and statements contained or incorporated by reference in this document about Shrewsbury were supplied by Shrewsbury and all information and statements about Valley were supplied by Valley.

**No person has been authorized to give any information or to make any representation other than what is included in this document, including filings on Form 425, which are superseded by this document. If any information or representation is given or made, it must not be relied upon as having been authorized.**

## FORWARD LOOKING STATEMENTS

This document contains and incorporates by reference certain forward looking statements regarding the financial condition, results of operations and business of Valley and Shrewsbury. These statements are not historical facts and include expressions about Valley's and/or Shrewsbury's:

- confidence;
- strategies and expressions about earnings;
- new and existing programs and products;
- relationships;
- opportunities;
- technology; and
- market conditions.

You may identify these statements by looking for:

- forward-looking terminology, like “expect,” “believe” or “anticipate;”
- expressions of confidence like “strong” or “on-going;” or
- similar statements or variations of those terms.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from the results the forward looking statements contemplate because of, among others, the following possibilities:

- Valley does not realize expected cost savings or revenue enhancements from the merger as anticipated;
- deposit attrition, customer loss or revenue loss following the merger is greater than expected;
- competitive pressure in the banking and financial services industry increases significantly;
- changes occur in the interest rate environment; and
- general economic conditions, either nationally or in the state of New Jersey, are less favorable than expected.

Neither Valley nor Shrewsbury assumes any obligation for updating its forward-looking statements at any time.

## CERTAIN INFORMATION ABOUT VALLEY

### General

Valley, a New Jersey corporation, was organized in 1983 as a holding company for Valley National Bank. Valley indirectly owns additional subsidiaries through Valley National Bank. Valley is registered as a bank holding company with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act.

As of December 31, 2004, Valley had:

| | | |
|---|---|---|
| • | consolidated assets | $10.8 billion |
| • | deposits | $7.5 billion |
| • | loans | $6.9 billion |
| • | shareholders' equity | $708 million |

In addition to our principal subsidiary, Valley National Bank, we own 100 percent of the voting shares of VNB Capital Trust I, through which we issued preferred securities.

Valley's principal executive offices and telephone number are:

1455 Valley Road
Wayne, New Jersey 07470
(973) 305-8800

### Valley National Bank

Valley National Bank is a national banking association chartered in 1927 under the laws of the United States. At December 31, 2004, Valley National Bank maintained 133 branch offices located in northern New Jersey and Manhattan. Valley National Bank provides a full range of commercial and retail banking services. These services include the following:

- the acceptance of demand, savings and time deposits;
- extension of consumer, real estate, Small Business Administration and other commercial credits;
- equipment leasing; and
- personal and corporate trust, as well as pension and fiduciary services.

Valley National Bank also provides through wholly-owned subsidiaries the following services:

- an all-line insurance agency;
- a title insurance agency;
- a registered investment advisor; and
- a registered securities broker dealer.

Valley National Bank's other subsidiaries include:

- a mortgage servicing company;
- a subsidiary which holds, maintains and manages investment assets for Valley National Bank;

- a subsidiary which owns and services auto loans;
- a subsidiary which specializes in asset-based lending;
- a subsidiary which offers both commercial equipment leases and financing for general aviation aircraft;
- a REIT subsidiary which owns real estate related investments; and
- a REIT subsidiary which owns some of the real estate utilized by Valley National Bank and related real estate investments.

**Recent Developments**

On January 24, 2005, Valley reported its financial results for the quarter ended December 31, 2004. Net income was $0.40 per diluted share or $39.9 million for the fourth quarter ended December 31, 2004, compared to $0.39 per diluted share or $38.4 million for the fourth quarter of 2003. All data reflects the 5 percent stock dividend that was issued May 17, 2004. Net income for the year ended December 31, 2004 was $1.56 per diluted share or $154.4 million compared to $1.55 per diluted share or $153.4 million for the year ended December 31, 2003.

For the quarter and year ended December 31, 2004, Valley achieved a return on average shareholders' equity of 22.70 percent and 22.77 percent, a return on average assets of 1.50 percent and 1.51 percent and an efficiency ratio of 48.9 and 48.2 percent, respectively. Valley's risk-based capital ratios at December 31, 2004 were 11.10 percent for Tier 1 capital, 11.93 percent for total capital and 8.28 percent for Tier 1 leverage.

## CERTAIN INFORMATION ABOUT SHREWSBURY

**General**

Shrewsbury, a New Jersey corporation, was organized in 1995. Its principal subsidiary is Shrewsbury State Bank. Shrewsbury indirectly owns additional subsidiaries through Shrewsbury State Bank. Shrewsbury is registered as a bank holding company with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act.

At December 31, 2004 Shrewsbury had:

| | |
|---|---|
| • consolidated assets | $428 million |
| • deposits | $342 million |
| • loans | $269 million |
| • shareholders' equity | $61 million |

Shrewsbury's principal executive offices and telephone number are:

465 Broad Street
Shrewsbury, New Jersey 07702
(732) 842-7700

**Shrewsbury State Bank**

Shrewsbury State Bank, a wholly owned subsidiary of Shrewsbury, is a commercial bank chartered under the laws of the State of New Jersey in 1973. Shrewsbury State Bank's deposits are insured by the FDIC. Its principal office is in Shrewsbury, New Jersey, and it operates 12 branch offices in Monmouth County, New Jersey. Shrewsbury State Bank provides a full range of commercial and retail banking services. Shrewsbury State Bank owns two subsidiaries which are each included in its consolidated financial statements. These subsidiaries are:

- an investment company, which invests in a diversified portfolio of fixed income securities for Shrewsbury State Bank; and

- a real estate investment company, which holds mortgage loans originated by Shrewsbury State Bank and investment securities.

## THE MEETING

**Date, Time and Place**

This document solicits, on behalf of the Shrewsbury Board, proxies to be voted at a special meeting of Shrewsbury shareholders and at any adjournments or postponements thereof. The meeting is scheduled for:

March 29, 2005
2:00 p.m.
Molly Pitcher Inn
88 Riverside Avenue
Red Bank, New Jersey 07701

**Purpose**

At the meeting, Shrewsbury shareholders will consider and vote on:

- approval and adoption of the merger agreement; and
- any other matters that may properly be brought before the meeting.

**Board Recommendation**

**The Shrewsbury Board of Directors has approved the merger agreement and recommends a vote FOR approval and adoption of the merger agreement.**

**Record Date; Required Vote**

The Shrewsbury Board has fixed the close of business on February 15, 2005 as the record date for the meeting. Only holders of record of Shrewsbury common stock at that time are entitled to get notice of the meeting and to vote at the meeting. On the record date, there were 2,832,510 shares of Shrewsbury common stock outstanding. Each of those shares will be entitled to one vote on each matter properly submitted to the meeting.

The merger cannot be completed without Shrewsbury shareholder approval. The affirmative vote of two-thirds (2/3) of the shares entitled to vote is required to approve the merger agreement. A Shrewsbury shareholder's failure to vote, a broker non-vote, or an abstention has the same effect as a vote against the merger.

On the February 15, 2005 record date, the directors and executive officers of Shrewsbury as a group beneficially owned 376,489 shares of Shrewsbury common stock, representing 13.3% of the issued and outstanding shares. In connection with the execution of the merger agreement, the directors of Shrewsbury and Shrewsbury State Bank agreed to vote all the shares they beneficially own FOR the merger agreement.

The matters to be considered at the meeting are of great importance to the shareholders of Shrewsbury. Accordingly, we urge you to read and carefully consider the information presented in this proxy statement-prospectus, and to complete, date, sign and promptly return the enclosed proxy in the enclosed postage paid envelope or vote via telephone or the internet as instructed on the proxy card.

**Voting Rights; Proxies**

If you properly execute a proxy card and send it to Shrewsbury in the enclosed WHITE envelope in a timely manner or vote via telephone or the internet as specified on the proxy card, your proxy will be voted in accordance with the instructions you indicate, unless you revoke your proxy prior to the vote. If you choose to vote via telephone or the internet you must do so by 5:00 p.m., eastern standard time, on March 28, 2005. Approval of the merger by Shrewsbury shareholders is based on approval by holders of two-thirds (2/3) of the shares entitled to vote. A Shrewsbury shareholder's failure to vote, a broker non-vote, or an abstention has the same effect as a vote against the merger. **If you send us a proxy card that does not instruct us how to vote, your shares will be voted FOR approval and adoption of the merger agreement.**

The Shrewsbury Board is not aware of any matters that will come before the meeting other than the vote on the merger. If any other matters come before the meeting, the persons named on the enclosed proxy card will have the discretion to vote on those matters using their best judgment, unless you specifically withhold that authorization when you complete your proxy card or vote via telephone or the internet.

You may revoke any proxy that you give at any time before it is used to cast your vote. Simply showing up at the meeting will not automatically revoke your proxy. To revoke a proxy, you must either file a written notice of revocation with the Shrewsbury Corporate Secretary, or deliver a properly executed proxy with a later date to the Shrewsbury Corporate Secretary or follow the instructions on the enclosed proxy card to revoke your proxy if you voted by telephone or the internet. The Shrewsbury Corporate Secretary will be in attendance at the meeting and, prior thereto, can be reached at the following address:

John R. Feeney<br>
Shrewsbury Bancorp<br>
465 Broad Street<br>
Shrewsbury, New Jersey 07702

The election inspectors appointed for the meeting, who will determine whether or not a quorum is present, will tabulate votes cast by proxy or in person at the meeting. Abstentions and "broker non-votes" will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Abstentions occur when proxies are marked as abstentions, or when shareholders appear in person but abstain from voting. "Broker non-votes" occur when a broker indicates on a proxy that it does not have discretionary authority regarding certain shares.

**Solicitation of Proxies**

In addition to using the mails, the directors, officers and employees of Shrewsbury may solicit proxies for the meeting from shareholders in person or by telephone. These directors, officers and employees will not be specifically compensated for their services. Shrewsbury will also make arrangements with brokerage firms and other custodians, nominees and fiduciaries to send proxy materials to their principals and will reimburse those parties for their expenses in doing so. Shrewsbury has retained Georgeson Shareholder Communications Inc. to assist with the solicitation of proxies for a fee of $6,500.00, plus reimbursement for out-of-pocket expenses. Shrewsbury will bear all costs of soliciting proxies for the meeting.

**Quorum**

The presence, in person or by proxy, of a majority of the Shrewsbury common stock issued and outstanding and entitled to be voted at the meeting is necessary to constitute a quorum.

## THE PROPOSED MERGER

*A copy of the merger agreement is attached as Appendix A to this proxy statement-prospectus and is incorporated by reference herein. Descriptions of the merger and the merger agreement are qualified in their entirety by reference to the merger agreement.*

**General Description**

The merger agreement provides for the merger of Shrewsbury with and into Valley, with Valley as the surviving entity. A closing under the merger agreement is to occur on the last day of the month which is at least ten business days after all material conditions to closing, including receipt of regulatory approvals and the expiration of regulatory waiting periods, have been met. The merger agreement provides that Valley will set the exact closing date in a notice delivered to Shrewsbury. The merger agreement also provides that Valley and Shrewsbury may agree on a different closing date. The parties have tentatively selected March 31, 2005 as the closing date, and they currently anticipate closing on that date. The merger will become effective at the time specified in a certificate of merger which Valley and Shrewsbury will prepare and which Valley will file with the New Jersey Department of Treasury, Division of

Commercial Recording following the closing. Valley and Shrewsbury anticipate that the merger will become effective on the opening of business on the first business day after the closing date. Immediately after the merger is effective, Valley will merge Shrewsbury State Bank with Valley National Bank, with Valley National Bank as the surviving entity. The exact closing date and effective time are dependent upon satisfaction of numerous conditions, some of which are not under Valley's or Shrewsbury's control.

**Consideration; Adjustment to Merger Consideration**

As a result of the merger, Shrewsbury shareholders will have the right to elect to receive (subject to proration and adjustment as described below), merger consideration consisting of either $48.00 in cash or $48.00 worth of Valley common stock. The actual number of shares of Valley common stock to be issued for each share of Shrewsbury common stock converted into Valley common stock will be equal to $48.00 divided by the average closing price of Valley common stock during a ten-day period shortly before the closing date rounded to three decimal places. No fractional shares of Valley common stock will be issued. In lieu thereof, each holder of Shrewsbury common stock who would be entitled to a fractional interest will receive an amount in cash determined by multiplying their fractional interest by $48.00.

In general, all shares of Shrewsbury common stock that are owned by Shrewsbury as treasury stock and all shares of Shrewsbury common stock that are owned directly or indirectly by Valley or Shrewsbury or any of their respective subsidiaries will be canceled and cease to exist and no stock of Valley or other consideration shall be delivered in exchange therefore.

The merger consideration may be adjusted to the extent that the shareholders' equity, subject to certain adjustments, of Shrewsbury is less than $59 million as of the end of the month immediately preceding the closing date. The merger agreement provides that the aggregate consideration paid by Valley to Shrewsbury shareholders will be reduced, on a dollar-for-dollar basis, by the amount that Shrewsbury's shareholder's equity is less than $59 million. By way of example, if Shrewsbury's shareholders' equity is equal to $58 million on the end of the month prior to the closing date, the amount of cash and/or dollar value of Valley common stock you receive for each of your Shrewsbury shares will be reduced by an amount equal to $1 million divided by the number of shares of Shrewsbury common stock outstanding. As of the date of this proxy statement-prospectus, there are 2,832,510 shares of Shrewsbury common stock outstanding and, therefore, in the example, the value would be reduced by approximately $.35 per share to $47.65 per Shrewsbury share. We presently have no reason to believe the value will be reduced.

**Election Procedures**

*Ratio of Valley Common Stock to Cash.* The number of shares of Shrewsbury common stock to be converted into the right to receive cash consideration shall not be greater than 40% of the number of shares of Shrewsbury common stock outstanding immediately prior to the effective time.

*Elections by Holders of Stock or Cash.* Each holder of Shrewsbury common stock will be entitled to elect to receive cash for all of their shares, to elect to receive Valley common stock for all of their shares, or to indicate that the holder has no preference as to the receipt of cash or Valley common stock for their shares. All non-election shares will be converted into Valley common stock. All elections are to be made on a form of election. Shrewsbury shareholders who hold shares as nominees, trustees or in other representative capacities may submit multiple forms of election.

*Oversubscription for Cash Election.* If the aggregate number of shares of Shrewsbury common stock covered by cash elections exceeds 40% of the outstanding shares of Shrewsbury common stock, all shares of Shrewsbury common stock covered by stock elections and all shares of Shrewsbury common stock covered by non-elections will be converted into the right to receive Valley common stock, and the shares covered by cash elections will be converted into the right to receive Valley common stock and cash as follows:

- on a pro rata basis a sufficient number of such shares will be selected to receive Valley common stock such that the number of shares covered by cash elections will be equal to, but not greater than, 40% of the outstanding shares of Shrewsbury common stock, and all such shares will be converted into the right to receive Valley common stock; and

- the reminder of a holder's shares will be converted into the right to receive cash.

*Procedures for Holders' Elections.* Elections shall be made by holders of Shrewsbury common stock by mailing to the exchange agent a form of election. To be effective, a form of election must be properly completed, signed and submitted, along with your stock certificates, in the BROWN envelope, to the exchange agent. Valley or the exchange agent will have the right to determine whether forms of election have been properly completed, signed and submitted and to disregard immaterial defects in forms of election, and may notify any person of any defect in a form of election submitted to the exchange agent.

*Failure of Holder to Elect.* A holder of Shrewsbury common stock who does not submit a form of election which is received by the exchange agent shall be deemed to have made a non-election. If Valley or the exchange agent shall determine that any purported cash election or stock election was not properly made, such purported cash election or stock election will be deemed to be of no force and effect and the shareholder or representative making the cash election or stock election will be deemed to have made a non-election. If you are deemed to have made a non-election your shares will be converted into Valley common stock.

*Election Deadline.* In order to be effective, a form of election and your stock certificates must be received by the exchange agent by the close of business on March 24, 2005, which is the fifth business day prior to the anticipated March 31, 2005 closing date. Elections may be changed prior to this election deadline by delivering a later-dated form of election. All elections will be irrevocable following the election deadline.

**Exchange of Shares**

Shrewsbury and Valley have appointed American Stock Transfer & Trust Company as the exchange agent for purposes of effecting the conversion of Shrewsbury common stock. You must send in your stock certificates to the exchange agent when you return your form of election. Shrewsbury shareholders failing to submit a form of election and stock certificates will receive instructions for exchanging their stock certificates after the merger is completed.

Following the completion of the merger, the exchange agent will promptly deliver the merger consideration and the certificates representing Shrewsbury common stock will be canceled. Each share of Valley common stock issued in exchange for Shrewsbury common stock will be deemed to have been issued at the time the merger becomes effective. Thus, Shrewsbury shareholders who receive Valley common stock in the merger will be entitled to receive any dividend or other distribution which may be payable to holders of record of Valley common stock as of any date on or after the time the merger becomes effective. However, no dividend or other distribution will actually be paid with respect to any shares of Valley common stock until the certificates formerly representing shares of Shrewsbury common stock have been surrendered. At that time any accrued dividends and other distributions on those shares of Valley common stock will be paid without interest.

Shrewsbury shareholders, promptly after they surrender their Shrewsbury stock certificates to the exchange agent, will receive a certificate representing the full number of shares of Valley common stock into which their shares of Shrewsbury common stock have been converted and/or cash. A check for the amount of the fractional share interest, if any, will also be issued to the former Shrewsbury shareholder at that time.

**Background of and Reasons for the Merger**

*Background of the Merger*

Valley has held a block of Shrewsbury common stock for several years. In early February 2004, Valley Chairman, President and CEO Gerald Lipkin received a call from Shrewsbury Chairman Steve Ingram asking Mr. Lipkin to discuss a potential merger. These discussions

continued in late May during a face to face meeting between Messrs. Lipkin and Ingram. Due to serious health complications suffered by Mr. Ingram, talks were placed on hold until August of 2004 at which time, with the concurrence of directors Blair and Kay, James W. Harkness, Jr., Shrewsbury's CEO, spoke with Mr. Lipkin to continue discussion of the possible merger.

On August 25, 2004 Messrs. Lipkin and Harkness met to discuss the general nature of the possible merger and gauge the interest of each party. Between August 25 and October 6 a number of discussions were held regarding potential issues that might arise in connection with a merger between Shrewsbury and Valley. On October 6, 2004 a dinner meeting was held among Mr. Lipkin, Peter Crocitto, Valley's Executive Vice President and Michael Guilfoile of MG Advisors Inc. for Valley, and Mr. Harkness and John Kay for Shrewsbury to discuss the merits of a potential merger. In these meetings, the executives from the respective organizations discussed the cultural similarities between the two organizations.

A follow-up meeting was conducted at Shrewsbury's offices between Messrs. Crocitto, Guilfoile and Harkness to exchange information. At that meeting, the parties discussed the potential advantages of a merger to each of them, including, in the case of Shrewsbury, that the merger would result in Shrewsbury becoming an important part of a larger banking institution serving customers in the New York–New Jersey region, while at the same time enhancing the interests of Shrewsbury shareholders, customers and employees. The parties discussed, in the case of Valley, that the merger offered Valley the opportunity to expand without having to go through the more complicated and time-consuming process of opening individual branch locations. At that time, Valley reiterated its interest in the merger.

On October 11, 2004, Shrewsbury's Board of Directors held a special meeting chaired by director Blair to discuss the future direction of the company. The Board concluded that in light of values being offered for bank stocks, coupled with Shrewsbury's current challenges of changing bank management while simultaneously increasing revenue, it needed outside expertise to assist in evaluating its options. The Board approved the hiring of outside counsel and an investment advisor.

On October 18, 2004 Valley submitted an indication of interest to acquire Shrewsbury for Valley common stock.

On October 18, 2004 Shrewsbury's Board of Directors met, along with their financial advisor in connection with the possible merger, Sandler O'Neill & Partners, L.P. and counsel, Powell Goldstein LLP. Sandler O'Neill presented an overview of the banking industry and pricing of comparable transactions. The Board then reviewed Valley's indication of interest along with its financial performance. After considerable discussion, the Board directed Sandler O'Neill to communicate to Valley that their offer needed to be increased for the Board to further consider it.

On October 22, 2004 negotiations began among the parties and their respective financial advisors. Those negotiations continued through October 29 and led to the final structure of the transaction. As a result of those negotiations Valley agreed to offer the same per share consideration even though Shrewsbury had declared a stock dividend to be paid in December 2004. Valley also agreed to permit Shrewsbury to declare and pay quarterly cash dividends to its shareholders prior to the closing of the merger. The key executives reached an understanding of what they were willing to recommend to their respective boards of directors. The terms were subject to the negotiation of mutually acceptable agreements, satisfactory completion of due diligence, receipt of fairness opinions and approval of each company's board of directors.

On November 9, 2004 Valley's Board of Directors met and reviewed and approved the merger proposal. On November 12 and 13 each party sent representatives to conduct extensive due diligence investigations of the other party. Drafts of the merger agreement and related documents were prepared by legal counsel to Valley. These were reviewed by executive officers of both parties and by Shrewsbury's counsel, after which the proposed final merger agreement and other documents were prepared and circulated to the members of both boards of directors for review in advance of board meetings.

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A special meeting of the Shrewsbury Board of Directors was held on December 1, 2004. At that meeting, Sandler O'Neill presented its analysis of the financial terms of the merger and delivered to the board of Shrewsbury its oral opinion that, as of that date, the consideration to be received by Shrewsbury shareholders in the proposed merger (without giving effect to any possible future adjustments) was fair to such shareholders from a financial point of view. In addition, legal counsel to Shrewsbury presented an oral summary of the merger agreement and the related documents that had been circulated in advance of the meeting and reviewed by the directors.

Following further discussion, the Shrewsbury Board of Directors voted to authorize Shrewsbury's signing and delivery of the merger agreement, and directed that a special meeting of Shrewsbury's shareholders be called and held for the purpose of approving the merger.

On December 2, 2004, Valley and Shrewsbury signed and delivered the merger agreement. A public announcement of the merger was made the same day.

*Shrewsbury's Reasons for the Merger*

As part of Shrewsbury's strategic review, which included working with a financial advisor, Shrewsbury's Board determined that the interests of Shrewsbury's shareholders, and specifically the return on their investment going forward would be best served by a merger with a larger institution at this time.

*Recommendations of the Shrewsbury Board of Directors*

The Shrewsbury Board believes that the merger is fair to, and in the best interests of, Shrewsbury and its shareholders. **Accordingly, the Board approved the merger agreement and merger and recommends that Shrewsbury shareholders vote FOR the approval and adoption of the merger agreement and merger.**

*Valley's Reasons for the Merger*

Valley has an ongoing strategy of highly focused growth within New Jersey through new branches and acquisitions of other strong financial institutions. Valley's goal in acquisitions is to price transactions so that they are accretive to Valley's per share earnings during the first year of combined operations.

Valley entered into the merger agreement with Shrewsbury to further implement this strategy. Shrewsbury State Bank is a traditional commercial bank with a culture focused on strong asset quality, customer service and earnings, making it similar to Valley's business model. All twelve of Shrewsbury's offices are located in Monmouth County, an affluent and rapidly expanding region. Valley expects that the proximity of Shrewsbury offices and customers will allow Valley to continue to operate as a super community bank following the merger.

Over the years, Shrewsbury has developed a strong following among both individual consumers and small- to medium-sized companies that want to maintain their banking relationship with senior management and the decision makers in the bank. This closely follows Valley's approach to banking. Valley expects this acquisition to generate sufficient cost savings to make it accretive to earnings during the first year.

**Interests of Certain Persons in the Merger**

In considering the recommendation of the Shrewsbury Board regarding the merger, Shrewsbury shareholders should know that certain directors and officers of Shrewsbury have interests in the merger in addition to their interests as shareholders of Shrewsbury. All those additional interests are described below, to the extent they are material and are known to Shrewsbury. The Shrewsbury Board was aware of these interests and considered them, among other matters, in approving the merger agreement.

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*Change in Control Agreements.* Shrewsbury has change in control agreements with James W. Harkness, Jr., John R. Feeney, Christopher J. Widdis, Robin T. Fitzmaurice, Michael J. Ghabrial, Edward C. Gurskis, Thomas Sannelli and David O. Johnson, each of whom is an officer of Shrewsbury.

The change in control agreements have a one-year term with one-year automatic renewals and will remain effective for 24 months following a change in control. The change in control agreements generally provide that, as a condition to receipt of any severance benefits under the agreements, the executive will remain employed with the employer until the earliest to occur of (i) 6 months after a potential change in control (as defined in the agreements); (ii) the date of a change in control; or (iii) termination of the executive's employment by the employer for any reason or by the executive for good reason (as defined in the agreements) or due to the executive's death or disability.

If an executive remains employed during the period described in the preceding paragraph, severance payments under each of the change in control agreements become payable upon a termination of the executive's employment by the employer (other than for cause, death or disability) or resignation by the executive for good reason if the termination occurs (i) following a change in control; (ii) before a change in control if the termination is at the direction of the entity entering into the transaction with Shrewsbury which results in the change in control; or (iii) after a potential change in control (as defined in the agreement) and the change in control actually occurs within six months of the executive's termination of employment (provided that the change in control occurs within the term of the change in control agreement).

The severance payments payable under the change in control agreements are payable in a lump sum payment and the amount and elements of the payment vary among the executives. For Mr. Harkness, the severance payment is equal to three times the sum of his annual base salary, the highest deferred compensation payment received by him during the immediately preceding three fiscal years, the highest annual car allowance received by him during the immediately preceding three fiscal years and the highest annual bonus received by him during the immediately preceding three fiscal years. In addition, Mr. Harkness will receive a pro-rata portion of any annual bonus payable to him for the year of his termination and health and welfare benefits for 36 months following termination. For Mr. Feeney, the severance payment is equal to two times the sum of his annual base salary, the highest annual car allowance received by him during the immediately preceding three fiscal years and the highest annual bonus received by him during the immediately preceding three fiscal years. In addition, Mr. Feeney will receive a pro-rata portion of any annual bonus payable to him for the year of his termination and health and welfare benefits for 24 months following termination.

Mr. Widdis and Ms. Fitzmaurice are entitled to severance benefits equal to two times the sum of their annual base salary and the highest annual bonus received during the immediately preceding three fiscal years as well as a pro-rata portion of any annual bonus payable to them during the year of termination and health and welfare benefits for 24 months following termination. Messrs. Ghabrial, Gurskis, Sannelli and Johnson are entitled to severance benefits equal to the sum of their base salary, the highest annual bonus received in the immediately preceding three fiscal years, a pro-rata portion of any annual bonus payable in the year of termination and 12 months of health and welfare benefits.

Except for Mr. Feeney's agreement, the change in control agreements contain non-competition and customer and employee non-solicitation provisions. Mr. Feeney's agreement only contains customer and employee non-solicitation provisions. The non-competition and non-solicitation provisions, as applicable, are effective during the executives' employment and for a certain period following termination. The period varies among the executives and is as follows: 36 months for Mr. Harkness; 24 months for Mr. Widdis and Ms. Fitzmaurice; and 12 months for Mr. Feeney, Mr. Ghabrial, Mr. Gurskis, Mr. Sannelli and Mr. Johnson.

Each change in control agreement provides for a gross-up payment related to any excise tax which may be imposed upon the executive under Section 4999 of the Internal Revenue Code if the total payments and benefits payable to the executive which are contingent on a change in

control exceed the limitations under Section 280G of the Internal Revenue Code. Section 280G of the Internal Revenue Code generally limits payments and benefits to three or more times an employee's average annual compensation over the preceding five-year period. The purpose of the gross-up provision is to place the executive in the same after-tax position in which he or she would be if the excise tax were not imposed.

*Indemnification; Directors and Officers.* The merger agreement requires Valley to indemnify each director and officer of Shrewsbury and Shrewsbury State Bank to the fullest extent permitted under applicable law and its certificate of incorporation and by-laws, for a period of six years after the merger is completed. The merger agreement also requires Valley and Valley National Bank to advance expenses in connection with the indemnification to the fullest extent permitted under applicable law and its certificate of incorporation and by-laws.

*Share Ownership.* The following table lists information concerning the beneficial ownership of Shrewsbury's common stock as of the February 15, 2005 record date by (i) each person known to Shrewsbury to beneficially own more than 5% of Shrewsbury's common stock, (ii) each director and executive officer and (iii) all directors and executive officers as a group. Except as set forth below, the shareholders listed below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. In connection with the execution of the merger agreement, the directors of Shrewsbury and Shrewsbury State Bank agreed to vote all the shares they beneficially own in favor of the merger agreement.

| Name of Beneficial Owner | Position | Common Stock Beneficially Owned | Percent of Shares |
|---|---|---|---|
| William J. Balmer | Vice President | 1,081 | 0.04% |
| George A. Blair(1) | Chairman and Director | 104,807 | 3.70% |
| J. Crawford Compton, Jr.(2) | Director | 121,168 | 4.28% |
| John R. Feeney | Chief Financial Officer | 11,263 | 0.40% |
| Michael J. Ghabrial | Senior Vice President | 1,146 | 0.04% |
| Edward C. Gurskis | Senior Vice President | 967 | 0.03% |
| James W. Harkness, Jr.(3) | President, Chief Executive Officer and Director | 9,999 | 0.35% |
| John Kay(4) | Director | 34,127 | 1.20% |
| Allen B. Kendall, MD(5) | Director | 69,698 | 2.46% |
| Philip Waldman(6) | Director | 0 | 0.00% |
| J. Robert Warncke(7) | Director | 16,412 | 0.58% |
| Christopher J. Widdis | Senior Vice President | 5,821 | 0.21% |
| **All Executive Officers and Directors as a group (12 persons)** | | 376,489 | 13.29% |

The address for each of the persons named above is 465 Broad Street, Shrewsbury, New Jersey 07702.

(1) Includes 87,411 shares which are owned by a pension trust of which Mr. Blair is the primary beneficiary and 9,296 shares which are owned by Mr. Blair's wife, JoAnne Blair. Excludes 196,017 shares owned by Mr. Blair's children and grandchildren over which Mr. Blair disclaims beneficial ownership.
(2) Includes 115,350 shares which are owned jointly by Mr. Compton and his wife, Ruby V. Compton, Joint Tenants with Rights of Survivorship.
(3) Includes 9,825 shares which are owned jointly by Mr. Harkness and his wife, Christine K. Harkness, Joint Tenants with Rights of Survivorship.
(4) Includes 12,174 shares which are owned by Mr. Kay's wife, Dorothy Kay.
(5) Includes 2,771 shares which are owned by Dr. Kendall's wife, Barbara Kendall.

(6) Excludes 64,033 shares formerly owned by Mr. Waldman that are now held by two LLCs that are owned by Mr. Waldman's son and daughter.
(7) Includes 5,385 shares which are owned by Mr. Warncke's wife, Catherine Warncke.

*Consulting Agreements.* In order to secure the continuing interaction of Shrewsbury State Bank and its customers, Valley has agreed to provide two of Shrewsbury's directors, Mr. Blair and Mr. Kay with a five year consulting agreement following the closing. Mr. Blair and Mr. Kay will each be paid $36,000 annually under the agreements.

**Opinion of Shrewsbury's Financial Advisor**

By letter dated October 12, 2004, Shrewsbury retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination with Valley. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Shrewsbury in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. At the December 1, 2004 meeting at which Shrewsbury's board considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, subsequently confirmed in writing that, as of such date, the merger consideration (without giving effect to any possible future adjustment) was fair to Shrewsbury's shareholders from a financial point of view. In rendering its opinion, Sandler O'Neill confirmed the appropriateness of its reliance on the analyses used to render its opinion by reviewing the assumptions upon which their analyses were based and reviewing the other factors considered in rendering its updated opinion. This opinion was subsequently confirmed in writing as of the date of this document. **The full text of Sandler O'Neill's updated opinion is attached as Appendix B to this proxy statement-prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Sandler O'Neill urges Shrewsbury shareholders to read the entire opinion carefully in connection with their consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the Shrewsbury board and is directed only to the fairness of the merger consideration (without giving effect to any possible future adjustment) to Shrewsbury shareholders from a financial point of view. It does not address the underlying business decision of Shrewsbury to engage in the merger or any other aspect of the merger and is not a recommendation to any Shrewsbury shareholder as to how such shareholder should vote at the special meeting with respect to the merger, the form of consideration any shareholder should elect or any other matter.**

**Unless specifically indicated below, Sandler O'Neill's analyses do not give effect to the stock dividend declared by Shrewsbury on October 27, 2004 and paid on December 3, 2004.**

In connection with rendering its opinions, Sandler O'Neill reviewed and considered, among other things:

(1) the merger agreement;
(2) certain publicly available financial statements and other historical financial information of Shrewsbury that Sandler O'Neill deemed relevant;
(3) certain publicly available financial statements and other historical financial information of Valley that Sandler O'Neill deemed relevant;
(4) certain publicly available financial statements and other historical financial information of NorCrown that Sandler O'Neill deemed relevant;
(5) earnings per share growth estimates for the year ending December 31, 2005 and for the years thereafter reviewed by and confirmed with senior management of Shrewsbury;
(6) earnings per share estimates for Valley for the years ending December 31, 2005 and 2006 published by I/B/E/S and reviewed by and confirmed with senior management of Valley;

(7) certain adjustments to Valley's balance sheet to give effect to Valley's pending acquisition of NorCrown Bank, furnished by and reviewed with senior management of Valley;
(8) the liquidity of the common stock of the combined entity as compared to the liquidity of the Shrewsbury common stock on a stand-alone basis;
(9) the pro forma financial impact of the merger on Valley, based on assumptions relating to transaction expenses and cost savings determined by the senior managements of Shrewsbury and Valley;
(10) the publicly reported historical price and trading activity for Shrewsbury's and Valley's common stock, including a comparison of certain financial and stock market information for Shrewsbury and Valley with similar publicly available information for certain other companies the securities of which are publicly traded;
(11) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
(12) the current market environment generally and the banking environment in particular; and;
(13) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of senior management of Shrewsbury the business, financial condition, results of operations and prospects of Shrewsbury and held similar discussions with certain members of senior management of Valley regarding the business, financial condition, results of operations and prospects of Valley. In connection with its engagement, Sandler O'Neill was not asked to, and did not, solicit indications of interest in a potential transaction from third parties.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources, that was provided by Shrewsbury or Valley or their respective representatives or that was otherwise reviewed by Sandler O'Neill and have assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill further relied on the assurances of management of Shrewsbury and Valley that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill has not been asked to undertake, and has not undertaken, an independent verification of any of such information and Sandler O'Neill does not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Shrewsbury or Valley or any of their subsidiaries, or the collectibility of any such assets, nor has Sandler O'Neill been furnished with any such evaluations or appraisals. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Shrewsbury or Valley nor has Sandler O'Neill reviewed any individual credit files relating to Shrewsbury or Valley. Sandler O'Neill assumed, with Shrewsbury's consent, that the respective allowances for loan losses for both Shrewsbury and Valley are adequate to cover such losses.

Sandler O'Neill's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Sandler O'Neill assumed, in all respects material to its analysis, that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived. Sandler O'Neill also assumed, with Shrewsbury's consent, that there has been no material change in Shrewsbury's and Valley's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them, that Shrewsbury and Valley will remain as going concerns for all periods relevant to its analyses, and that the merger will qualify as a tax-free reorganization for federal income tax purposes. Finally, with Shrewsbury's consent, Sandler O'Neill relied upon the advice Shrewsbury received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger agreement and the other transactions contemplated by the Agreement.

In rendering its December 1, 2004 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Shrewsbury or Valley and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Shrewsbury or Valley and the companies to which they are being compared.

The earnings projections used and relied upon by Sandler O'Neill in its analyses for Shrewsbury and Valley, projections of transaction costs, and expected cost savings relating to the merger were reviewed with the senior managements of Valley and Shrewsbury, and such managements confirmed to Sandler O'Neill that the projections are the best currently available estimates and judgments of such managements of the future financial performance of Shrewsbury and Valley, respectively, and Sandler O'Neill assumed that such performances would be achieved. Sandler O'Neill expressed no opinion as to such financial projections or the assumptions on which they were based. These projections, as well as the other estimates used by Sandler O'Neill in its analyses, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Shrewsbury, Valley and Sandler O'Neill. The analyses performed by Sandler O'Neill are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Shrewsbury board at the board's December 1, 2004 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Shrewsbury's common stock or Valley's common stock or the prices at which Shrewsbury's or Valley's common stock may be sold at any time.

*Summary of Proposal.* Sandler O'Neill reviewed the financial terms of the proposed transaction. Assuming the fixed price of $48.00 per share and based upon per-share financial information for Shrewsbury for the twelve months ended September 30, 2004, Sandler O'Neill calculated the following ratios:

| | |
|---|---|
| Transaction Ratios | |
| Transaction value/Last 12 months' EPS | 23x |
| Transaction value/Tangible book value per share | 222% |
| Transaction value/Stated book value per share | 222% |
| Tangible book premium/Core Deposits(1) | 23% |
| Transaction value/Assets | 32% |
| Transaction value/Deposits | 40% |

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(1) Core deposits exclude time deposits with account balances greater than $100,000 and brokered CDs. Calculated by dividing the excess of market value over tangible book value by core deposits.

For purposes of Sandler O'Neill's analyses, earnings per share were based on fully diluted earnings per share. The aggregate transaction value was approximately $136 million; based upon 2,832,510 shares of Shrewsbury common stock outstanding (estimated by Shrewsbury management and including shares outstanding as a result of the 4% stock dividend announced on October 27, 2004 and paid on December 3, 2004 before the purchase of any fractional shares). In addition, each time Valley declares and pays a cash dividend prior to the closing of the merger, Shrewsbury will be entitled to pay a cash dividend to it shareholders of 1.75 times that amount. Sandler O'Neill noted that the transaction value represented a 1% discount to the November 30, 2004 closing price of Shrewsbury's common stock of $48.30, which was not adjusted for the 4% stock dividend announced on October 27, 2004. Sandler O'Neill also noted that the transaction value represented a 39% premium to the closing price of Shrewsbury's common stock of $34.50 on July 9, 2004 (the approximate date upon which the illness of the former chairman of Shrewsbury became known to the public), which was not adjusted for the 4% stock dividend announced on October 27, 2004.

*Stock Trading History.* Sandler O'Neill reviewed the history of the reported trading prices and volume of Shrewsbury's and Valley's common stock for the one-year and three-year periods ended November 30, 2004. Sandler O'Neill compared the relationship between the movements in the prices of Shrewsbury's and Valley's common stock to movements in the prices of the Nasdaq Bank Index, S&P Bank Index, S&P 500 Index and the weighted average (by market capitalization) performance of composite peer groups of publicly traded commercial banks selected by Sandler O'Neill for Shrewsbury and Valley, respectively. Over the one-year period ended November 30, 2004, Shrewsbury outperformed all of the indices and the peer group to which it was compared. Over the three year period ended November 30, 2004, Shrewsbury generally outperformed the Nasdaq Bank Index, the S&P Bank Index, and S&P 500 Index but slightly underperformed its peer group.

**Shrewsbury's Stock Performance**

| | Beginning Index Value November 28, 2003 | Ending Index Value November 30, 2004 |
|---|---|---|
| Shrewsbury | 100.00% | 165.85% |
| Shrewsbury Peer group | 100.00 | 106.76 |
| Nasdaq Bank Index | 100.00 | 112.66 |
| S&P Bank Index | 100.00 | 113.52 |
| S&P 500 Index | 100.00 | 110.93 |

| | Beginning Index Value November 30, 2001 | Ending Index Value November 30, 2004 |
|---|---|---|
| Shrewsbury | 100.00% | 192.49% |
| Shrewsbury Peer group | 100.00 | 193.02 |
| Nasdaq Bank Index | 100.00 | 156.13 |
| S&P Bank Index | 100.00 | 137.19 |
| S&P 500 Index | 100.00 | 103.02 |

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During the one-year period ended November 30, 2004, Valley generally underperformed all of the indices to which it was compared and also underperformed its peer group. During the three-year period ended November 30, 2004, Valley underperformed the NASDAQ Bank Index, S&P Bank Index and its peer group but outperformed the S&P 500.

**Valley's Stock Performance**

| | Beginning Index Value November 28, 2003 | Ending Index Value November 30, 2004 |
|---|---|---|
| Valley | 100.00% | 98.88% |
| Valley Peer group | 100.00 | 112.41 |
| Nasdaq Bank Index | 100.00 | 112.66 |
| S&P Bank Index | 100.00 | 113.52 |
| S&P 500 Index | 100.00 | 110.93 |

| | Beginning Index Value November 30, 2001 | Ending Index Value November 30, 2004 |
|---|---|---|
| Valley | 100.00% | 122.21% |
| Valley Peer group | 100.00 | 140.70 |
| Nasdaq Bank Index | 100.00 | 156.13 |
| S&P Bank Index | 100.00 | 137.19 |
| S&P 500 Index | 100.00 | 103.02 |

*Comparable Company Analysis.* Sandler O'Neill used publicly available information to compare selected financial and market trading information for Shrewsbury and a group of commercial banks selected by Sandler O'Neill. Sandler O'Neill also used publicly available information to compare selected financial and market trading information for Valley and a group of commercial banks selected by Sandler O'Neill.

The comparable group used for Shrewsbury consisted of the following publicly traded commercial banks located in New Jersey with total assets between $250 million and $820 million:

| | |
|---|---|
| 1st Constitution Bancorp | Stewardship Financial Corporation |
| BCB Bancorp, Inc. | Sussex Bancorp |
| Boardwalk Bank | SVB Financial Services, Inc. |
| Greater Community Bancorp | Unity Bancorp, Inc. |
| Sterling Bank | |

The analysis compared publicly available financial and market trading information for Shrewsbury and the data for the comparable group as of and for the twelve-month period ended September 30, 2004. The table below compares the data for Shrewsbury and the median data for the comparable group, with pricing data as of November 30, 2004.

**Comparable Group Analysis**

| | Shrewsbury(1) | Median |
|---|---|---|
| Total assets *(in millions)* | $ 424.4 | $ 383.2 |
| Tangible equity/Tangible assets | 14.4% | 6.9% |
| LTM Return on average assets | 1.4% | 0.9% |
| LTM Return on average equity | 10.0% | 13.4% |
| Price/Tangible book value | 223.1% | 221.5% |

| | | |
|---|---|---|
| Price/LTM earnings per share | 23.1x | 19.4x |
| Price/52-week High | 96.6% | 89.3% |
| Market Capitalization *(in millions)* | $ 136.8 | $ 59.9 |

(1) Based on outstanding shares estimated by Shrewsbury management. Includes shares outstanding as a result of the 4% stock dividend announced on October 27, 2004 and paid on December 3, 2004 before the purchase of any fractional shares.

The comparable group used for Valley consisted of the following publicly traded commercial banks located in the Mid Atlantic region of the United States with total assets between $6.0 billion and $29.0 billion:

| | |
|---|---|
| Commerce Bancorp, Inc. | Mercantile Bankshares Corporation |
| First Commonwealth Financial Corporation | Provident Bankshares Corporation |
| Fulton Financial Corporation | Susquehanna Bancshares, Inc. |
| Hudson United Bancorp | Wilmington Trust Corporation |

The analysis compared publicly available financial and market trading information for Valley and the data for the comparable group as of and for the twelve-month period ended September 30, 2004. The table below compares the data for Valley and the median data for the comparable group, with pricing data as of November 30, 2004.

**Comparable Group Analysis**

| | Valley | Peer Group Median |
|---|---|---|
| Total assets *(in millions)* | $ 10,630.9 | $ 9,228.0 |
| Tangible equity/Tangible assets | 6.3% | 6.0% |
| Intangible assets/Total equity | 3.3% | 28.7% |
| Net loans/Total assets | 63.6% | 61.8% |
| Gross loans/Total deposits | 92.2% | 92.6% |
| Total borrowings/Total assets | 20.6% | 18.1% |
| NPAs/Assets | 0.2% | 0.2% |
| LLR/Gross loans | 1.0% | 1.4% |
| Net interest margin | 4.0% | 3.7% |
| Non-interest income/Average assets | 0.8% | 1.5% |
| Fees/revenues | 17.5% | 29.0% |
| Non-interest expense/Average assets | 2.1% | 3.1% |
| Efficiency ratio | 48.5% | 62.2% |
| LTM Return on average assets | 1.5% | 1.2% |
| LTM Return on average equity | 23.0% | 13.6% |
| EPS CAGR (1998-2003) | 7.6% | 8.3% |
| Price/Book value | 396.6% | 228.1% |
| Price/Tangible book value | 410.3% | 323.9% |
| Price/LTM EPS | 18.0x | 18.4x |
| Price/LTM core EPS | 18.8x | 18.0x |
| Price/2004 estimated EPS | 17.9x | 17.8x |
| Price/2005 estimated EPS | 16.6x | 15.6x |
| Dividend payout ratio | 56.7% | 50.9% |
| Dividend yield | 3.1% | 3.0% |
| Market Capitalization *(in millions)* | $ 2,761.3 | $ 2,131.2 |

*Analysis of Selected Merger Transactions.* Sandler O'Neill reviewed 22 merger transactions announced nationwide from January 1, 2004 through November 30, 2004 involving commercial banks as acquired institutions with announced transaction values between $75 million and $250 million. Sandler O'Neill also reviewed 7 merger transactions announced nationwide from January 1, 2004 through November 30, 2004 involving commercial banks as acquired institutions in which the acquired institution had tangible equity/tangible assets greater than 9% and assets between $200 and $750 million at announcement (the "Highly Capitalized Group"). Additionally, Sandler O'Neill reviewed 6 merger transactions announced in the Mid Atlantic region of the United States from January 1, 2003 through November 30, 2004 involving commercial banks as acquired institutions in which the acquired institution had tangible equity/tangible assets greater than 9% and assets between $200 and $750 million at announcement. Sandler

O'Neill reviewed the multiples of transaction price at announcement to LTM earnings per share, transaction price to book value per share, transaction price to tangible book value per share, transaction price to deposits, tangible book premium to core deposits, transaction price to assets and premium to market price and computed high, low, mean and median multiples and premiums for the transactions. The median multiples for each group were applied to Shrewsbury's financial information as of and for the twelve months ended September 30, 2004. As illustrated in the following table, Sandler O'Neill derived imputed ranges of values per share of Shrewsbury's common stock of $31.90 to $67.96 based upon the median multiples for the nationwide group, $28.32 to $47.03 based upon the median multiples for the second nationwide group and $40.83 to $58.28 based upon the median multiples for the commercial banks in the Mid-Atlantic group.

**Comparable Transaction Multiples**

| | Median Nationwide Multiple | Implied Value | Median Highly Capitalized Multiple | Implied Value | Median Mid Atlantic Multiple | Implied Value |
|---|---|---|---|---|---|---|
| Transaction price/LTM EPS | 24.2x | $ 50.41 | 16.1x | $ 33.50 | 25.7x | $ 53.63 |
| Transaction price/Stated book value | 287.8% | $ 62.30 | 194.9% | $ 42.19 | 268.9% | $ 58.21 |
| Transaction price/Tangible book value | 313.9% | $ 67.96 | 194.9% | $ 42.19 | 269.2% | $ 58.28 |
| Transaction price/Total deposits | 26.6% | $ 31.90 | 24.9% | $ 29.84 | 35.3% | $ 42.28 |
| Tangible book premium/Core deposits(1) | 22.1% | $ 47.03 | 12.5% | $ 36.05 | 24.0% | $ 49.30 |
| Transaction price/Assets | 22.0% | $ 32.99 | 18.9% | $ 28.32 | 27.3% | $ 40.83 |
| Market premium(2) | 24.7% | $ 43.03 | 36.3% | $ 47.03 | 58.0% | $ 54.50 |

(1) Assumes Shrewsbury's total core deposits are $326.0 million. Calculated by dividing the excess of market value over tangible book value by core deposits.
(2) Based on Shrewsbury stock price as of July 9, 2004.

*Discounted Dividend Stream and Terminal Value Analysis.* Sandler O'Neill performed an analysis that estimated the future stream of after-tax cash flows of Shrewsbury through December 31, 2008 under various circumstances, assuming Shrewsbury performed in accordance with the management's estimated earnings per share for 2004 and management's projected earnings and asset growth rate for years thereafter. To approximate the terminal value of Shrewsbury's common stock at December 31, 2008, Sandler O'Neill applied price/earnings multiples ranging from 14x to 24x and multiples of tangible book value ranging from 140% to 240%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Shrewsbury common stock. As illustrated in the following tables, this analysis indicated an imputed range of values per share of Shrewsbury common stock of $19.31 to $41.58 when applying the price/earnings multiples and $25.82 to $52.69 when applying multiples of tangible book value.

**Earnings Per Share Multiples**

| *Discount Rate* | 14.0x | 16.0x | 18.0x | 20.0x | 22.0x | 24.0x |
|---|---|---|---|---|---|---|
| 9.0% | $ 24.25 | $ 27.72 | $ 31.18 | $ 34.65 | $ 38.11 | $ 41.58 |
| 10.0% | $ 23.33 | $ 26.66 | $ 30.00 | $ 33.33 | $ 36.66 | $ 40.00 |
| 11.0% | $ 22.45 | $ 25.66 | $ 28.86 | $ 32.07 | $ 35.28 | $ 38.49 |
| 12.0% | $ 21.61 | $ 24.70 | $ 27.79 | $ 30.87 | $ 33.96 | $ 37.05 |
| 13.0% | $ 20.81 | $ 23.78 | $ 26.76 | $ 29.73 | $ 32.70 | $ 35.67 |
| 14.0% | $ 20.04 | $ 22.91 | $ 25.77 | $ 28.64 | $ 31.50 | $ 34.36 |
| 15.0% | $ 19.31 | $ | | | | |