UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

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

For the Fiscal Year Ended December 31, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-50610

NEWALLIANCE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**52-2407114**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
195 Church Street, New Haven, Connecticut	**06510**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 789-2767
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**New York Stock Exchange, Inc.**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes X No ___

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ___ No X

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.
Large accelerated filer X Accelerated filer ___ Non-accelerated filer ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ___ No X

The market value of the common equity held by non-affiliates was $1.58 billion based upon the closing price of $14.05 as of June 30, 2005 as reported in *The Wall Street Journal* on July 1, 2005. Solely for the purposes of this calculation, directors and officers of the registrant are deemed to be affiliates. As of February 24, 2006 there were 109,987,870 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

Portions of the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 11, 2006 are incorporated by reference into Part III, Items 10 - 14 of this 10-K.

Explanatory Note

This Amendment No. 1 on Form 10-K/A (“Form 10-K/A”) to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, initially filed with the Securities and Exchange Commission (“SEC”) on February 28, 2006, is being filed to correct certain inadvertent omissions in the presentation of earnings per share on the Consolidated Statements of Income, in the Notes to Consolidated Financial Statements and throughout the filing as applicable, as well as enhancing the identification and discussion of non-GAAP information in Management’s Discussion and Analysis of Financial Condition and Results of Operation .

This Form 10-K/A hereby amends:

- Part II, Item 6, Selected Financial Data. Revised to present earnings per share data for all periods which had shares outstanding.
- Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operation. Enhanced the discussion regarding non-GAAP financial measures to more clearly express the financial effect of the Company’s conversion to a stock company and simultaneous acquisitions of two financial institutions and why this effect should be looked at on a non-GAAP or proforma basis. Revised the presentation of Table 2, Reconciliation of GAAP Net Income to Non-GAAP Proforma Net Earnings, to remove the earnings per share data.
- Part II, Item 8, Financial Statements and Supplementary Data. Revised the Consolidated Statements of Income to present earnings per share data for all periods which had shares outstanding.
- Part II, Item 8, Financial Statements and Supplementary Data. Revised Note 18, Earnings Per Share, to present earnings per share data for all periods which had shares outstanding.
- Part II, Item 8, Financial Statements and Supplementary Data. Revised Note 20, Selected Quarterly Information, to present earnings per share data for all periods which had shares outstanding.

This Form 10-K/A speaks as of the end of our fiscal year ended December 31, 2005 or as of the date of the Original Filing, as applicable. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. These amendments were arrived at during the course of responding to comments from the SEC relating to the registrant’s Annual Report on Form 10-K for the year ended December 31, 2005.

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Item 6. **Selected Financial Data**

The following tables contain certain information concerning the financial position and results of operations of the Company at the dates and for the periods indicated. This information should be read in conjunction with the Consolidated Financial Statements and related notes. Effective December 31, 2003, the Company changed its fiscal year end from March 31 to December 31.

On April 1, 2004, the Bank completed its conversion from a state-chartered mutual bank to a state-chartered stock bank. Concurrent with the conversion, the Company completed its acquisitions of Connecticut Bancshares and Alliance. Accordingly, 2004 Selected Financial Data includes the effect of those transactions. See Notes 3 and 4 of the Notes to Consolidated Financial Statements for additional information related to these transactions.

(In thousands, except per share data)	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004	For the Twelve Months Ended December 31, 2003	For the Nine Months Ended December 31, 2003	For the Nine Months Ended December 31, 2002	For the Year Ended March 31, 2003	For the Year Ended March 31, 2002
Selected Operating Data							
Interest and dividend income	$ 276,570	$ 208,032	$ 104,570	$ 77,867	$ 90,111	$ 116,812	$ 131,939
Interest expense	100,461	61,812	30,396	22,259	31,479	39,617	57,080
Net interest income before provision for loan losses	176,109	146,220	74,174	55,608	58,632	77,195	74,859
Provision for loan losses	400	600	-	-	-	-	-
Net interest income after provision for loan losses	175,709	145,620	74,174	55,608	58,632	77,195	74,859
Non-interest income	45,524	35,746	17,774	12,242	13,075	18,607	12,219
Contribution to the Foundation	-	40,040	-	-	-	-	-
Conversion and merger related charges	2,156	17,591	4,032	4,022	-	-	-
Other non-interest expense	139,084	119,142	60,908	45,763	44,410	59,564	52,400
Income before provision for income taxes	79,993	4,593	27,008	18,065	27,297	36,238	34,678
Provision for income taxes	27,394	524	9,091	5,989	9,260	12,361	11,748
Net income	$ 52,599	$ 4,069	$ 17,917	$ 12,076	$ 18,037	$ 23,877	$ 22,930

Basic and diluted earnings per share	$ 0.50
Weighted-average shares outstanding	
Basic	105,110
Diluted	105,517
Dividends per share	$ 0.21

(In thousands, except per share data)	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004	For the Twelve Months Ended December 31, 2003	For the Nine Months Ended December 31, 2003	For the Nine Months Ended December 31, 2002	For the Year Ended March 31, 2003	For the Year Ended March 31, 2002
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Net income	$ 52,599	$ 4,069	$ 17,917	$ 12,076	$ 18,037	$ 23,877	$ 22,930

		For the period April 1 through December 31, 2004 (1)
Basic and diluted earnings per share	$ 0.50	$ 0.02
Weighted-average shares outstanding		
Basic	105,110	106,520
Diluted	105,517	106,520
Dividends per share	$ 0.21	$ 0.08

(In thousands)	At December 31, 2005	At December 31, 2004	At December 31, 2003	At March 31, 2003	At March 31, 2002
Selected Financial Data					
Total assets	$ 6,561,402	$ 6,264,138	$ 2,536,797	$ 2,392,733	$ 2,260,291
Loans (1)	3,276,706	3,144,657	1,307,525	1,178,371	1,168,893
Allowance for loan losses	35,552	36,163	17,669	18,932	20,805
Short-term investments	46,497	100,000	13,000	30,000	130,429
Investment securities	2,455,205	2,283,701	1,120,046	1,087,725	876,221
Goodwill	424,436	417,307	-	-	-
Identifiable intangible assets	52,581	56,003	710	730	829
Deposits	3,798,112	3,702,012	1,814,684	1,816,234	1,745,379
Borrowings	1,380,755	1,064,816	277,681	141,501	117,466
Stockholders' equity	1,310,868	1,416,372	406,001	396,150	373,099
Nonperforming loans (2)	7,391	10,233	5,489	3,922	11,220
Nonperforming assets (3)	7,391	10,233	5,512	3,988	11,220

(In thousands)	At December 31, 2005	At December 31, 2004	At December 31, 2003	At March 31, 2003	At March 31, 2002
Selected Financial Data					
Total assets	$ 6,561,402	$ 6,264,138	$ 2,536,797	$ 2,392,733	$ 2,260,291
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Nonperforming loans (3)	7,391	10,233	5,489	3,922	11,220
Nonperforming assets (4)	7,391	10,233	5,512	3,988	11,220

	At or For the Year Ended December 31,		At or For the Twelve Months Ended December 31,	At or For the Nine Months Ended December 31,		At or For the Year Ended March 31,	
	2005	2004	2003	2003	2002	2003	2002
Selected Operating Ratios and Other Data							
Performance Ratios (4)							
Average yield on interest-earning assets	4.79 %	4.24 %	4.47 %	4.40 %	5.33 %	5.22 %	6.29 %
Average rate paid on interest-bearing liabilities	2.20	1.59	1.66	1.61	2.36	2.23	3.41
Interest rate spread (5) (7)	2.59	2.65	2.81	2.79	2.97	2.99	2.88
Net interest margin (6) (7)	3.05	2.98	3.17	3.14	3.47	3.45	3.57
Ratio of interest-bearing assets to interest-bearing liabilities	126.65	125.82	127.92	128.06	126.77	125.79	125.39
Ratio of net interest income after provision for loan losses to non-interest expense	124.40	82.39	114.22	111.70	132.02	129.60	142.86
Non-interest expense as a percent of average assets	2.18	3.24	2.67	2.71	2.53	2.54	2.38
Return on average assets	0.81	0.07	0.74	0.66	1.03	1.02	1.04
Return on average equity	3.76	0.36	4.48	4.01	6.50	6.35	6.31
Ratio of average equity to average assets	21.57	20.87	16.46	16.40	15.84	16.04	16.47
Efficiency ratio (8)	63.59	97.31	70.63	73.05	63.02	63.18	55.67
Proforma efficiency ratio (9)	62.61	65.54	66.21	63.74	-	-	-
Regulatory Capital Ratios							
Leverage capital ratio	14.31	16.32	16.10	16.10	16.05	16.45	16.29
Tier 1 capital to risk-weighted assets	24.99	26.98	26.95	26.95	26.64	27.19	25.14
~~Total risk-based capital ratio~~	~~26.02~~	~~28.22~~	~~28.15~~	~~28.15~~	~~27.89~~	~~28.44~~	~~26.42~~
Asset Quality Ratios							
Nonperforming loans as a percent of total loans (1) (2)	0.23	0.33	0.42	0.42	0.39	0.33	0.96
Nonperforming assets as a percent of total assets (3)	0.11	0.16	0.22	0.22	0.19	0.17	0.50
Allowance for loan losses as a percent of total loans	1.08	1.15	1.35	1.35	1.64	1.61	1.78
Allowance for loan losses as a percent of non-performing loans	481.02	353.40	321.90	321.90	416.94	482.71	185.43
Net loan charge-offs as a percent of average interest-earning assets	0.02	0.07	0.07	0.05	0.07	0.08	0.12

(1) Loans are stated at their principal amounts outstanding, net of deferred loan fees and costs and net unamortized premium on acquired loans.
(2) Nonperforming loans include loans for which the Company does not accrue interest (nonaccrual loans), loans 90 days past due and still accruing interest and renegotiated loans due to a weakening in the financial condition of the borrower.
(3) Nonperforming assets consist of nonperforming loans and other real estate owned.
(4) Performance ratios are based on average daily balances during the periods indicated and are annualized where appropriate. Regulatory Capital Ratios and Asset Quality Ratios are end-of-period ratios.
(5) Interest rate spread represents the difference between the weighted average yield on average interest-bearing assets and the weighted average cost of average interest-bearing liabilities.
(6) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(7) No tax equivalent adjustments were made due to the fact that ratio would not be materially different.
(8) The efficiency ratio represents the ratio of non-interest expenses, net of OREO expenses, to the sum of net interest income and non-interest income, excluding security gains or losses. The efficiency ratio is not a financial measurement required by accounting principles generally accepted in the United States of America. However, management believes such information is useful to investors in evaluating company performance.
(9) The proforma efficiency ratio represents the ratio of non-interest expenses, net of OREO expenses, conversion and merger-related expenses and contribution to NewAlliance Foundation, to the sum of net interest income and non-interest income, excluding security gains or losses. The efficiency ratio is not a financial measurement required by accounting principles generally accepted in the United States of America. However, management believes such information is useful to investors in evaluating company performance.

	At or For the Year Ended December 31,		At or For the Twelve Months Ended Decmeber 31,	At or For the Nine Months Ended December 31,		At or For the Year Ended March 31,	
	2005	2004	2003	2003	2002	2003	2002
Selected Operating Ratios and Other Data							
Performance Ratios (5)							
Average yield on interest-earning assets	4.79 %	4.24 %	4.47 %	4.40 %	5.33 %	5.22 %	6.29 %
Average rate paid on interest-bearing liabilities	2.20	1.59	1.66	1.61	2.36	2.23	3.41
Interest rate spread (6) (8)	2.59	2.65	2.81	2.79	2.97	2.99	2.88
Net interest margin (7) (8)	3.05	2.98	3.17	3.14	3.47	3.45	3.57
Ratio of interest-bearing assets to interest-bearing liabilities	126.65	125.82	127.92	128.06	126.77	125.79	125.39
Ratio of net interest income after provision for loan losses to non-interest expense	124.40	82.39	114.22	111.70	132.02	129.60	142.86
Non-interest expense as a percent of average assets	2.18	3.24	2.67	2.71	2.53	2.54	2.38
Return on average assets	0.81	0.07	0.74	0.66	1.03	1.02	1.04
Return on average equity	3.76	0.36	4.48	4.01	6.50	6.35	6.31
Ratio of average equity to average assets	21.57	20.87	16.46	16.40	15.84	16.04	16.47
Non-GAAP Ratios							
Efficiency ratio (9)	63.59	97.31	70.63	73.05	63.02	63.18	55.67
Regulatory Capital Ratios							
Leverage capital ratio	14.31	16.32	16.10	16.10	16.05	16.45	16.29
Tier 1 capital to risk-weighted assets	24.99	26.98	26.95	26.95	26.64	27.19	25.14
Total risk-based capital ratio	26.02	28.22	28.15	28.15	27.89	28.44	26.42
Asset Quality Ratios							
Nonperforming loans as a percent of total loans (2) (3)	0.23	0.33	0.42	0.42	0.39	0.33	0.96
Nonperforming assets as a percent of total assets (4)	0.11	0.16	0.22	0.22	0.19	0.17	0.50
Allowance for loan losses as a percent of total loans	1.08	1.15	1.35	1.35	1.64	1.61	1.78
Allowance for loan losses as a percent of non-performing loans	481.02	353.40	321.90	321.90	416.94	482.71	185.43
Net loan charge-offs as a percent of average interest-earning assets	0.02	0.07	0.07	0.05	0.07	0.08	0.12

(1) Earnings per share for 2004 was calculated using net income and weighted-average shares outstanding from the date of conversion, April 1, 2004, through December 31, 2004. Net income for this nine-month period was $2.1 million. Earnings per share for all other periods are not presented as the Company had no shares outstanding until the second quarter of 2004.
(2) Loans are stated at their principal amounts outstanding, net of deferred loan fees and costs and net unamortized premium on acquired loans.
(3) Nonperforming loans include loans for which the Company does not accrue interest (nonaccrual loans), loans 90 days past due and still accruing interest and renegotiated loans due to a weakening in the financial condition of the borrower.
(4) Nonperforming assets consist of nonperforming loans and other real estate owned.
(5) Performance ratios are based on average daily balances during the periods indicated and are annualized where appropriate. Regulatory Capital Ratios and Asset Quality Ratios are end-of-period ratios.
(6) Interest rate spread represents the difference between the weighted average yield on average interest-bearing assets and the weighted average cost of average interest-bearing liabilities.
(7) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(8) No tax equivalent adjustments were made due to the fact that ratio would not be materially different.
(9) The efficiency ratio represents the ratio of non-interest expenses, net of OREO expenses, to the sum of net interest income and non-interest income, excluding security gains or losses. The efficiency ratio is not a financial measurement required by accounting principles generally accepted in the United States of America. However, management believes such information is useful to investors in evaluating company performance.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

Overview

The Company's results of operations depend primarily on net interest income, which is the difference between the income earned on its loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by the Company's provision for loan losses, income and expenses pertaining to other real estate owned, gains and losses from sales of loans and securities and non-interest income and expenses. Non-interest expenses consist principally of compensation and employee benefits, occupancy, data processing, amortization of acquisition related intangible assets, marketing, professional services and other operating expenses. Results of operations are also significantly affected by general economic and competitive conditions and changes in interest rates as well as government policies and actions of regulatory authorities. Future changes in applicable laws, regulations or government policies may materially affect the Company. The Company has taken steps to grow in size and geographic reach and expects to be able to expand its deposit gathering activities with the development of new products and services and improve its overall competitive position and support internal growth through lending in the communities it serves. The Company's growth objectives also include merger and acquisition activities, where appropriate.

Completed acquisitions as of December 31, 2005 are: 1) Connecticut Bancshares, 2) Alliance and 3) Trust Company. The acquisitions of Connecticut Bancshares and Alliance were completed in conjunction with the Bank's conversion from mutual to capital stock form on April 1, 2004. The acquisition of Trust Company was completed on July 1, 2005. Unless otherwise defined, references to "the acquisitions" would refer to these three transactions. The Company also completed its acquisition of Cornerstone on January 2, 2006.

Effective December 31, 2003, the Company changed its fiscal year end to December 31 from March 31. For 2005 and 2004, the fiscal years were for twelve-month periods whereas for 2003, the fiscal year was for a nine-month period. Due to this change in fiscal year ends, Management's Discussion and Analysis of Operating Results will compare the following periods: 1) fiscal year ended December 31, 2005 to the fiscal year ended December 31, 2004, and 2) the fiscal year ended December 31, 2004 to the comparative twelve-month period ended December 31, 2003. This presentation will improve comparability of results of operations for the periods presented.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies upon which our financial condition depends, and which involve the most complex subjective decisions or assessment, are as follows. Additional information related to the Company's accounting policies can be found in Note 1 of the Notes to Consolidated Financial Statements.

Allowance for Loan Losses
Arriving at an appropriate level of allowance for loan losses involves a high degree of judgment. The allowance for loan losses provides for probable losses based upon evaluations of known and inherent risks in the loan portfolio. Management uses historical information as well as current economic data, to assess the adequacy of the allowance for loan losses as it is affected by changing economic conditions and various external factors, which may impact the portfolio in ways currently unforeseen.

Income Taxes
Management considers accounting for income taxes as a critical accounting policy due to the subjective nature of certain estimates that are involved in the calculation. Management uses the asset and liability method of accounting for income taxes in which deferred tax assets and liabilities are established for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Management must assess the realizability of the deferred tax asset, including the carryforward of a portion of the charitable contribution, and to the extent that management believes that recovery is not likely, a valuation allowance is established. Adjustments to increase or decrease the valuation allowance are generally charged or credited, respectively, to income tax expense. However, certain changes could be charged or credited to equity or goodwill.

Pension and Other Postretirement Benefits
The determination of the Company's obligation and expense for pension and other postretirement benefits is dependent upon certain assumptions used in calculating such amounts. Key assumptions used in the actuarial valuations include the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation. Actual results could differ from the assumptions and market driven rates may fluctuate. Significant differences in actual experience or significant changes in the assumptions may materially affect future pension and other postretirement obligations and expense.

Intangible Assets
The Company is required to follow SFAS No. 141, *"Business Combinations"* and SFAS No. 142, *"Goodwill and Other Intangible Assets"* for business acquisitions and the subsequent accounting for intangible assets acquired. For business acquisitions, SFAS No. 141 requires us to record as assets on our financial statements both goodwill, an intangible asset which is equal to the excess of the purchase price which we pay for another company over the estimated fair value of the net assets acquired, and identifiable intangible assets such as core deposit intangibles and non-compete agreements. Under SFAS No. 142, goodwill must be regularly evaluated for impairment, in which case we may be required to reduce its carrying value through a charge to earnings. Core deposit and other identifiable intangible assets are amortized to expense over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not have future economic benefit. The valuation techniques used by management to determine the carrying value of tangible and intangible assets acquired in the acquisitions and the estimated lives of identifiable intangible assets involve estimates for discount rates, projected future cash flows and time period calculations, all of which are susceptible to change based on changes in economic conditions and other factors. Future events or changes in the estimates, which were used to determine the carrying value of goodwill and identifiable intangible assets or which otherwise adversely affects their value or estimated lives could have a material adverse impact on future results of operations.

Mortgage Servicing Rights
Mortgage servicing rights represent the present value of future servicing fees from the right to service loans sold. The fair value of capitalized mortgage servicing rights requires the development of a number of estimates, the most critical of which is assumed mortgage loan prepayment speeds, which is significantly impacted by changes in interest rates. In general, during periods of falling interest rates, the mortgage loans prepay faster and the value of the Company's mortgage servicing assets decline. Conversely, during periods of rising rates, the value of mortgage servicing rights generally increases due to slower rates of prepayments. The amount and timing of mortgage servicing rights amortization is adjusted quarterly based on actual results and updated projections. In addition, on a quarterly basis, management performs a valuation review of mortgage servicing rights for potential declines in value that may include obtaining an independent appraisal of the fair value of our servicing portfolio. This quarterly valuation review entails applying current assumptions to the portfolio stratified by predominant risk characteristics such as loan type, interest rate and loan term.

Other Than Temporary Impairment of Securities
On a monthly basis management performs an impairment review of investment securities for potential other than temporary declines in fair value. Significant judgment is involved in determining when a decline in fair market value is considered other than temporary. Some of these judgments related to the investment include financial condition, earnings prospects, adverse events causing the decline that are not expected to reverse in the near term, declines in debt ratings, and length of time that fair value has been below cost. When recognized, other than temporary declines in fair value are recorded in the income statement within net security gains.

Amortization and Accretion on Investment Securities
Premiums and discounts on fixed income securities are amortized or accreted into interest income over the term of the security using the level yield method. For investments with a stated maturity, premiums and discounts are amortized or accreted over the contractual terms of the related security. The Company has a significant portfolio of mortgage-backed securities and collateralized mortgage obligations for which the average life can vary significantly depending on prepayment of the underlying mortgage loans. Therefore, the prepayment speed assumption is critical to this accounting estimate. At purchase date, management uses prepayment speed assumptions from reputable sources. Then, for purposes of computing amortization or accretion on mortgage-backed securities and collateralized mortgage obligations, management adjusts the prepayment speed assumptions on a regular basis. Included in the mortgage-backed securities are hybrid adjustable rate mortgage-backed securities with reset dates ranging between three and seven years. Premium amortization or discount accretion on these hybrid adjustable rate mortgage-backed securities is generally based on a prepayment rate applied up to the initial reset date. In the current interest rate environment, management has experienced significant prepayments on these hybrid adjustable rate mortgage-backed securities by the time of or immediately following the initial reset date. In periods of falling market interest rates, accelerated loan prepayment speeds require an acceleration of the premium amortization or discount accretion for these mortgage-backed securities and collateralized mortgage obligations.

Comparison of Operating Results for the Years Ended December 31, 2005 and 2004 and the Twelve Months Ended December 31, 2003

Table 1: Summary Income Statements

(Dollars in thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Ended December 31, 2003	Change 2005/2004 Amount	Change 2005/2004 Percent	Change 2004/2003 Amount	Change 2004/2003 Percent
Net interest income	$ 176,109	$ 146,220	$ 74,174	$ 29,889	20 %	$ 72,046	97 %
Provision for loan losses	400	600	-	(200)	(33)	600	-
Non-interest income	45,524	35,746	17,774	9,778	27	17,972	101
Operating expenses	139,084	119,142	60,908	19,942	17	58,234	96
Contribution to NewAlliance Foundation	-	40,040	-	(40,040)	(100)	40,040	-
Conversion and merger related charges	2,156	17,591	4,032	(15,435)	(88)	13,559	336
Income before income taxes	79,993	4,593	27,008	75,400	1,642	(22,415)	(83)
Income tax expense	27,394	524	9,091	26,870	5,128	(8,567)	(94)
Net income	$ 52,599	$ 4,069	$ 17,917	$ 48,530	1,193 %	$ (13,848)	(77) %
Basic and diluted earnings per share	$ 0.50	n/a	n/a				

(Dollars in thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003	Change 2005/2004 Amount	Change 2005/2004 Percent	Change 2004/2003 Amount	Change 2004/2003 Percent
Net interest income	$ 176,109	$ 146,220	$ 74,174	$ 29,889	20 %	$ 72,046	97 %
Provision for loan losses	400	600	-	(200)	(33)	600	-
Non-interest income	45,524	35,746	17,774	9,778	27	17,972	101
Operating expenses	139,084	119,142	60,908	19,942	17	58,234	96
Contribution to NewAlliance Foundation	-	40,040	-	(40,040)	(100)	40,040	-
Conversion and merger related charges	2,156	17,591	4,032	(15,435)	(88)	13,559	336
Income before income taxes	79,993	4,593	27,008	75,400	1,642	(22,415)	(83)
Income tax expense	27,394	524	9,091	26,870	5,128	(8,567)	(94)
Net income	$ 52,599	$ 4,069	$ 17,917	$ 48,530	1,193 %	$ (13,848)	(77) %
Basic and diluted earnings per share (1)	$ 0.50	$ 0.02	n/a				

(1) Earnings per share are presented for 2005 and 2004 as the Company had shares outstanding beginning with the second quarter of 2004. Additionally, 2004 earnings per share were calculated using net income and weighted-average shares outstanding for the period April 1 through December, 31, 2004. Net income for this time period was $2.1 million. Further information regarding earnings per share can be found in Note 18 of the Notes to Consolidated Financial Statements.

Earnings Summary

As shown in Table 1, net income increased by $48.5 million, to $52.6 million for the year ended December 31, 2005 from $4.1 million for the year ended December 31, 2004. The increase in earnings was primarily a result of higher net interest income and non-interest income, lower conversion and merger charges related to the Connecticut Bancshares and Alliance acquisitions completed on April 1, 2004 and the contribution in 2004 to the Foundation, partially offset by increased operating and income tax expenses. The rise in net interest income was driven primarily by an increase in average net interest-earning assets of $208.3 million resulting from the acquisitions of Connecticut Bancshares and Alliance and growth in the loan and investment securities portfolios subsequent to these acquisitions. Higher non-interest income and non-interest expenses were predominantly due to the acquisitions, costs associated with being a public company and expenses related to the implementation of the 2005 Long-Term Compensation Plan ("LTCP") in June of 2005. The contribution of Company stock to the Foundation was a one-time event.

Due to an increase in market interest rates, the average yield earned increased for all categories of interest-earning assets and the average rate paid increased in virtually all categories of interest-bearing liabilities. The average rate paid on the total of all interest-bearing liabilities increased more than the increase in the average yield earned on the total of all interest-earning assets, causing a decrease of 6 basis points in the interest rate spread for the year ended December 31, 2005 compared to the year ended December 31, 2004. However, this interest rate spread decrease did not lead to a decline in net interest income as the decrease in spread was mitigated by the increase in the net interest-earning assets average balance of $208.3 million primarily as a result of the acquisitions of Connecticut Bancshares and Alliance in April of 2004. Overall, net interest income increased $29.9 million. Non-interest income increased due to the acquisitions of Connecticut Bancshares and Alliance in 2004 and Trust Company in 2005 and income resulting from non-recurring transactions. These increases were partially offset by increases in salaries and benefits resulting from the acquisitions and the implementation of the LTCP.

Net income decreased by $13.8 million, to $4.1 million for the year ended December 31, 2004 from net income of $17.9 million for the twelve months ended December 31, 2003. The decrease in earnings was primarily the result of increased operating expenses, conversion and merger charges and the contribution to the Foundation, all of which are directly related to the Connecticut Bancshares and Alliance acquisitions and the conversion to a stock bank. This decrease was partially offset by higher net interest and non-interest income, also primarily due to these two acquisitions.

The rise in net interest income for the year ended December 31, 2004 was driven by an increase in interest-earning assets of $2.57 billion due to the acquisitions, partially offset by a decrease in the average yield earned resulting from the lower interest rate environment. The increase in average interest bearing liabilities of $2.07 billion was less than the increase in average interest bearing assets and the cost of interest bearing liabilities decreased 7 basis points, which also contributed to the increase in net interest income. Higher non-interest income and non-interest expenses were due to the expansion of the Company's geographic area due to the acquisitions, costs associated with being a public company and the contribution to the Foundation. The contribution of Company stock to the then newly formed Foundation at the time of the conversion from a mutual to a stock savings bank is a one-time event.

Table 2: Reconciliation of GAAP Net Income to Non-GAAP Proforma Net Earnings

(In thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003
Net income	$ 52,599	$ 4,069	$ 17,917
After-tax operating adjustments:			
Foundation contribution	-	26,026	-
Conversion and merger related charges	1,401	11,434	2,621
Proforma net earnings	$ 54,000	$ 41,529	$ 20,538
Basic and diluted proforma net earnings per share	$ 0.51	n/a	n/a

(In thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003
Net income	$ 52,599	$ 4,069	$ 17,917
After-tax operating adjustments:			
Foundation contribution	-	26,026	-
Conversion and merger related charges	1,401	11,434	2,621
Proforma net earnings	$ 54,000	$ 41,529	$ 20,538

In addition to the earnings results presented above in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Company provides certain earnings results on a non-GAAP, or proforma basis. The determination of proforma net earnings excludes the effects of conversion and merger related charges and contribution to fund a charitable ~~the~~ Foundation~~, which the Company considers to be non-operating, but does not exclude other non-related, nonrecurring items~~ as a result of the Company's initial public offering ("IPO") and conversion to a stock company and simultaneous acquisition of two other financial institutions on April 1, 2004. The Company considers this three-fold transaction to be a one-time, nonrecurring event due to its uniqueness and magnitude as the IPO raised in excess of $1.0 billion and combined with the effect of the acquisitions, the Company effectively tripled in size. These conversion and merger related charges include accounting, legal, consulting and branding expenses directly associated with the IPO and simultaneous acquisitions of Connecticut Bancshares and Alliance, and primarily began during the third quarter of 2003 and continued throughout 2004. The contribution of $40.0 million to the charitable Foundation was made through a donation of stock as a result of the IPO. There have been no additional contributions to the Foundation and there are no plans, commitments or intent to make additional contributions in the future. Performance measured by proforma net earnings is considered by management to be a useful measure for gauging the underlying performance of the Company by eliminating the volatility caused by voluntary transaction-based items.

Presented in Table 2 is a reconciliation of GAAP-based net income to proforma net earnings. As reflected in the table, proforma net earnings for the year ended December 31, 2005 was $54.0 million compared to net income of $52.6 million. Conversion and merger related charges for 2005 primarily included Trust Company costs and the commencement of the Cornerstone costs. Management anticipates that the acquisition of Cornerstone will cause these costs to continue in 2006. For the year ended December 31, 2004, proforma net earnings were $41.5 million. The primary reasons for the difference between the GAAP net income and proforma net earnings were the contribution to the Foundation of $40.0 million (after-tax $26.0 million) and Connecticut Bancshares and Alliance conversion and merger related charges of $17.6 million (after-tax $11.4 million). The twelve month period ended December 31, 2003 was also affected by conversion and merger related charges in the amount of $4.0 million (after tax $2.6 million).

~~The conversion to a stock bank occurred on April 1, 2004, resulting in shares outstanding only for the nine months ended December 31, 2004. Therefore, earnings per share for the year ended December 31, 2004 and the twelve months ended December 31, 2003 are not shown in Tables 1 or 2. Further information regarding earnings per share can be found in Note 18 of the Notes to Consolidated Financial Statements.~~

Average Balances, Interest and Average Yields/Cost

Table 3 below sets forth certain information concerning average interest-earning assets and interest-bearing liabilities and their associated yields or rates for the periods indicated. The average yields and costs are derived by dividing income or expenses by the average balances of interest-earning assets or interest-bearing liabilities, respectively, for the periods shown and reflect annualized yields and costs. Average balances are computed using daily balances. Yields and amounts earned include loan fees and fair value adjustments related to acquired loans. Loans held for sale and nonaccrual loans have been included in interest-earning assets for purposes of these computations.

Table 3: Average Balance Sheets for the Years Ended December 31, 2005 and 2004 and the Twelve Months Ended December 31, 2003

	Year Ended December 31,						Twelve Months Ended December 31,		
	2005			2004			2003		
(Dollars in thousands)	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate	Average Balance	Interest	Average Yield/ Rate
Interest-earning assets									
Loans									
Residential real estate	$ 1,594,607	$ 82,667	5.18 %	$ 1,403,023	$ 71,328	5.08 %	$ 611,656	$ 34,220	5.59 %
Commercial real estate	744,450	45,276	6.08	632,280	37,178	5.88	288,320	19,294	6.69
Commercial business	319,669	20,463	6.40	272,360	14,935	5.48	92,814	5,481	5.91
Consumer	526,059	29,001	5.51	441,312	20,163	4.57	231,836	11,932	5.15
Total Loans	3,184,785	177,407	5.57	2,748,975	143,604	5.22	1,224,626	70,927	5.79
Short-term investments	56,758	1,763	3.11	84,500	1,083	1.28	16,844	193	1.15
Investment securities	2,533,381	97,400	3.84	2,072,917	63,345	3.06	1,097,896	33,450	3.05
Total interest-earning assets	5,774,924	$ 276,570	4.79 %	4,906,392	$ 208,032	4.24 %	2,339,366	$ 104,570	4.47 %
Non-interest-earning assets	702,923			548,241			91,628		
Total assets	$ 6,477,847			$ 5,454,633			$ 2,430,994		
Interest-bearing liabilities									
Deposits									
Money market	$ 721,128	$ 12,984	1.80 %	$ 733,450	$ 11,344	1.55 %	$ 443,950	$ 7,223	1.63 %
NOW	327,050	614	0.19	451,977	977	0.22	146,195	229	0.16
Savings	859,922	4,054	0.47	862,753	4,251	0.49	531,500	3,308	0.62
Time	1,364,996	37,839	2.77	961,223	17,255	1.80	519,989	12,040	2.32
Total interest-bearing deposits	3,273,096	55,491	1.70	3,009,403	33,827	1.12	1,641,634	22,800	1.39
Repurchase agreements	187,142	4,061	2.17	159,322	1,481	0.93	26,357	267	1.01
FHLB advances and other borrowings	1,099,487	40,909	3.72	730,768	26,504	3.63	160,817	7,329	4.56
Total interest-bearing liabilities	4,559,725	100,461	2.20 %	3,899,493	61,812	1.59 %	1,828,808	30,396	1.66 %
Non-interest-bearing demand deposits	450,032			353,207			169,292		
Other non-interest-bearing liabilities	71,015			62,618			32,776		
Total liabilities	5,080,772			4,315,318			2,030,876		
Equity	1,397,075			1,139,315			400,118		
Total liabilities and equity	$ 6,477,847			$ 5,454,633			$ 2,430,994		
Net interest-earning assets	$ 1,215,199			$ 1,006,899			$ 510,558		
Net interest income		$ 176,109			$ 146,220			$ 74,174	
Interest rate spread			2.59 %			2.65 %			2.81 %
Net interest margin (net interest income as a percentage of total interest-earning assets)			3.05 %			2.98 %			3.17 %
Ratio of total interest-earning assets to total interest-bearing liabilities			126.65 %			125.82 %			127.92 %

Net Interest Income Analysis

Net interest income is the amount that interest and fees on earning assets (loans and investments) exceeds the cost of funds, primarily interest paid to the Company's depositors and interest on external borrowings. Net interest margin is the difference between the income on earning assets and the cost of interest-bearing funds as a percentage of earning assets.

Table 3 displays net interest income of $176.1 million for the year ended December 31, 2005, an increase of $29.9 million, or 20.4%, compared to the prior year. Increases in average interest-earning assets and interest-bearing liabilities were primarily driven by the acquisitions of Connecticut Bancshares and Alliance, the conversion from a mutual savings bank to a stock bank and general increases in loans, investment securities, borrowings and time deposits during the period.

Interest and dividend income increased $68.6 million, or 32.9%, to $276.6 million from $208.0 million for the year ended December 31, 2005 and 2004, respectively. The average rate on earning assets increased 55 basis points to 4.79% from 4.24% in the prior period. Investment income increased $34.7 million, mainly due to an increase in mortgage-backed securities income of $29.8 million due to a 36 basis point increase in the average rate earned and an increase in the average balance of $623.6 million on these securities. Several factors contributed to the increase in investment income including (a) the movement of short-term investments into higher yielding mortgage-backed securities during the second quarter of 2004, (b) the acquisitions of Connecticut Bancshares and Alliance in the second quarter of 2004, (c) additional purchases during 2005, and (d) a rising market interest rate environment. Income from loans increased $33.8 million of which $23.8 million related to increases in average loan balances of $435.8 million, primarily attributable to the acquisitions of Connecticut Bancshares and Alliance during the second quarter of 2004, as well as higher originations and loan purchases and $10.0 million was due to an increase of 35 basis points in the average rate earned on these loans resulting from the general increase in market interest rates during the period.

The cost of funds for the year ended December 31, 2005 increased $38.6 million, or 62.5%, to $100.5 million from $61.8 million in the prior year period. The average rate on interest-bearing liabilities increased 61 basis points to 2.20% from 1.59%. Interest expense on deposits increased $21.7 million and was mainly driven by a 97 basis point increase in the average rate paid on time deposits and a $403.8 million increase in the average balance of time deposits. The increase was due to market interest rate increases as well as the Company's strategy of offering promotional rates to customers who either had or established a checking relationship with the Bank. Interest expense on FHLB advances and other borrowings increased $14.4 million over the prior year period to $40.9 million from $26.5 million. This increase was primarily due to an increase of $367.1 million in the average balance of FHLB advances in order for the Company to originate and purchase residential mortgages, purchase investment securities and to fund its stock buy-back program while taking advantage of special borrowing programs and products currently being offered by the FHLB.

Net interest income for the year ended December 31, 2004 was $146.2 million, compared to $74.2 million for the twelve months ended December 31, 2003. This increase is due to an increase in average interest-earning assets of $2.57 billion, partially offset by a decrease in the average yield of 23 basis points. The increase in average interest-bearing liabilities of $2.07 billion was less than the increase in interest-earning assets and the average rate paid on interest-bearing liabilities decreased 7 basis points, which also contributed to the increase in net interest income. This change in volume was primarily driven by the two acquisitions and the conversion from a mutual savings bank to a stock bank.

Interest income for the year ended December 31, 2004 was $208.0 million, compared to $104.6 million for the comparative period ended December 31, 2003, an increase of $103.4 million, or 98.9%. Substantially all of the increase in interest income resulted from an increase in the average balance on interest-earning assets of $2.57 billion. The increase in the average balance was primarily due to funds received from the stock offering and interest-earning assets acquired from the Connecticut Bancshares and Alliance transactions that were completed on April 1, 2004. The most significant change occurred in the loan balances, which increased by $1.52 billion. Higher loan balances were attributable to $1.97 billion of loans acquired in the two acquisitions partially offset by a decrease in loan balances subsequent to the acquisitions as management focused on integration and customer retention. The decrease in organic loan growth was driven principally by decreasing originations of new residential and commercial real estate loans, which did not fully compensate for loan payoffs. The decrease was partially offset by continuing demand in home equity loans and lines of credit and commercial loans and lower prepayment rates. The 57 basis point decline in the average yield on loans was due to the lower interest rate environment.

Average balances for short-term investments and investment securities for the twelve months ended December 31, 2004 increased $1.04 billion, or 93.5%, which was mainly attributable to the transactions. The Company acquired investment securities of $725.4 million. Excluding the acquired securities, investment securities increased by $397.1 million primarily due to investing the net remaining proceeds raised by the initial public offering. The 3 basis point increase in the average yield on short-term investments and investment securities resulted from the ability of the Company to move away from investing in short-term low yielding assets due to liquidity raised by the initial public offering, as well as a decrease in prepayment speeds on mortgage-backed securities which resulted in less premium amortization this period versus the same period a year ago.

The cost of funds for the year increased $31.4 million compared to the prior twelve-month period, primarily resulting from the acquisition of Connecticut Bancshares and Alliance. Upon completion of the two transactions the Company acquired approximately $1.97 billion in deposits and approximately $751.6 million in borrowings. The increase in interest expense on deposits of $11.0 million was due to an increase in the average balance of $1.37 billion, which more than offset the 27 basis point decrease in the average rate paid on these liabilities. The decrease in the rate paid on time deposits is mainly due to management's competitive positioning and off-term pricing strategy. Interest expense on FHLB advances and other borrowings and repurchase agreements increased $20.4 million, from $7.6 million for the twelve months ended December 31, 2003 to $28.0 million for the same period in 2004. The increase in expense is due primarily to the increase in the average balance, partially offset by a 93 basis point decrease in the cost of these funds. The decrease in the average yield on these borrowings is a result of the lower rate environment as well as the premium amortization related to the fair value adjustment on acquired borrowings.

Rate/Volume Analysis

The following table presents the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

Table 4: Rate/Volume Analysis

	Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004			Year Ended December 31, 2004 Compared to the Twelve Months Ended December 31, 2003		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
(In thousands)	Rate	Volume	Net	Rate	Volume	Net
Interest-earning assets						
Loans						
Residential real estate	$ 1,431	$ 9,908	$ 11,339	$ (3,392)	$ 40,500	$ 37,108
Commercial real estate	1,312	6,786	8,098	(2,599)	20,483	17,884
Commercial business	2,713	2,815	5,528	(417)	9,871	9,454
Consumer	4,581	4,257	8,838	(1,474)	9,705	8,231
Total loans	10,037	23,766	33,803	(7,882)	80,559	72,677
Short-term investments	1,131	(451)	680	26	864	890
Investment securities	18,303	15,752	34,055	98	29,797	29,895
Total interest-earning assets	$ 29,471	$ 39,067	$ 68,538	$ (7,758)	$ 111,220	$ 103,462
Interest-bearing liabilities						
Deposits						
Money market	$ 1,834	$ (194)	$ 1,640	$ (373)	$ 4,494	$ 4,121
NOW	(117)	(246)	(363)	113	635	748
Savings	(183)	(14)	(197)	(794)	1,737	943
Time	11,618	8,966	20,584	(3,186)	8,401	5,215
Total interest-bearing deposits	13,152	8,512	21,664	(4,240)	15,267	11,027
Repurchase agreements	2,281	299	2,580	(25)	1,239	1,214
FHLB advances and other borrowings	702	13,703	14,405	(1,786)	20,961	19,175
Total interest-bearing liabilities	$ 16,135	$ 22,514	$ 38,649	$ (6,051)	$ 37,467	$ 31,416
Increase (decrease) in net interest income	$ 13,336	$ 16,553	$ 29,889	$ (1,707)	$ 73,753	$ 72,046

Provision for Loan Losses

The provision for loan losses ("provision") is based on management's periodic assessment of the adequacy of the loan loss allowance which, in turn, is based on such interrelated factors as the composition of the loan portfolio and its inherent risk characteristics, the level of nonperforming loans and charge-offs, both current and historic, local economic conditions, the direction of real estate values, and regulatory guidelines.

Management performs a monthly review of the loan portfolio, and based on this review determines the level of the provision necessary to maintain an adequate allowance for loan losses ("allowance"). Management recorded a provision for loan losses of $400,000 for the year ended December 31, 2005. The provision was recorded to partially offset net charge-offs during the 3rd quarter of $914,000. The allowance was deemed adequate despite not fully providing for the total year-to-date net charge-offs of $1.0 million, certain of which were provided for in prior years, as improvements were noted in other asset quality indicators including, nonperforming assets to total assets, nonperforming loans to total loans, the allowance for loan loss as a percent of nonperforming loans, as well as positive trends in delinquencies. This compares to a provision for loan losses of $600,000 recorded for the year ended December 31, 2004 and no provision recorded for the twelve months ended December 31, 2003.

At December 31, 2005, the allowance for loan losses was $35.6 million, which represented 481.02% of nonperforming loans and 1.08% of total loans. This compared to the allowance for loan losses of $36.2 million at December 31, 2004 representing 353.40% of nonperforming loans and 1.15% of total loans. The allowance acquired in the Connecticut Bancshares and Alliance acquisitions was $21.5 million. At December 31, 2003, the allowance for loan losses was $17.7 million, which represented 321.9% of nonperforming loans and 1.35% of total loans. The reduction in the ratio of allowance for loan losses to total loans reflects growth in lower risk loan portfolios and improved asset quality measures.

Management takes a long-term view in establishing the loss rates in each risk rating category. As a result, allowance allocations by risk rating category consider higher levels of charge-offs experienced during the last economic downturn beginning in the early 1990's. During the last significant downturn in the early 1990's, nonperforming assets increased from $53.5 million (3.9% of loans) in 1990 to $128 million (8.7% loans) in 1993. Subsequent net charge-offs and OREO losses reached a peak in 1995 at $23.9 million or 1.68% of the loan portfolio. Throughout the 1990's, management added to the allowance in response to deterioration in the loan portfolio resulting in a ratio of allowance to total loans of 2.11% in 1998. For the 3-year period ending March 31, 1998, annualized net charge-offs were $13 million (0.92%), $7.4 million (0.54%) and $15.5 million (1.24%), respectively. Including OREO write-downs, the three year total losses were $58 million or an average of $19.3 million per year, which equates to annual credit related losses of 1.44% of the average loan portfolio during this same three-year period.

Beginning in 1999, improvements in the local real estate market began to have a positive impact on our customers, and asset quality began to improve. Nonperforming assets were reduced from $30.7 million at March 31, 1998 to $11.5 million at March 31, 1999 and continued to decrease on a percent of loans outstanding basis through December 31, 2005. Net charge-offs to average interest-earning loans over the last 5 years have ranged from 0.03% to 0.22% and ended fiscal year December 31, 2005 at 0.03%. As asset quality indicators for the portfolio, as a whole, continued to improve, management has reduced the loss rates in certain risk rating categories used in the calculation of the allocation for loan losses.

Table 5: Non-interest Income

(Dollars in thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003	Change 2005/2004 Amount	Change 2005/2004 Percent	Change 2004/2003 Amount	Change 2004/2003 Percent
Depositor service charges	$ 22,627	$ 18,628	$ 7,596	$ 3,999	21 %	$ 11,032	145 %
Loan and servicing income	3,038	2,646	2,114	392	15	532	25
Trust fees	4,753	2,415	1,963	2,338	97	452	23
Investment and insurance fees	6,117	5,692	2,585	425	7	3,107	120
Bank owned life insurance	2,416	1,828	-	588	32	1,828	-
Rent	3,210	3,078	3,014	132	4	64	2
Net (loss) gain on limited partnership	(80)	5	(1,529)	(85)	(1,700)	1,534	(100)
Net securities gains	40	616	750	(576)	(94)	(134)	(18)
Net gain on sale of loans	297	305	838	(8)	(3)	(533)	(64)
Other	3,106	533	443	2,573	483	90	20
Total non-interest income	$ 45,524	$ 35,746	$ 17,774	$ 9,778	27 %	$ 17,972	101 %

Non-Interest Income Analysis

The Company has two primary sources of non-interest income: (a) banking services related to loans, deposits and other core customer activities typically provided through the branch network as well as Merchant Services and (b) financial services, comprised of trust, investment and insurance products and brokerage and investment advisory services. The principal categories of non-interest income are shown in table 5.

The increase in total non-interest income of $9.8 million for the year ended December 31, 2005 from the comparable period in 2004 was primarily due to the acquisitions of Connecticut Bancshares and Alliance in 2004, the resulting expansion of our market and branch network and the acquisition of Trust Company on July 1, 2005, which more than doubled the Company's trust assets under management to $1.15 billion. The acquisitions were the main reasons for increases in investment and insurance fees, bank owned life insurance and trust fees. Depositor service charges increased due to new product and service initiatives implemented during 2005 as well as the acquisitions of Connecticut Bancshares and Alliance. Loan and servicing income increased $392,000 due to an increase in the valuation of mortgage servicing rights, partially offset by a net decrease in loan fees, principally commercial real estate loan prepayment fees as the prepayment penalty period had expired on many of the loans that prepaid in 2005. The increase in other income was largely attributable to several items of a non-recurring nature, including interest on income tax refunds, gains on two lease terminations, sales of excess real estate originally acquired in connection with the Connecticut Bancshares acquisition, and a gain on the sale of a portion of the merchant services book of business. However, approximately $407,000 of the increase in other income is recurring and was due to an increase in amounts earned on the outstanding balances of bank checks processed by a third-party vendor, which is also due to the acquisition of Connecticut Bancshares in 2004.

Non-interest income increased $17.9 million to $35.7 million for the year ended December 31, 2004 from the twelve months ended December 31, 2003. Most of the increase was directly attributable to the acquisitions of Connecticut Bancshares and Alliance. Depositor service charges increased $11.0 million with approximately $9.3 million of the increase due to the acquisitions. The remaining $1.7 million increase was due to an increase in check fees and other service charges related to an increase in volume and an increase in ATM fees. Loan and servicing income increased $532,000, which was comprised of an increase of approximately $848,000 resulting from the acquisitions, offset by a decrease in prepayment fees and lower increases in the value of the mortgage servicing rights. The increase of $452,000 in trust fees is primarily due to increased value of assets under management which drives trust fee income. Investment and insurance fees increased $3.1 million due to the acquisitions given the expansion of our market and branch network and an increase in the number of brokers selling investment and insurance products as well as the favorable market for insurance products during the year. Additionally, the Bank established its own broker dealer in the first quarter of 2004 thereby realizing higher commissions on sales of investment products. The $1.8 million increase in bank owned life insurance was due to assets acquired in the acquisitions. The $1.5 million increase in gain on limited partnerships from the prior period was due to a write down in 2003 on limited partnerships that was required to reflect the fair value of the partnerships. The decrease in net gain on sale of loans was due to a decrease in fixed rate mortgage loans originated and sold in the secondary market due to the reduced refinancing activity industry-wide.

Table 6: Non-interest Expense

(Dollars in thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003	Change 2005/2004 Amount	Change 2005/2004 Percent	Change 2004/2003 Amount	Change 2004/2003 Percent
Salaries and employee benefits	$ 72,837	$ 60,272	$ 35,983	$ 12,565	21 %	$ 24,289	68 %
Occupancy	12,540	10,456	6,916	2,084	20	3,540	51
Furniture and fixtures	6,363	6,326	4,006	37	1	2,320	58
Outside services	18,243	15,671	7,119	2,572	16	8,552	120
Advertising, public relations, and sponsorships	4,584	2,976	2,133	1,608	54	843	40
Contribution to the Foundation	-	40,040	-	(40,040)	(100)	40,040	-
Amortization of identifiable intangible assets	10,699	11,327	27	(628)	(6)	11,300	41,852
Conversion and merger related charges	2,156	17,591	4,032	(15,435)	(88)	13,559	336
Other	13,818	12,114	4,724	1,704	14	7,390	156
Total non-interest expense	$ 141,240	$ 176,773	$ 64,940	$ (35,533)	(20) %	$ 111,833	172 %

Non-interest Expense Analysis

As shown in table 6, expenses for the year ended December 31, 2005 decreased significantly over the comparable period in 2004, principally due to the $40.0 million contribution to the Foundation and $17.6 million in conversion and merger related charges recorded in 2004 as compared with $2.2 million during 2005. In April 2005, the Company announced two then pending acquisitions, the Trust Company, which was completed on July 1, 2005 and Cornerstone, which closed on January 2, 2006. The Company expects that conversion and merger related charges resulting from the Cornerstone acquisition will continue in future periods.

Excluding the contribution to the Foundation and conversion and merger related charges, non-interest expense increased $19.9 million with almost every expense category rising. These increases are primarily attributable to the LTCP which was implemented in 2005 and additional operating expenses resulting from the acquisitions and the conversion to a public company. The conversion to a stock bank and the simultaneous acquisitions of Connecticut Bancshares and Alliance occurred on April 1, 2004. Therefore, the current year expenses include twelve months of the combined banks, whereas the prior year expenses include only nine months of the combined banks. Additionally, the acquisition of Trust Company occurred on July 1, 2005 and has contributed to the increase in current year expenses.

Salaries and employee benefits increased $12.6 million primarily due to increases related to the LTCP, increased salaries resulting from the Trust Company acquisition and higher expenses for medical insurance, pension and employee stock ownership plan ("ESOP") costs. ESOP costs increased due to the three additional months of expense recorded as the ESOP was established in April of 2004. Medical insurance and pension costs also increased due to the additional three months as well as an increase of approximately 17% for medical insurance year over year and a decrease in the discount rate used by the Company to calculate net periodic benefit cost. The anticipated earnings impact of the LTCP is discussed in Note 13 of the Notes to Consolidated Financial Statements. Occupancy expense increased primarily due to the acquisitions and the opening of a new branch in September of 2005. Outside services increased $2.6 million due to increases in audit and data processing fees, partially offset by a decrease in consultant fees. Data processing fees increased due to the increased transactional volume and core system usage related to the outsourcing of certain processing functions of Connecticut Bancshares and as a result of new processing fees incurred relating to Trust Company. Audit fees have increased due in part to additional benefit plan audits of the acquired banks and Sarbanes Oxley (“SOX”) testing fees. Consultant fees decreased due to costs incurred in the prior-year for the completion of a strategic business plan, partially offset by current year costs relating to SOX compliance. Advertising increased due to the Company’s expanded market area. Other expense increased $1.7 million due to increases in general operating expenses primarily due to the acquisitions.

Non-interest expense increased $111.8 million to $176.7 million for the year ended December 31, 2004 from the twelve months ended December 31, 2003. The increase in the contribution to the Foundation, conversion and merger related charges, salaries and employee benefits and the amortization of acquisition related intangible assets were the primary causes for the increase in non-interest expense for the year ended December 31, 2004. The contribution to the Foundation was a one-time event, as management does not expect to make future contributions to the Foundation. Conversion and merger related charges included primarily legal, accounting and consulting assistance, and advertising expenses related to the integration of the acquired companies and rebranding the Bank as “NewAlliance Bank”.

Excluding the one-time event of the contribution to the Foundation, salaries and employee benefits represented the largest increase in expenses during the year. Approximately 66%, or $16.3 million, of the $24.8 million increase was directly attributable to the acquisitions of Connecticut Bancshares and Alliance. The remaining 34%, or $8.5 million, increase was mainly a result of increased salaries and benefits due to increased staffing levels and restructuring of benefit plans as the Bank converted from a mutual savings bank to a stock bank. Occupancy and furniture and fixtures expenses increased as we added 36 branches to our network with the acquisitions. Management expects occupancy expense to decrease slightly in future periods as nine branches were consolidated in September and a tenth in December. Outside services increased $8.6 million and were driven mainly by increases in data processing fees for the increased transactional volume and core system usage, and additional legal, accounting and consulting fees related to the additional responsibilities of being a newly formed public company. The increase in advertising and public relations expense is due to an increase in marketing campaigns conducted and sponsorships granted throughout our expanded geographical area. The $11.3 million increase in amortization of identifiable intangible assets is directly attributable to the acquisitions of Connecticut Bancshares and Alliance and is primarily the amortization of non-compete agreements and core deposit intangible assets. Other expenses increased $6.9 million with approximately 42%, or $2.9 million, of the increase related to general operating costs for the 36 branches added in the acquisitions. The bulk of the remaining increase, approximately $3.1 million, is due to increases in director and officer liability insurance coverage. Premiums for this coverage increased due to the Bank’s conversion to a public company, and the Company increasing the level of its coverage.

Income Tax Expense

Income tax expense was $27.4 million for the year ended December 31, 2005, which resulted in an effective tax rate of 34.25% compared to $524,000 for the year ended December 31, 2004, which resulted in an effective tax rate of 11.4%. Absent the impact that the charitable contribution to the Foundation had on the effective tax rate as of December 31, 2004, the effective tax rate would have been 32.6%. For the year ended December 31, 2003, the income tax expense of $9.1 million resulted in an effective tax rate of 33.7%. The change in the effective tax rate for the year ended December 31, 2005 in comparison to the year ended December 31, 2004 is primarily due to excess remuneration pursuant to Internal Revenue Code 162(m) and to the increase in the valuation allowance required for the charitable contribution to the Foundation. The change in the effective tax rate for the year ended December 31, 2004 in comparison to the twelve months ended December 31, 2003 is primarily due to the tax benefit associated with bank owned life insurance and the dividend received deduction.

Comparison of Financial Condition at December 31, 2005 and December 31, 2004

Financial Condition Summary

From December 31, 2004 to December 31, 2005, total assets and liabilities increased approximately $297.3 million and $402.8 million, respectively, due mainly to increases in loans, investments and borrowings. Stockholders’ equity decreased $105.5 million to $1.31 billion due primarily to treasury shares acquired, dividends and a decrease in the after tax fair value of investment securities, partially offset by net income and stock issued to acquire Trust Company.

Lending Activities

The Company originates residential real estate loans secured by one- to four-family residences, commercial real estate loans, residential and commercial construction loans, commercial loans, multi-family loans, home equity lines of credit and fixed rate loans and other consumer loans throughout the State of Connecticut.

The following table summarizes the composition of the Company’s total loan portfolio as of the dates presented:

Table 7: Loan Portfolio Analysis

	At December 31,						At March 31,			
	2005		2004		2003		2003		2002	
(Dollars in thousands)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Real estate loans										
Residential	$ 1,650,527	50.4 %	$ 1,576,046	50.1 %	$ 644,854	49.3 %	$ 594,603	50.4 %	$ 638,013	54.6 %
Commercial	768,582	23.4	731,309	23.2	295,178	22.6	285,108	24.2	283,458	24.2
Total real estate loans	2,419,109	73.8	2,307,355	73.3	940,032	71.9	879,711	74.6	921,471	78.8
Commercial loans	314,562	9.6	325,835	10.4	92,869	7.1	89,667	7.6	86,559	7.4
Consumer loans										
Equity loans and lines of credit	520,290	15.9	475,051	15.1	239,584	18.3	163,332	13.9	113,466	9.7
Other	22,745	0.7	36,416	1.2	35,040	2.7	45,661	3.9	47,397	4.1
Total consumer loans	543,035	16.6	511,467	16.3	274,624	21.0	208,993	17.8	160,863	13.8
Total loans	3,276,706	100.0 %	3,144,657	100.0 %	1,307,525	100.0 %	1,178,371	100.0 %	1,168,893	100.0 %
Allowance for loan losses	(35,552)		(36,163)		(17,669)		(18,932)		(20,805)	
Loans, net	$ 3,241,154		$ 3,108,494		$ 1,289,856		$ 1,159,439		$ 1,148,088	

As shown in Table 7, gross loans were $3.28 billion at December 31, 2005, up $132.0 million from year-end 2004. The increase in gross loan balances was primarily attributable to increases in residential and commercial real estate loans and home equity loans and lines of credit.

Residential real estate loans continue to represent the largest segment of the Company's loan portfolio as of December 31, 2005, comprising approximately 50% of gross loans. The increase in the balance of $74.5 million since December 31, 2004 was due to loan portfolio originations and purchases, partially offset by a decrease in organic loan balances. The purchased portfolio includes adjustable rate and 10 and 15 year fixed rate residential real estate loans with property locations predominately in the Northeast. For the year ended December 31, 2005, loan purchases accounted for $186.4 million of new residential real estate loans. The Company plans to expand its geographical target area for residential real estate loan purchases to supplement the organic portfolio. The Company also continues to originate 30 year fixed rate mortgages for sale, which amounted to $55.2 million during the year.

Home equity loans and lines of credit increased $45.2 million from December 31, 2004 to December 31, 2005. These products were promoted by the Company through attractive pricing and marketing campaigns as the Company is committed to growing this loan segment while maintaining credit quality as a higher yielding alternative to investments.

Commercial real estate loans increased $37.3 million from December 31, 2004 to December 31, 2005. The increase was attributable to increases in both the number and average balance of loan originations as a result of the Company's improved competitive position in the Connecticut commercial real estate lending market subsequent to the acquisitions of Connecticut Bancshares and Alliance. The Company's continued strategy is to have a larger percentage of the Company's assets be attributable to commercial loans including real estate, construction and other commercial loans. To accomplish this goal, the Company is expanding penetration of its geographical target area as well as promoting stronger business development efforts to obtain new business banking relationships, while still maintaining credit quality.

Selected Loan Maturities

The following table shows the contractual maturity of the Company's construction and commercial business loan portfolios at December 31, 2005.

Table 8: Contractual Maturities and Interest Rate Sensitivity of Selected Loan Categories

(In thousands)	Real Estate Construction	Commercial Business	Total
Amounts due			
One year or less	$ 73,245	$ 106,928	$ 180,173
Over one year through five years	32,474	134,697	167,171
Over five years	4,262	72,937	77,199
Total	$ 109,981	$ 314,562	$ 424,543
Interest rate terms on amounts due after one year			
Fixed	$ 5,375	$ 86,257	$ 91,632
Adjustable	31,361	121,377	152,738
Total	$ 36,736	$ 207,634	$ 244,370

Asset Quality

Loans are placed on nonaccrual if collection of principal or interest in full is in doubt, if the loan has been restructured, or if any payment of principal or interest is past due 90 days or more. A loan may be returned to accrual status if it has demonstrated sustained contractual performance or all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period. For the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003, had interest been accrued at contractual rates on nonaccrual and renegotiated loans, interest income would have increased by approximately $558,000, $562,000 and $168,000, respectively.

The following table sets forth information regarding nonaccrual loans, restructured loans, and other real estate owned:

Table 9: Nonperforming Assets

(Dollars in thousands)	At December 31, 2005	At December 31, 2004	At December 31, 2003	At March 31, 2003	At March 31, 2002
Nonaccruing loans (1)					
Real estate loans					
Residential	$ 1,808	$ 1,473	$ 1,399	$ 2,333	$ 4,089
Commercial	2,889	4,268	700	990	5,587
Total real estate loans	4,697	5,741	2,099	3,323	9,676
Commercial business	2,446	4,079	3,319	369	1,361
Consumer loans					
Home equity and equity lines of credit	29	196	15	157	141
Other consumer	219	217	56	73	42
Total consumer	248	413	71	230	183
Total nonaccruing loans	7,391	10,233	5,489	3,922	11,220
Real estate owned	-	-	23	66	-
Total nonperforming assets	$ 7,391	$ 10,233	$ 5,512	$ 3,988	$ 11,220
Allowance for loan losses as a percent of total loans (2)	1.08%	1.15%	1.35%	1.61%	1.78%
Allowance for loan losses as a percent of total nonperforming loans	481.02%	353.40%	321.90%	482.71%	185.43%
Total nonperforming loans as a percentage of total loans (2)	0.23%	0.33%	0.42%	0.33%	0.96%
Total nonperforming assets as a percentage of total assets	0.11%	0.16%	0.22%	0.17%	0.50%

(1) Nonaccrual loans include all loans 90 days or more past due, restructured loans and other loans, which have been identified by the Company as presenting uncertainty with respect to the collectability of interest or principal.
(2) Total loans are stated at their principal amounts outstanding, net of deferred fees and fair value adjustment on acquired loans.

As displayed in Table 9, nonperforming assets at December 31, 2005 decreased to $7.4 million compared to $10.2 million at December 31, 2004. Nonperforming loans as a percent of total loans outstanding at December 31, 2005 was 0.23%, down from 0.33% at December 31, 2004. The allowance for loan losses to nonperforming loans ratio, a general measure of coverage adequacy, was 481.02% at December 31, 2005, favorably higher than the ratio of 353.40% at year-end 2004. The allowance for loan losses to total loans was 1.08% at the end of the December 31, 2005 as compared with 1.15% at year-end 2004.

The following table sets forth delinquencies for 60 – 89 days and 90 days or more in the Company's loan portfolio as of the dates indicated:

Table 10: Selected Loan Delinquencies

	At December 31,											
	2005				2004				2003			
	60-89 Days		90 Days or More		60-89 Days		90 Days or More		60-89 Days		90 Days or More	
(Dollars in thousands)	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
Real estate loans												
Residential	7	$ 626	21	$ 1,808	8	$ 494	33	$ 1,473	7	$ 422	26	$ 1,399
Commercial	-	-	9	2,889	4	962	11	4,268	-	-	2	700
Total real estate loans	7	626	30	4,697	12	1,456	44	5,741	7	422	28	2,099
Commercial business	7	213	36	2,446	17	2,638	67	4,079	1	8	13	3,319
Consumer												
Home equity	3	49	1	29	1	20	7	196	-	-	1	15
Other consumer	24	173	20	219	35	202	62	217	11	17	8	56
Total consumer	27	222	21	248	36	222	69	413	11	17	9	71
Total	41	$ 1,061	87	$ 7,391	65	$ 4,316	180	$ 10,233	19	$ 447	50	$ 5,489
Delinquent loans to total loans		0.03 %		0.23 %		0.14 %		0.33 %		0.04 %		0.42 %

Other Real Estate Owned
The Company classifies property acquired through foreclosure or acceptance of a deed-in-lieu of foreclosure as other real estate owned in its financial statements. When a property is placed in other real estate owned, the excess of the loan balance over the estimated fair market value of the collateral, based on a recent appraisal, is charged to the allowance for loan losses. Estimated fair value usually represents the sales price a buyer would be willing to pay on the basis of current market conditions, including normal loan terms from other financial institutions, less the estimated costs to sell the property. Management inspects all other real estate owned properties periodically. Subsequent writedowns in the carrying value of other real estate owned are charged to expense if the carrying value exceeds the estimated fair value. At December 31, 2005, the Company had no other real estate owned.

Classification of Assets and Loan Review
The Chief Credit Officer is responsible for this evaluation process and is assisted by the use of an independent third party loan review company. An internal risk rating system is used to monitor and evaluate the credit risk inherent in its loan portfolio. At the time of loan approval, all commercial and commercial real estate loans are assigned a risk rating based on all of the factors considered in originating the loan. The initial risk rating is recommended by the loan officer who originated the loan and approved by the loan approval authority.

Under our internal risk rating system, we currently classify problem and potential problem assets as "substandard," "doubtful" or "loss". An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that we will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard" with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. In addition, assets which do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses, are required to be designated "special mention."

The Company engages an independent third party to conduct semi-annual loan reviews of the commercial and commercial real estate loan portfolios, including a penetration of the commercial loan portfolio (by dollar amount) within a range of 70% to 80%. The loan reviews provide a credit evaluation of individual loans to ensure the appropriateness of the risk rating classification. In addition, there is an independent loan review of the residential mortgage and consumer loan portfolios through a quarterly review of a sampling of new loans closed during the period.

On a quarterly basis, a Criticized Asset Committee composed of the Chief Credit Officer, Executive Vice President of Business Banking and other senior officers meet to review Criticized Asset Reports on commercial and commercial real estate loans that are risk rated Special Mention, Substandard, or Doubtful. The reports focus on the current status, strategy, financial data, and appropriate risk rating of the criticized loan.

At December 31, 2005, loans classified as substandard (both accruing and nonaccruing) totaled $18.0 million, and consisted of $6.3 million in commercial real estate loans and $11.7 million in commercial loans. Special mention loans totaled $73.5 million, and consisted of $52.8 million of commercial real estate loans and 20.7 million of commercial loans. There were no loans classified as doubtful at December 31, 2005.

Allowance For Loan Losses
The Board of Directors and management of the Company are committed to the establishment and maintenance of an adequate allowance for loan losses, determined in accordance with GAAP. Our approach is to follow the most recent guidelines that have been provided by our regulators and the SEC. Management believes that the methodology it employs to develop, monitor and support the allowance for loan losses is consistent with those guidelines.

While management believes that it has established adequate specific and general allowances for probable losses on loans, there can be no assurance that the regulators, in reviewing the Company's loan portfolio, will not request an increase in the allowance for losses, thereby negatively affecting the Company's financial condition and earnings. Moreover, actual losses may be dependent upon future events and, as such, further additions to the allowance for loan losses may become necessary.

The allowance for loan losses is established through provisions for loan losses based on management's on-going evaluation of the risks inherent in the Company's loan portfolio. Charge-offs against the allowance for loan losses are taken on loans when it is determined that the collection of loan principal is unlikely. Recoveries made on loans that have been charged-off are credited to the allowance for loan losses.

The following table sets forth activity in the Company's allowance for loan losses for the periods indicated:

Table 11: Schedule of Allowance for Loan Losses

(Dollars in thousands)	At or For the Year Ended December 31, 2005	At or For the Year Ended December 31, 2004	At or For the Twelve Months Ended December 31, 2003	At or For the Nine Months Ended December 31, 2003	At or For the Nine Months Ended December 31, 2002	At or For the Year Ended March 31, 2003	At or For the Year Ended March 31, 2002
Balance at beginning of period	$ 36,163	$ 17,669	$ 19,321	$ 18,932	$ 20,805	$ 20,805	$ 23,290
Net allowances gained through acquisition	-	21,498	-	-	-	-	-
Provision for loan losses	400	600	-	-	-	-	-
Charge-offs							
Residential and commercial mortgage loans	12	161	501	6	808	1,323	3,079
Commercial loans	3,347	4,705	2,667	2,619	2,307	2,354	298
Consumer loans	286	346	278	218	271	331	368
Total charge-offs	3,645	5,212	3,446	2,843	3,386	4,008	3,745
Recoveries							
Residential and commercial mortgage loans	490	650	1,062	982	1,505	1,611	366
Commercial loans	1,987	784	598	500	204	302	775
Consumer loans	157	174	134	98	193	222	119
Total recoveries	2,634	1,608	1,794	1,580	1,902	2,135	1,260
Net charge-offs	1,011	3,604	1,652	1,263	1,484	1,873	2,485
Balance at end of period	$ 35,552	$ 36,163	$ 17,669	$ 17,669	$ 19,321	$ 18,932	$ 20,805
Ratios							
Net loan charge-offs to average interest-earning loans	0.03 %	0.13 %	0.13 %	0.10 %	0.13 %	0.16 %	0.22 %
Allowance for loan losses to total loans	1.08	1.15	1.35	1.35	1.64	1.61	1.78
Allowance for loan losses to nonperforming loans	481.02	353.40	321.90	321.90	416.94	482.71	185.43
Net loans charged-off to allowance for loan losses	2.84	9.97	9.35	7.15	7.68	9.89	11.94
Recoveries to charge-offs	72.26	30.85	52.06	55.58	56.17	53.27	33.64

As displayed in Table 11, net charge-offs of $1.0 million were recorded for the year ended December 31, 2005 and were predominantly attributable to the commercial loan portfolio. This compares to net charge-offs of $3.6 million for the year ended December 31, 2004. As a result of the net charge-offs for the year ended December 31, 2005, a provision for loan losses of $400,000 was recorded. Management believes that the allowance for loan losses is adequate and consistent with positive asset quality and nonaccrual delinquency indicators. The Company had an allowance of $35.6 million and $36.2 million at December 31, 2005 and December 31, 2004, respectively.

The following table sets forth the Company's percent of allowance by loan category and the percent of the loans to total loans in each of the categories listed at the dates indicated:

Table 12: Allocation of Allowance for Loan Losses

	At December 31,						At March 31,			
	2005		2004		2003		2003		2002	
(Dollars in thousands)	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
Residential real estate	$ 6,177	50.37 %	$ 5,881	50.12 %	$ 2,917	49.32 %	$ 2,868	50.46 %	$ 4,585	54.58 %
Commercial real estate	8,941	23.46	9,573	23.25	5,798	22.57	6,861	24.19	7,333	24.25
Commercial business	13,782	9.60	14,872	10.36	5,868	7.10	5,313	7.61	4,698	7.41
Consumer	4,320	16.57	4,208	16.27	2,957	21.01	2,783	17.74	2,482	13.76
Unallocated	2,332	-	1,629	-	129	-	1,107	-	1,707	-
Total allowance for loan losses	$ 35,552	100.00 %	$ 36,163	100.00 %	$ 17,669	100.00 %	$ 18,932	100.00 %	$ 20,805	100.00 %

The allowance for loan losses and the provision are determined based upon a detailed evaluation of the portfolio and sub-portfolios through a process which considers numerous factors, including levels and direction of delinquencies, nonperforming loans and assets, risk ratings, estimated credit losses using both internal and external portfolio reviews, current economic and market conditions, concentrations, portfolio volume and mix, changes in underwriting, experience of staff, and historical loss rates over the business cycle. Management follows a guiding principle that the level of the allowance for loan losses should be directionally consistent with asset quality indicators.

The allowance is computed by segregating the portfolio into pools of loans that have similar loan product type and risk rating characteristics. Management uses historical default and loss rates, internal risk ratings, industry data, peer comparisons, and other risk-based characteristics. The data is then analyzed and estimates of losses inherent in the portfolio are determined using formula allowances for homogeneous pools of loans and criticized loans, and specific allowances for impaired loans. The provision and allowance for loan losses are then reviewed and approved by the Company's Board of Directors on a quarterly basis.

Investment Securities

The following table sets forth certain financial information regarding the amortized cost and market value of the Company's investment portfolio at the dates indicated.

Table 13: Investment Securities

	2005		2004		2003	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
Available for sale						
U.S. Government and Agency obligations	$ 167,885	$ 166,131	$ 193,299	$ 191,905	$ 57,482	$ 57,548
Corporate obligations	54,831	53,617	93,716	93,461	54,784	54,877
Other bonds and obligations	120,663	119,848	153,559	153,033	57,923	58,170
Marketable and trust preferred equity securities	161,122	160,806	173,559	173,067	104,539	103,420
Mortgage-backed securities	1,899,374	1,863,069	1,674,416	1,671,235	844,073	846,031
Total available for sale	2,403,875	2,363,471	2,288,549	2,282,701	1,118,801	1,120,046
Held to maturity						
Mortgage-backed securities and other bonds	91,734	90,707	1,000	1,000	350	350
Total held to maturity	91,734	90,707	1,000	1,000	350	350
Total securities	$ 2,495,609	$ 2,454,178	$ 2,289,549	$ 2,283,701	$ 1,119,151	$ 1,120,396

At December 31, 2005 the Company had total investments of $2.46 billion, or 37.4%, of total assets. This is an increase of $171.5 million, or 7.5%, from $2.28 billion at December 31, 2004. The increase was primarily the result of purchases of mortgage-backed securities.

The Company's investment strategy has been to purchase hybrid adjustable rate mortgage-backed securities, five and seven year balloon mortgage-backed securities, ten year pass through mortgage-backed securities and collateralized mortgage obligations based off fifteen-year mortgage collateral. These securities have been emphasized due to their limited extension risk in a rising rate environment and for their monthly cash flows that provide the Company with liquidity. This strategy has been supplemented with select purchases of bullet and callable agency and asset-backed securities. For mortgage-backed securities, the average life at purchase has ranged between 1.5 and 3.5 years and the maturity dates for Agency obligations have ranged between one and five years. The Company is amortizing any premium paid on hybrid adjustable rate mortgage-backed securities to the initial reset date due to management's experience with prepayments by the initial reset date.

SFAS No. 115 requires the Company to designate its securities as held to maturity, available for sale or trading depending on the Company's intent regarding its investments at the time of purchase. The Company does not currently maintain a portfolio of trading securities. As of December 31, 2005, $2.36 billion, or 96.3% of the portfolio, was classified as available for sale and $91.7 million of the portfolio was classified as held to maturity. The net unrealized loss on securities classified as available for sale as of December 31, 2005 was $40.4 million compared to an unrealized loss of $5.8 million as of December 31, 2004. The depreciation in the market value of securities available for sale was primarily due to fluctuations in market interest rates during the period. Management has performed a review of all investments with unrealized losses and noted that none of these investments had other-than-temporary impairment.

The following table sets forth certain information regarding the carrying value, weighted average yield and contractual maturities of the Company's investment portfolio as of December 31, 2005. In the case of mortgage backed securities and asset-backed securities, the table shows the securities by their contractual maturities; however, there are scheduled principal payments and there will be unscheduled prepayments prior to their contractual maturity. Income on obligations of states and political subdivisions are taxable and no yield adjustment for dividend receivable deduction is made because it is not material.

Table 14: Investment Maturities Schedule

(Dollars in thousands)	One year or less Amortized cost	One year or less Weighted average yield	Over one year through five years Amortized cost	Over one year through five years Weighted average yield	Over five years through ten years Amortized cost	Over five years through ten years Weighted average yield	Over ten years Amortized cost	Over ten years Weighted average yield	Total Amortized cost	Total Weighted average yield
Available for sale										
U.S. Government and Agency obligations	$ 98,882	3.31 %	$ 56,387	3.49 %	$ 4,050	4.33 %	$ 8,566	4.43 %	$ 167,885	3.45 %
Corporate obligations	13,061	2.35	36,780	4.03	4,990	4.54	-	-	54,831	3.67
Other bonds and obligations	52,400	4.25	34,881	3.37	3,881	3.24	29,501	3.84	120,663	3.86
Marketable and trust preferred equity securities	25,000	3.37	1,077	4.35	-	-	135,045	5.04	161,122	4.78
Mortgage-backed securities	3	6.46	301,186	4.03	324,668	4.17	1,273,517	4.26	1,899,374	4.21
Total available for sale	189,346	3.51	430,311	3.91	337,589	4.17	1,446,629	4.33	2,403,875	4.17
Held to maturity										
Mortgage-backed securities and other bonds	150	5.15	3,295	4.04	22,470	4.84	65,819	4.78	91,734	4.77
Total held to maturity	150	5.15	3,295	4.04	22,470	4.84	65,819	4.78	91,734	4.77
Total securities	$ 189,496	3.51 %	$ 433,606	3.91 %	$ 360,059	4.21 %	$ 1,512,448	4.35 %	$ 2,495,609	4.19 %

Intangible Assets

At December 31, 2005, the Company had intangible assets of $477.0 million, an increase of $3.7 million from $473.3 million at December 31, 2004. The increase was predominately due to the acquisition of Trust Company on July 1, 2005, which resulted in the Company recording additional goodwill of $6.2 million and a customer list intangible of $7.3 million, partially offset by year-to-date amortization expense of $10.7 million. In accordance with SFAS No. 141, the assets acquired and liabilities assumed are recorded based on their fair values on the acquisition date. In connection with determining the fair market values, the Company retained the services of third parties to provide fair value appraisals of the core deposit and customer list intangibles and to review the value of the non-compete agreements. The Company also utilized third parties to compute the market value for loans, deposits and certain fixed assets.

Identifiable intangible assets are amortized on a straight-line or accelerated basis, over their estimated lives. Management assesses the recoverability of intangible assets subject to amortization whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If carrying amount exceeds fair value an impairment charge is recorded to income. Goodwill is not amortized, but instead is reviewed for impairment on an annual basis. For 2005, the goodwill evaluation occurred in the first quarter and no impairment was recorded, and no events or circumstances subsequent to that evaluation indicate that the carrying value of the Company's goodwill may not be recoverable.

Other Assets

The Company's other assets increased $16.9 million, or 19.2%, to $105.3 million at December 31, 2005 from $88.4 million at December 31, 2004. This net increase was primarily due to increases for a $14.3 million cash prepayment for the Cornerstone acquisition which closed on January 2, 2006, $4.6 million increase in accrued interest receivable and a prepaid pension asset of $11.9 million as a result of the Company's cash contribution to its pension plan during 2005 which relieved the accrued pension liability recorded at December 31, 2004, offset by a decrease of $15.3 million in the current Federal income tax receivable.

Deposits and Borrowings

The Company's traditional sources of funds are the deposits it gathers, borrowings from the FHLB and customer repurchase agreements. The Company's FHLB borrowings are collateralized by stock in the FHLB, certain mortgage loans and other investments. Repayment and prepayment of loans and securities, proceeds from sales of loans and securities and proceeds from maturing securities are also sources of funds for the Company.

Table 15: Deposits

(In thousands)	December 31, 2005	December 31, 2004	Change
Savings	$ 781,346	$ 942,363	$ (161,017)
Money market	554,079	806,035	(251,956)
NOW	342,268	345,539	(3,271)
Demand	486,528	448,670	37,858
Time	1,633,891	1,159,405	474,486
Total deposits	$ 3,798,112	$ 3,702,012	$ 96,100

As displayed in Table 15, deposits increased $96.1 million, or 2.6%, as compared to December 31, 2004, due to increases in time deposits and demand deposits, partially offset by decreases in the other categories, particularly money market and savings.

Time and demand deposits increased by $474.5 million and $37.9 million, respectively, which resulted from the Company's strategy of offering premium time deposit rates to customers who either have or establish a checking relationship with the Company coupled with the offering of new free checking products to both retail and commercial customers. Money market accounts decreased $252.0 million since December 31, 2004 as the Company supplemented promotional offerings on money market accounts with promotional offerings on time deposits. Savings decreased $161.0 million due in part to the market interest rate environment and promotionally driven migration to time deposits as a result of more favorable and rate sensitive pricing of these products.

The Company had $483.8 million in time deposits of $100,000 or more outstanding as of December 31, 2005, maturing as follows:

Table 16: Time Deposit Maturities of $100,000 or more

(Dollars in thousands)	Amount	Weighted average rate
Three months or less	$ 142,128	3.75 %
Over three months through six months	150,367	3.89
Over six months through twelve months	110,209	3.99
Over twelve months	81,123	4.13
Total time deposits $100,000 or more	$ 483,827	3.91 %

The following table summarizes the Company's recorded borrowings of $1.38 billion at December 31, 2005. Borrowings increased $316.0 million, or 29.7%, from the balance recorded at December 31, 2004, mainly in FHLB advances. This increase in FHLB advances was due to funding investment security purchases, loan growth and the Company's stock buy-back program, while managing interest rate risk and liquidity. At December 31, 2005, all of the Company's outstanding FHLB advances were at fixed rates.

Table 17: Borrowings

(In thousands)	December 31, 2005	December 31, 2004	Change
FHLB advances (1)	$ 1,191,280	$ 860,009	$ 331,271
Repurchase agreements	179,970	194,972	(15,002)
Mortgage loans payable	1,716	1,830	(114)
Junior subordinated debentures issued to affiliated trusts (2)	7,809	8,005	(196)
Total borrowings	$ 1,380,775	$ 1,064,816	$ 315,959

(1) Includes fair value adjustments on acquired borrowings of $18.2 million and $24.3 million at December 31, 2005 and 2004, respectively.
(2) Includes fair value adjustments on acquired borrowings of $700,000 and $900,000 at December 31, 2005 and 2004, respectively.

Other Liabilities

Other liabilities decreased $9.3 million, or 11.5%, to $71.6 million at December 31, 2005 compared to $80.9 million at December 31, 2004. This decrease was primarily due to the Company's $24.5 million cash contribution to its pension plan during the year ended December 31, 2005. The contribution exceeded the accrued pension liability and therefore, the Company has recorded a prepaid pension asset as of December 31, 2005. The Company expects that future pension expense will be reduced as a result of this contribution.

Stockholders' Equity
Total stockholders' equity equaled $1.31 billion at December 31, 2005, $105.5 million lower than the balance at December 31, 2004. The decrease consisted primarily of shares repurchased of $88.0 million, dividends of $22.3 million, unearned compensation of $41.3 million related to the Company's LTCP and a decrease of $19.0 million in other comprehensive income resulting from an after tax depreciation in the fair value of investments available for sale. These decreases were partially offset by net income of $52.6 million and common stock issued for the Trust Company acquisition of $10.1 million. For information regarding our compliance with applicable capital requirements, see "Liquidity and Capital Resources" below. Book value per share amounted to $12.05 and $12.41 at December 31, 2005 and December 31, 2004, respectively.

Liquidity and Capital Resources
Liquidity is the ability to meet current and future short-term financial obligations. The Company further defines liquidity as the ability to respond to the needs of depositors and borrowers as well as maintaining the flexibility to take advantage of investment opportunities. The Company's primary sources of funds consist of deposit inflows, loan repayments and sales, maturities, paydowns and sales of investment and mortgage-backed securities, borrowings from the Federal Home Loan Bank and repurchase agreements.

The Company has expanded its use of borrowings from the Federal Home Loan Bank to fund purchases of investments and residential mortgage loans while managing interest rate risk and liquidity. At December 31, 2005, total borrowings from the Federal Home Loan Bank amounted to $1.17 billion, exclusive of $18.2 million in purchase accounting adjustments, and the Company had the capacity to increase that total to $1.35 billion. Additional borrowing capacity would be available by pledging eligible investment securities as collateral. Depending on market conditions and the Company's liquidity and gap position, the Company may continue to borrow from the Federal Home Loan Bank or initiate borrowings through the repurchase agreement market. At December 31, 2005 the Company's repurchase agreement lines of credit totaled $100.0 million, $50.0 million of which was available on that date.

The Company determines its cash position daily. The Investment Department compiles reports detailing the Company's cash activity and cash balances occurring at its various correspondents and through its various funding sources. The Investment Department then settles all correspondent and bank accounts either investing excess funds or borrowing to cover the projected shortfall.

The Company's most liquid assets are cash and due from banks, short-term investments and debt securities. The levels of these assets are dependent on the Company's operating, financing, lending and investment activities during any given period. At December 31, 2005, cash and due from banks, short-term investments and debt securities maturing within one year amounted to $389.9 million, or 5.9% of total assets.

Management believes that the cash and due from banks, short term investments and debt securities maturing within one year, coupled with the borrowing line at the Federal Home Loan Bank and the available repurchase agreement lines at selected broker dealers, provide for sufficient liquidity to meet its operating needs.

At December 31, 2005, the Company had commitments to originate loans, unused outstanding lines of credit and standby letters of credit totaling $670.2 million. Management anticipates that it will have sufficient funds available to meet its current loan commitments. Time deposits maturing within one year from December 31, 2005 amount to $1.26 billion.

The following tables present information indicating various obligations and commitments made by the Company as of December 31, 2005 and the respective maturity dates. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract and generally have fixed expiration dates or other termination clauses.

Table 18: Contractual Obligations

(In thousands)	Total	One year or less	Over one year through three years	Over three years through five years	Over Five Years
FHLB advances (1)	$ 1,173,064	$ 73,500	$ 477,211	$ 232,448	$ 389,905
Repurchase agreements	179,970	179,970	-	-	-
Junior subordinated debentures issued to affiliated trusts	7,109	-	-	-	7,109
Operating leases (2)	10,674	2,045	3,571	2,619	2,439
Total contractual obligations	$ 1,370,817	$ 255,515	$ 480,782	$ 235,067	$ 399,453

(1) Secured under a blanket security agreement on qualifying assets, principally, mortgage loans.
(2) Represents non-cancelable operating leases for offices.

Table 19: Other Commitments

(In thousands)	Total	One year or less	Over one year through three years	Over three years through five years	Over five years
Loan commitments (1)	$ 68,160	$ 68,160	$ -	$ -	$ -
Unadvanced portion of construction loans (2)	98,360	57,808	40,552	-	-
Standby letters of credit	11,701	10,208	1,212	251	30
Unadvanced portion of lines of credit (3)	491,977	97,542	61,466	9,304	323,665
Total commitments	$ 670,198	$ 233,718	$ 103,230	$ 9,555	$ 323,695

(1) Commitments for loans are extended to customers for up to 180 days after which they expire.
(2) Unadvanced portions of construction loans are available to be drawn on at any time by the borrower for up to 2 years.
(3) Unadvanced portions of home equity loans are available to be drawn on at any time by the borrower for up to 10 years.

At December 31, 2005, the Company's Tier 1 leverage ratio, a primary measure of regulatory capital was 14.3%, which is above the threshold level of 5% to be considered "well-capitalized." The Tier 1 risk-based capital ratio stood at 25.0% and the Total risk-based capital ratio stood at 26.0%. The Bank also exceeded all of its regulatory capital requirements with a Tier 1 leverage ratio of 10.0%, which is above the required level of 4%, Tier 1 risk-based capital ratio of 17.6% and Total risk-based capital ratio of 18.6%. These ratios qualify the Bank as a "well capitalized" institution under federal capital guidelines.

Item 8. Financial Statements and Supplementary Data

For the Company's Consolidated Financial Statements, see index on page ~~47~~26.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The following consolidated financial statements of NewAlliance Bank and subsidiaries are filed as part of this document under Item 8:

- Management's Report on Internal Control Over Financial Reporting
- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2005 and 2004
- Consolidated Statements of Income for the Years Ended December 31, 2005 and 2004, the Twelve Months Ended December 31, 2003 (unaudited), and the Nine Months Ended December 31, 2003 and 2002 (unaudited)
- Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2005 and 2004, and the Nine Months Ended December 31, 2003
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2005 and 2004 and the Nine Months Ended December 31, 2003
- Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

Financial Statement Schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

Index to Consolidated Financial Statements

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Management's Report on Internal Control Over Financial Reporting
NewAlliance Bancshares, Inc.

The management of NewAlliance Bancshares, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework.* Based on that assessment, management concluded that, as of December 31, 2005, the Company's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework.*

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report appearing on page 49, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

Peyton R. Patterson
Chairman of the Board, President and
Chief Executive Officer

Merrill B. Blanksteen
Executive Vice President, Chief
Financial Officer and Treasurer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
NewAlliance Bancshares, Inc.:

We have completed an integrated audit of NewAlliance Bancshares, Inc.'s 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, accompanying consolidated balance sheets and the related consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows present fairly, in all material respects, the financial position of NewAlliance Bancshares, Inc. and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for the twelve-month periods ended December 31, 2005 and 2004, and for the nine-month period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal Control Over Financial Reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Hartford, Connecticut
February 24, 2006

NewAlliance Bancshares, Inc.
Consolidated Balance Sheets

(In thousands, except per share data)	December 31, 2005	December 31, 2004
Assets		
Cash and due from banks, noninterest bearing	$ 127,290	$ 101,099
Short-term investments	46,497	100,000
Cash and cash equivalents	173,787	201,099
Investment securities available for sale (note 5)	2,363,471	2,282,701
Investment securities held to maturity (note 5)	91,734	1,000
Loans held for sale	1,222	501
Loans (note 6)		
Residential real estate	1,650,527	1,576,046
Commercial real estate	768,582	731,309
Commercial business	314,562	325,835
Consumer	543,035	511,467
Total loans	3,276,706	3,144,657
Less allowance for loan losses	(35,552)	(36,163)
Total loans, net	3,241,154	3,108,494
Premises and equipment, net (note 7)	50,399	53,704
Cash surrender value of bank owned life insurance	57,325	54,965
Goodwill (note 8)	424,436	417,307
Identifiable intangible assets (note 8)	52,581	56,003
Other assets (note 9)	105,293	88,364
Total assets	$ 6,561,402	$ 6,264,138
Liabilities		
Deposits (note 10)		
Non-interest bearing	$ 486,528	$ 448,670
Savings, interest-bearing checking and money market	1,677,693	2,093,937
Time	1,633,891	1,159,405
Total deposits	3,798,112	3,702,012
Borrowings (note 11)	1,380,775	1,064,816
Other liabilities	71,647	80,938
Total liabilities	5,250,534	4,847,766
Commitments and contingencies (note 15)		
Stockholders' Equity		
Preferred stock, $0.01 par value; authorized 38,000 shares; none issued	-	-
Common stock, $0.01 par value; authorized 190,000 shares; 114,897 and 114,159 shares issued at December 31, 2005 and 2004, respectively	1,149	1,142
Additional paid-in capital	1,137,806	1,128,953
Unallocated common stock held by ESOP	(103,356)	(107,018)
Unearned share-based compensation	(41,302)	-
Treasury stock, at cost (6,073 and 0 shares, at December 31, 2005 and 2004, respectively	(87,998)	-
Retained earnings	430,971	400,704
Accumulated other comprehensive loss (note 17)	(26,402)	(7,409)
Total stockholders' equity	1,310,868	1,416,372
Total liabilities and stockholders' equity	$ 6,561,402	$ 6,264,138

See accompanying notes to consolidated financial statements.

NewAlliance Bancshares, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003	Nine Months Ended December 31, 2003	Nine Months Ended December 31, 2002
			(unaudited)		(unaudited)
Interest and dividend income					
Real estate mortgage loans	$ 82,667	$ 71,328	$ 34,220	$ 25,286	$ 30,440
Commercial real estate loans	45,276	37,178	19,294	14,331	15,064
Commercial business loans	20,463	14,935	5,481	4,016	4,841
Consumer loans	29,001	20,163	11,932	8,958	8,897
Investment securities	97,400	63,345	33,450	25,151	29,240
Short-term investments	1,763	1,083	193	125	1,629
Total interest and dividend income	276,570	208,032	104,570	77,867	90,111
Interest expense					
Deposits	55,491	33,827	22,800	16,202	26,901
Borrowings	44,970	27,985	7,596	6,057	4,578
Total interest expense	100,461	61,812	30,396	22,259	31,479
Net interest income before provision for loan losses	176,109	146,220	74,174	55,608	58,632
Provision for loan losses (note 6)	400	600	-	-	-
Net interest income after provision for loan losses	175,709	145,620	74,174	55,608	58,632
Non-interest income					
Depositor service charges	22,627	18,628	7,596	5,790	4,983
Loan and servicing income	3,038	2,646	2,114	1,592	74
Trust fees	4,753	2,415	1,963	1,509	1,403
Investment and insurance fees	6,117	5,692	2,585	1,621	2,236
Bank owned life insurance	2,416	1,828	-	-	-
Rent	3,210	3,078	3,014	2,340	2,020
Net (loss) gain on limited partnerships	(80)	5	(1,529)	(1,554)	(2,554)
Net securities gains (note 5)	40	616	750	153	3,254
Net gain on sale of loans	297	305	838	446	1,141
Other	3,106	533	443	345	518
Total non-interest income	45,524	35,746	17,774	12,242	13,075
Non-interest expense					
Salaries and employee benefits (notes 12 and 13)	72,837	60,272	35,983	27,316	24,155
Occupancy	12,540	10,456	6,916	5,054	4,781
Furniture and fixtures	6,363	6,326	4,006	3,042	2,915
Outside services	18,243	15,671	7,119	5,269	5,485
Advertising, public relations, and sponsorships	4,584	2,976	2,133	1,515	2,570
Contribution to NewAlliance Foundation	-	40,040	-	-	-
Amortization of identifiable intangible assets	10,699	11,327	27	20	20
Conversion and merger related charges	2,156	17,591	4,032	4,022	-
Other	13,818	12,114	4,724	3,547	4,484
Total non-interest expense	141,240	176,773	64,940	49,785	44,410
Income before income taxes	79,993	4,593	27,008	18,065	27,297
Income tax provision (note 14)	27,394	524	9,091	5,989	9,260
Net income	$ 52,599	$ 4,069	$ 17,917	$ 12,076	$ 18,037
Basic and diluted earnings per share (note 18)	$ 0.50				
Weighted-average shares outstanding (note 18)					
Basic	105,110				
Diluted	105,517				
Dividends per share	$ 0.21				

NewAlliance Bancshares, Inc.
Consolidated Statements of Income

(In thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Twelve Months Ended December 31, 2003	Nine Months Ended December 31, 2003	Nine Months Ended December 31, 2002
			(unaudited)		(unaudited)
Interest and dividend income					
Real estate mortgage loans	$ 82,667	$ 71,328	$ 34,220	$ 25,286	$ 30,440
Commercial real estate loans	45,276	37,178	19,294	14,331	15,064
Commercial business loans	20,463	14,935	5,481	4,016	4,841
Consumer loans	29,001	20,163	11,932	8,958	8,897
Investment securities	97,400	63,345	33,450	25,151	29,240
Short-term investments	1,763	1,083	193	125	1,629
Total interest and dividend income	276,570	208,032	104,570	77,867	90,111
Interest expense					
Deposits	55,491	33,827	22,800	16,202	26,901
Borrowings	44,970	27,985	7,596	6,057	4,578
Total interest expense	100,461	61,812	30,396	22,259	31,479
Net interest income before provision for loan losses	176,109	146,220	74,174	55,608	58,632
Provision for loan losses (note 6)	400	600	-	-	-
Net interest income after provision for loan losses	175,709	145,620	74,174	55,608	58,632
Non-interest income					
Depositor service charges	22,627	18,628	7,596	5,790	4,983
Loan and servicing income	3,038	2,646	2,114	1,592	74
Trust fees	4,753	2,415	1,963	1,509	1,403
Investment and insurance fees	6,117	5,692	2,585	1,621	2,236
Bank owned life insurance	2,416	1,828	-	-	-
Rent	3,210	3,078	3,014	2,340	2,020
Net (loss) gain on limited partnerships	(80)	5	(1,529)	(1,554)	(2,554)
Net securities gains (note 5)	40	616	750	153	3,254
Net gain on sale of loans	297	305	838	446	1,141
Other	3,106	533	443	345	518
Total non-interest income	45,524	35,746	17,774	12,242	13,075
Non-interest expense					
Salaries and employee benefits (notes 12 and 13)	72,837	60,272	35,983	27,316	24,155
Occupancy	12,540	10,456	6,916	5,054	4,781
Furniture and fixtures	6,363	6,326	4,006	3,042	2,915
Outside services	18,243	15,671	7,119	5,269	5,485
Advertising, public relations, and sponsorships	4,584	2,976	2,133	1,515	2,570
Contribution to NewAlliance Foundation	-	40,040	-	-	-
Amortization of identifiable intangible assets	10,699	11,327	27	20	20
Conversion and merger related charges	2,156	17,591	4,032	4,022	-
Other	13,818	12,114	4,724	3,547	4,484
Total non-interest expense	141,240	176,773	64,940	49,785	44,410
Income before income taxes	79,993	4,593	27,008	18,065	27,297
Income tax provision (note 14)	27,394	524	9,091	5,989	9,260
Net income	$ 52,599	$ 4,069	$ 17,917	$ 12,076	$ 18,037

	2005	For the period April 1 through December 31, 2004 (1)
Basic and diluted earnings per share (note 18)	$ 0.50	0.02
Weighted-average shares outstanding (note 18)		
Basic	105,110	106,520
Diluted	105,517	106,520
Dividends per share	$ 0.21	0.08

(1) Earnings per share for 2004 was calculated using net income and weighted-average shares outstanding from the date of conversion, April 1, 2004, through December 31, 2004. Net income for this nine-month period was $2.1 million.

Earnings per share for all other prior periods are not presented as the Company had no shares outstanding until the second quarter of 2004.

See accompanying notes to consolidated financial statements.

NewAlliance Bancshares, Inc.
Consolidated Statements of Changes in Stockholders' Equity

For the Nine Months Ended December 31, 2003 and the Years Ended December 31, 2004 and 2005 (In thousands, except per share data)	Common Shares Outstanding	Par Value Common Stock	Additional Paid-in Capital	Unallocated Common Stock Held by ESOP	Unearned Compensation	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance March 31, 2003	-	$ -	$ -	$ -	$ -	$ -	$ 393,096	$ 3,054	$ 396,150
Comprehensive income									
Net income							12,076		12,076
Other comprehensive loss, net of tax (note 17)								(2,225)	(2,225)
Total comprehensive income									9,851
Balance December 31, 2003	-	-	-	-	-	-	405,172	829	406,001
Issuance of common stock for initial public offering, net of expenses of $14.8 million (note 3)	102,494	1,025	1,009,911						1,010,936
Issuance of common stock to NewAlliance Foundation, net of tax benefit	4,000	40	42,529						42,569
Issuance of stock for acquisition	7,665	77	76,573						76,650
Dividends declared ($0.08 per share)							(8,537)		(8,537)
Shares purchased for ESOP				(109,451)					(109,451)
Allocation of ESOP shares, net of tax			(60)	2,433					2,373
Comprehensive income									
Net income							4,069		4,069
Other comprehensive loss, net of tax (note 17)								(8,238)	(8,238)
Total comprehensive loss									(4,169)
Balance December 31, 2004	114,159	1,142	1,128,953	(107,018)	-	-	400,704	(7,409)	1,416,372
Common stock issued for acquisition	738	7	10,096						10,103
Dividends declared ($0.21 per share)							(22,332)		(22,332)
Allocation of ESOP shares, net of tax			(138)	3,662					3,524
Treasury shares acquired (note 14)	(9,498)					(138,473)			(138,473)
Treasury stock issued for employee benefit plans	3,425		(1,196)		(41,302)	50,475			7,977
Other, net			91						91
Comprehensive income									
Net income							52,599		52,599
Other comprehensive loss, net of tax (note 17)								(18,993)	(18,993)
Total comprehensive income									33,606
Balance December 31, 2005	108,824	$ 1,149	$ 1,137,806	$ (103,356)	$ (41,302)	$ (87,998)	$ 430,971	$ (26,402)	$ 1,310,868

See accompanying notes to consolidated financial statements

NewAlliance Bancshares, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2003
Cash flows from operating activities			
Net income	$ 52,599	$ 4,069	$ 12,076
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan losses	400	600	-
Contribution of common stock to the NewAlliance Foundation	-	40,000	-
Restricted stock compensation expense	7,977	-	-
ESOP expense including tax effect of release	3,524	2,373	-
Amortization of identifiable intangible assets	10,699	11,327	20
Net amortization/accretion of fair market adjustments from net assets acquired	(8,781)	(7,383)	-
Net amortization/accretion on investment securities	6,776	8,690	4,505
Change in deferred income taxes	5,213	(5,851)	1,084
Depreciation and amortization	5,939	6,433	2,977
Net securities gains	(40)	(616)	(153)
Net gain on sales of performing loans	(297)	(305)	(446)
Net gain on sale of fixed assets	(642)	(14)	-
Net loss (gain) on sales of other real estate owned	-	16	(160)
Provision for loss on limited partnerships	80	-	1,560
Increase in cash surrender value of bank owned life insurance	(2,416)	(1,828)	-
(Increase) decrease in other assets	(6,108)	(22,698)	1,237
Decrease in other liabilities	(13,016)	(15,381)	(1,254)
Net cash provided by operating activities	61,907	19,432	21,446
Cash flows from investing activities			
Purchase of securities	(1,006,617)	(8,583,724)	(695,588)
Proceeds from maturity of securities	210,475	7,461,272	174,975
Proceeds from sales and calls of securities	16,681	352,792	65,592
Proceeds from principal reductions of securities	566,664	445,738	414,544
Net (increase) decrease in loans	(190,134)	103,577	(161,173)
Proceeds from sales of loans	54,131	18,465	31,868
Proceeds from sales of other real estate owned	-	146	1,133
Net cash paid for acquisitions	(995)	(529,260)	-
Proceeds from bank owned life insurance	26	11	-
Purchase of premises and equipment	(5,796)	(6,686)	(4,226)
Disposal of premises and equipment	3,839	1,683	-
Net cash used in investing activities	(351,726)	(735,986)	(172,875)
Cash flows from financing activities			
Net increase (decrease) in deposits	101,953	(74,668)	(1,549)
Net (decrease) increase in short-term borrowings	(55,002)	59,412	(2,383)
Proceeds from long-term borrowings	626,198	1,081,644	593,649
Repayments of long-term borrowings	(249,837)	(1,101,317)	(455,086)
Net proceeds from common stock offering	-	1,010,936	-
Acquisition of common stock by ESOP	-	(109,451)	-
Acquisition of treasury shares	(138,473)	-	-
Dividends paid	(22,332)	(8,537)	-
Net cash provided by financing activities	262,507	858,019	134,631
Net (decrease) increase in cash and cash equivalents	(27,312)	141,465	(16,798)
Cash and equivalents, beginning of period	201,099	59,634	76,432
Cash and equivalents, end of period	$ 173,787	$ 201,099	$ 59,634
Supplemental information			
Cash paid for			
Interest on deposits and borrowings	$ 98,908	$ 59,548	$ 22,091
Income taxes paid, net	3,201	(2,195)	(1,119)
Noncash transactions			
Loans transferred to other real estate owned	-	51	930

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Financial Statement Presentation
The consolidated financial statements of NewAlliance Bancshares, Inc. (the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Effective December 31, 2003, the Company changed its fiscal year end from March 31 to December 31.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant near-term change relate to the determination of the allowance for loan losses, the obligation and expense for pension and other postretirement benefits, the valuation of mortgage servicing rights and estimates used to evaluate asset impairment including other-than-temporary declines in the value of securities, income tax accruals and the recoverability of goodwill and other intangible assets.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks and short-term investments with original maturities of three months or less. At December 31, 2005, included in the balance of cash and due from banks were cash on hand of $21.6 million and required reserves in the form of deposits with the Federal Reserve Bank of $26.8 million. Short-term investments included money market funds and commercial paper of $46.5 million and money market funds of $100.0 million at December 31, 2005 and 2004, respectively.

Investment Securities
Marketable equity and debt securities (other than those reported as short-term investments) are classified as either trading, available for sale, or held to maturity (applies only to debt securities). Management determines the appropriate classifications of securities at the time of purchase. Trading securities are bought and held principally for the purpose of selling them in the near term. Held to maturity securities are debt securities for which the Company has the ability and intent to hold until maturity. All other securities not included in trading or held to maturity are classified as available for sale. Federal Home Loan Bank ("FHLB") stock is a non-marketable security reported at cost. At December 31, 2005 and December 31, 2004, the Company had no debt or equity securities classified as trading.

Held to maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Trading and available for sale securities are recorded at fair value. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported in accumulated other comprehensive income, a separate component of equity, until realized.

Premiums and discounts on debt securities are amortized or accreted into interest income over the term of the securities using the level yield method. A decline in market value of a security below amortized cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security. Gains and losses on sales of securities are recognized at the time of sale on a specific identification basis.

The Company invests in limited partnerships. As of December 31, 2005 and December 31, 2004, the carrying value of the Company's investment in twelve limited partnerships, which are accounted for at the lower of cost or net realizable value and included in other assets, was approximately $4.0 million and $3.4 million, respectively. Income, generally in the form of distributions from the partnerships, is recognized on the cash basis and included in non-interest income. Six of the twelve limited partnerships are real estate related.

Loans Held for Sale
Loans held for sale are valued at the lower of cost (less principal payments received and net of deferred fees and costs) or estimated fair value. Fair value is estimated using quoted market prices provided by government-sponsored entities. Loans are sold by the Company without recourse.

Loans Receivable
Loans are stated at their principal amounts outstanding, net of deferred loan fees and costs and fair value adjustments for loans acquired.

Interest on loans is credited to income as earned based on the rate applied to principal amounts outstanding. Loans are placed on nonaccrual status when timely collection of principal or interest in accordance with contractual terms is in question. The Company's policy is to discontinue the accrual of interest when principal or interest payments become 90 days delinquent or sooner if management concludes that circumstances indicate borrowers may be unable to meet contractual principal or interest payments. If ultimately collected, such interest is credited to income when received. Loans are removed from nonaccrual status when they become current as to principal and interest and when, in the opinion of management concern no longer exists as to the collectability of principal and interest.

Certain direct loan origination fees and costs and fair value adjustments to acquired loans are recognized over the lives of the related loans as an adjustment of interest using the level yield method. When loans are prepaid, sold or participated out, the unamortized portion is recognized as income or expense at that time.

Allowance for Loan Losses
The adequacy of the allowance for loan losses is regularly evaluated by management. Factors considered in evaluating the adequacy of the allowance include previous loss experience, current economic conditions and their effect on borrowers, the performance of individual loans in relation to contract terms, and other pertinent factors. The provision for loan losses charged to expense is based upon management's judgment of the amount necessary to maintain the allowance at a level adequate to absorb probable losses inherent in the loan portfolio. Loan losses are charged against the allowance when management believes the collectability of the principal balance outstanding is unlikely.

In determining the adequacy of the allowance for loan losses, management reviews overall portfolio quality through an evaluation of individual performing and impaired loans, the risk characteristics of the loan portfolios, an analysis of current levels and trends in charge offs, delinquency and nonaccruing loan data, and the credit risk profile of each component of the portfolio, among other factors. While management uses the best available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examinations.

The allowance for loan losses consists of a formula allowance, based on a variety of factors including historical loss experience for various loan portfolio classifications, and a specific valuation allowance for loans identified as impaired. The allowance is an estimate, and ultimate losses may vary from management's estimate. Changes in the estimate are recorded in the results of operations in the period in which they become known, along with provisions for estimated losses incurred during that period.

A loan is considered to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans, as defined, may be measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measurement of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

Mortgage Servicing Rights
The Company capitalizes mortgage servicing rights for loans sold based on the relative fair value which is allocated between the mortgage servicing rights and the mortgage loans (without servicing rights).

The cost basis of mortgage servicing rights are amortized on a level yield basis over the period of estimated net servicing revenue and such amortization is included in the consolidated statement of income as a reduction of loan servicing fee income. They are evaluated for impairment by comparing the aggregate carrying amount of the servicing rights to their fair value. The fair value of mortgage servicing rights is estimated using a present value cash flow model. The most important assumptions used in the valuation model are the anticipated rate of loan prepayments and discount rates. All assumptions are based on standards used by market participants. An independent appraisal of the fair value of the Company's mortgage servicing rights is obtained on a quarterly basis and is used by management to evaluate the reasonableness of the fair value estimates. Impairment is recognized through a valuation reserve and is recorded as an adjustment to mortgage servicing rights income.

Premises and Equipment
Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method using the estimated lives of the assets. Estimated lives are 5 to 40 years for building and improvements and 3 to 10 years for furniture, fixtures and equipment. Amortization of leasehold improvements is calculated on a

straight-line basis over the terms of the related leases or the life of the asset, whichever is shorter. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renovations are capitalized.

Bank Owned Life Insurance
Bank owned life insurance ("BOLI") represents life insurance on certain employees who have consented to allow the Bank to be the beneficiary of those policies. The Company acquired the BOLI policies, which were used to fund certain future employee benefit costs. BOLI is recorded as an asset at cash surrender value. Increases in the cash value of the policies, as well as insurance proceeds received, are recorded in other non-interest income and are not subject to income tax. Management reviews the financial strength of the insurance carriers on an annual basis and BOLI with any individual carrier is limited to 15% of capital plus reserves.

Goodwill and Identifiable Intangible Assets
The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost over the fair values of the net assets acquired and is not subsequently amortized. Identifiable intangible assets are subsequently amortized on a straight-line or accelerated basis, over their estimated lives. Management assesses the recoverability of goodwill at least on an annual basis and all intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If carrying amount exceeds fair value an impairment charge is recorded to income.

Income Taxes
The Company files a consolidated federal tax return and a combined state tax return. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *"Accounting for Income Taxes"*, the Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are established for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred tax assets are also recognized for available tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when temporary differences and carryforwards are realized or settled.

The deferred tax asset is subject to reduction by a valuation allowance in certain circumstances. This valuation allowance is recognized if, based on an analysis of available evidence, management determines that it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance is subject to ongoing adjustment based on changes in circumstances that affect management's judgment about the realization of the deferred tax asset. Adjustments to increase or decrease the valuation allowance are charged or credited, respectively, to income tax expense.

Income tax expense includes the amount of taxes payable for the current year, and the deferred tax benefit or expense for the period. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

Trust Assets
The Bank had approximately $1.15 billion and $440.6 million of assets under management at December 31, 2005 and December 31, 2004, respectively, in a fiduciary or agency capacity for customers. These assets are not included in the accompanying consolidated financial statements since they are not owned by the Bank.

Pension and Other Postretirement Benefit Plans
The Company has a noncontributory pension plan covering substantially all employees. Pension costs related to this plan are based upon actuarial computations of current and future benefits for employees based on years of service and the employee's highest career earnings over a five-year consecutive period. Costs are charged to non-interest expense and are funded in accordance with requirements of the Employee Retirement Income Security Act. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

In addition to the qualified plan, the Company has adopted supplemental retirement plans for certain key officers. These plans, which are nonqualified, were designed to offset the impact of changes in the pension plan that limit benefits for highly compensated employees under qualified pension plans.

The Company also accrues costs related to postretirement healthcare and life insurance benefits, which recognizes costs over the employee's period of active employment.

The Company uses a September 30 measurement date. In accordance with SFAS No. 87, *"Employers' Accounting for Pensions"*, the discount rate is set for the retirement plans by reference to investment grade bond and yields. The expected long-term rate of return on the assets held in our defined pension plan is based on market and economic conditions, the Plan's asset allocation and other factors. Based on our review of rates at September 30, the discount rate for all of our employee benefit plans was reduced from 5.75% to 5.50% and the expected long-term rate of return on the pension plan assets remained the same at 8.25% for 2004 and 2005. Pension expense is very sensitive to changes in the discount rate and the expected return on assets. Continued volatility in pension expense is expected as assumed investment returns vary from actual.

Stock-Based Compensation
The Company accounts for stock options and restricted stock in accordance with Accounting Principles Board ("APB") Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations. Accordingly, compensation expense is not recognized for fixed stock options if the exercise price of the option equals the fair value of the underlying stock at the grant date. The fair value of restricted stock awards, measured at grant date, is amortized to compensation expense on a straight-line basis over the vesting period. SFAS No. 123, *"Accounting for Stock-Based Compensation"*, encourages recognition of the fair value of all stock-based awards on the date of grant as expense over the vesting period. However, as permitted by SFAS No. 123, the Company continues to apply the intrinsic value-based method of accounting prescribed by APB Opinion No. 25 through December 31, 2005 and disclosed certain pro-forma amounts as if the fair value approach of SFAS No. 123 had been applied.

The Financial Accounting Standards Board ("FASB") has issued a revised SFAS No.123 ("SFAS No. 123R"), *"Share Based Payment"*, which required the expensing of options, based on their fair value at grant date, beginning with the first reporting period after December 31, 2005. The Company adopted the provisions of SFAS No. 123R as of January 1, 2006. The anticipated financial impact of the implementation of SFAS No. 123R is discussed in Notes 2 and 13 of the Notes to Consolidated Financial Statements.

Related Party Transactions
Directors and executive officers of the Company and its subsidiaries and their associates have been customers of and have had transactions with the Company, and management expects that such persons will continue to have such transactions in the future. See Note 6 of the Notes to Consolidated Financial Statements for further information with respect to loans to related parties. All deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not related parties and, in the opinion of management, the transactions did not involve more than normal risks of collectability, favored treatment or terms, or present other unfavorable features.

Comprehensive Income
The purpose of reporting comprehensive income is to report a measure of all changes in an entity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. Comprehensive income includes net income and certain changes in capital that are not recognized in the statement of income (such as changes in net unrealized gains and losses on securities available for sale). The Company has reported comprehensive income for the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003 in the consolidated statement of changes in stockholders' equity. The components of comprehensive income are presented in Note 17 of the Notes to Consolidated Financial Statements.

Segment Reporting
The Company's only business segment is Community Banking. During the years ended 2005, 2004 and 2003 this segment represented all the revenues and income of the consolidated group and therefore, is the only reported segment as defined by SFAS No. 131, *"Disclosures about Segments of an Enterprise and Related Information."*

Earnings Per Share
Basic earnings per share ("EPS") excludes dilution and is calculated by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted EPS is computed in a manner similar to that of basic EPS except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury stock method) that would have been outstanding if all potentially dilutive common shares (such as stock options and unvested restricted stock) were issued during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either basic or diluted earnings per share calculations.

The conversion to a stock bank occurred on April 1, 2004, resulting in shares outstanding only for the nine months ended December 31, 2004. Earnings per share ~~for the year ended December 31, 2005~~data can be found in Note 18 of the Notes to Consolidated Financial Statements.

2. Recent Accounting Pronouncements

In December 2004, the FASB issued revised SFAS No. 123R, *"Share-Based Payment"*, which requires entities to measure the cost of employees services received in exchange for an award of equity instruments based on the estimated grant-date fair value of the award. That cost will be recognized over the period during which the employee is required to provide service in exchange for the award (usually the vesting period).

The estimated grant-date fair value of employee share options will be determined using option-pricing models adjusted for the unique characteristics of those instruments and the notes to the financial statements will disclose information to assist users of financial information to understand the nature of share-based payment transactions and the effects of those transactions on the financial statements.

On April 14, 2005 the Securities and Exchange Commission issued a final rule that allows companies to delay the implementation of SFAS No. 123R to the beginning of a company's next fiscal year. As of the effective date, the Company will apply SFAS No. 123R using a modified version of prospective application. Under that transition method, compensation cost is recognized on or after the required effective date for the portion outstanding of awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or proforma disclosure purposes. The Company adopted SFAS No. 123R on January 1, 2006. The anticipated financial impact of the implementation of SFAS No. 123R is discussed in Note 13.

In November 2005, the FASB issued Staff Position ("FSP") No. FAS 115-1, *"The Meaning of Other-Than-Temporary and Its Application to Certain Investments"*. The FSP nullifies certain requirements of EITF 03-1, *"The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments"*, but carries forward certain disclosure requirements of the pronouncement, which the Company adopted as of December 31, 2004 and references other existing other-than-temporary guidance. The Company adopted the provisions of the FSP as of December 31, 2005. The adoption did not have a material impact on the financial statements.

3. Conversion to Stock Form of Ownership

In 2003, the Company was organized as a Delaware business corporation, in connection with the planned conversion of the Bank, formerly New Haven Savings Bank, from mutual to capital stock form. On April 1, 2004 the Bank completed its Plan of Conversion (the "Plan") at which time the Bank converted from a state-chartered mutual bank to a state-chartered stock bank and changed its name to NewAlliance Bank. All of the outstanding common stock of the Bank was sold to the holding company, NewAlliance Bancshares, Inc., which sold its stock in accordance with the Plan. All of the stock of the Company issued in the conversion was offered to eligible and supplemental eligible account holders, employee benefit plans of the Bank and certain other eligible subscribers in a subscription offering pursuant to subscription rights in order of priority as set forth in the Plan. The Company sold 102,493,750 shares of common stock at $10.00 per share in the conversion offering and contributed 4,000,000 shares of common stock to the NewAlliance Foundation as discussed below. All of the stock in the offering was purchased by eligible account holders. The Company established an Employee Stock Ownership Plan ("ESOP") for the benefit of eligible employees, which became effective upon the conversion. The ESOP borrowed from NewAlliance Bancshares, Inc. the proceeds necessary to fund the purchase of 7% of the common stock issued. The ESOP did not purchase any shares in the conversion because the offering was oversubscribed, but completed its purchases in the open market on April 19, 2004. The Bank expects to make annual contributions adequate to fund the payment of the regular debt service requirements attributable to the indebtedness of the ESOP.

The Bank established the NewAlliance Foundation (the "Foundation") as a new charitable foundation in connection with the conversion. The Foundation was funded with the above-mentioned contribution of 4,000,000 shares of the Company's common stock and $40,000 of cash. This contribution resulted in the recognition of expense, equal to the offering price ($10) of the shares contributed and $40,000 in cash, during the quarter ended June 30, 2004, net of tax benefits. The Company realized an additional tax benefit of $3.9 million that was recorded as an increase to stockholders' equity because the basis for the contribution for tax purposes is the fair market value of the stock on the first day of trading (approximately $15 per share). The Foundation is dedicated to charitable purposes including community development activities within the Bank's local communities.

Upon the completion of the conversion, a special "liquidation account", which will be maintained for a period of ten years, was established for the benefit of eligible account holders in an amount equal to the surplus of the Bank as of September 30, 2003. Account holders who continue to maintain deposit accounts at the Bank will be entitled, on a complete liquidation of the Bank after the conversion, to an interest in the liquidation account prior to any payment to the stockholders of the Bank. The Bank's surplus will be substantially restricted with respect to payment of dividends to stockholders due to the liquidation account. Subsequent to the offering, the Company and the Bank may not declare or pay dividends on, nor repurchase any of, its shares of common stock, if the effect thereof would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements or if such declaration, payment or repurchase would otherwise violate regulatory requirements.

4. Business Combinations

The following table summarizes acquisitions completed between April 1, 2004 and December 31, 2005.

		Balance at Acquisition Date		Transaction Related Items				
(In thousands)	Acquisition Date	Assets	Equity	Goodwill	Identifiable Intangibles	Cash Paid	Shares Issued	Total Purchase Price
Connecticut Bancshares, Inc.	4/1/2004	$ 2,541,575	$ 239,139	$ 368,775	$ 56,609	$ 610,600	-	$ 610,600
Alliance Bancorp of New England, Inc.	4/1/2004	427,631	26,664	49,464	10,010	191	7,665	76,841
Trust Company of Connecticut	7/1/2005	5,611	4,937	6,197	7,277	5,132	738	15,509

The transactions were accounted for using the purchase method of accounting in accordance with SFAS No. 141, *"Business Combinations."* Accordingly, the purchase price was allocated based on the estimated fair market values of the assets and liabilities acquired.

Trust Company of Connecticut Acquisition

On July 1, 2005 the Company completed the acquisition of Trust Company of Connecticut ("Trust Company") a non-depository trust company organized under the laws of the State of Connecticut. Trust Company had approximately $5.6 million of assets and $4.9 million of stockholders' equity on July 1, 2005. Under terms of the agreement and as a result of Trust Company shareholder elections, the Company paid approximately $5.1 million in cash and issued 737,871 shares of stock for an aggregate merger consideration of approximately $15.5 million. The definitive agreement called for additional merger consideration in the form of Company stock or cash, which could increase the aggregate merger consideration to approximately $19.5 million payable to Trust Company shareholders following December 31, 2005, based on certain performance criteria. On February 28, 2006, the Company will pay additional merger consideration of approximately $4.0 million based on the original agreement which will bring the total merger consideration to approximately $19.5 million.

2006 Cornerstone Bancorp, Inc. Acquisition

On January 2, 2006, the Company completed its acquisition of Cornerstone Bancorp, Inc. ("Cornerstone"), the parent company of Cornerstone Bank. Under terms of the purchase agreement, each outstanding share of Cornerstone common stock was converted into the right to receive 2.518 shares of the Company's common stock, $35.00 in cash, or a combination thereof, plus in each case, cash in lieu of any fractional share interests. All outstanding options to acquire shares of Cornerstone common stock were converted into the right to receive a lump sum cash payout in the amount equal to any excess of $35.00 over the per share exercise price of such stock options. As a result of the elective option, the merger consideration each Cornerstone shareholder elects to receive was adjusted, so that 70% of the total merger consideration was paid in Company stock. The aggregate merger consideration is valued at approximately $48.7 million. At December 31, 2005, Cornerstone had assets and stockholders' equity of approximately $212.0 million and $21.6 million, respectively.

5. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair values of investment securities at December 31, 2005 and December 31, 2004 are as follows:

	December 31, 2005				December 31, 2004			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available for sale								
U.S. Government and Agency obligations	$ 167,885	$ 20	$ (1,774)	$ 166,131	$ 193,299	$ 52	$ (1,446)	$ 191,905
Corporate obligations	54,831	48	(1,262)	53,617	93,716	140	(395)	93,461
Other bonds and obligations	120,663	191	(1,006)	119,848	153,559	303	(829)	153,033
Marketable and trust preferred equity securities	161,122	783	(1,099)	160,806	173,559	585	(1,077)	173,067
Mortgage-backed securities	1,899,374	537	(36,842)	1,863,069	1,674,416	5,602	(8,783)	1,671,235
Total available for sale	2,403,875	1,579	(41,983)	2,363,471	2,288,549	6,682	(12,530)	2,282,701
Held to maturity								
Mortgage-backed securities and other bonds	91,734	81	(1,108)	90,707	1,000	-	-	1,000
Total held to maturity	91,734	81	(1,108)	90,707	1,000	-	-	1,000
Total securities	$ 2,495,609	$ 1,660	$ (43,091)	$ 2,454,178	$ 2,289,549	$ 6,682	$ (12,530)	$ 2,283,701

At December 31, 2005, the net unrealized loss on securities available for sale of $40.4 million, net of income taxes of $14.1 million, is included in the Company's Consolidated Balance Sheets accumulated other comprehensive loss of $26.4 million in equity. At December 31, 2004, the net unrealized loss on securities available for sale of $5.8 million, net of income taxes of $2.0 million, is included in accumulated other comprehensive loss of $7.4 million in equity.

The following tables present the age of gross unrealized losses and fair values at December 31, 2005 and 2004 by investment category.

	December 31, 2005					
	Less Than 12 Months		More Than 12 Months		Total	
(In thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U. S. Government and agency obligations	$ 73,544	$ 182	$ 87,830	$ 1,592	$ 161,374	$ 1,774
Corporate obligations	9,776	238	38,792	1,024	48,568	1,262
Other bonds and obligations	17,722	157	45,884	923	63,606	1,080
Marketable and trust preferred equity obligations	3,867	122	24,643	977	28,510	1,099
Mortgage-backed securities	1,068,954	15,506	752,101	22,370	1,821,055	37,876
Total securities with unrealized losses	$ 1,173,863	$ 16,205	$ 949,250	$ 26,886	$ 2,123,113	$ 43,091

	December 31, 2004					
	Less Than 12 Months		More Than 12 Months		Total	
(In thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U. S. Government and agency obligations	$ 171,661	$ 1,446	$ -	$ -	$ 171,661	$ 1,446
Corporate obligations	43,275	303	9,907	92	53,182	395
Other bonds and obligations	93,719	803	1,974	26	95,693	829
Marketable and trust preferred equity obligations	12,243	535	23,807	542	36,050	1,077
Mortgage-backed securities	911,945	7,306	86,148	1,477	998,093	8,783
Total securities with unrealized losses	$ 1,232,843	$ 10,393	$ 121,836	$ 2,137	$ 1,354,679	$ 12,530

Of the issues summarized above, 213 had unrealized losses for less than twelve months, and 242 had unrealized losses for twelve months or more as of December 31, 2005. Management believes that no individual unrealized loss as of December 31, 2005 represents an other-than-temporary impairment. The unrealized losses reported for mortgage-backed securities relate to securities issued by FNMA, FHLMC and AAA rated securities issued by private institutions. The unrealized losses reported for trust-preferred securities, corporate obligations and other bonds and obligations relate to securities that are investment grade, and the unrealized losses on these securities are attributable to changes in market interest rates. The Company has the intent and ability to hold these securities for the time necessary to recover the unrealized losses.

As of December 31, 2005, the amortized cost and fair values of debt securities and short-term obligations, by contractual maturity, are shown below. Expected maturities may differ from contracted maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
(In thousands)	Amortized cost	Fair value	Amortized cost	Fair value
December 31, 2005				
Due in one year or less	$ 179,149	$ 178,574	$ 150	$ 150
Due after one year through five years	154,618	152,198	2,490	2,429
Due after five years through ten years	13,203	13,013	1,490	1,477
Due after ten years	20,365	20,239	500	500
Mortgage-backed and asset-backed securities	1,936,348	1,899,465	87,104	86,151
Total debt securities	$ 2,303,683	$ 2,263,489	$ 91,734	$ 90,707

Securities with an amortized cost of $6.5 million and a fair value of $6.4 million at December 31, 2005 were pledged to secure public deposits.

The following is a summary of realized gains and losses on sales of securities available for sale during the periods presented:

	Debt Securities			Equity Securities		
	Year Ended December 31,		Nine Months Ended December 31,	Year Ended December 31,		Nine Months Ended December 31,
(In thousands)	2005	2004	2003	2005	2004	2003
Realized gains	$ 40	$ 987	$ 140	$ -	$ 44	$ 13
Realized losses	-	(411)	-	-	(4)	-

6. Loans

The composition of the Company's loan portfolio was as follows:

(In thousands)	December 31, 2005	December 31, 2004
Residential real estate	$ 1,650,527	$ 1,576,046
Commercial real estate	768,582	731,309
Commercial business	314,562	325,835
Consumer		
Home equity and equity lines of credit	520,290	475,051
Other	22,745	36,416
Total consumer	543,035	511,467
Total loans	3,276,706	3,144,657
Allowance for loan losses	(35,552)	(36,163)
Total loans, net	$ 3,241,154	$ 3,108,494

As of December 31, 2005 and 2004, the Company's residential real estate loan portfolio was entirely collateralized by one- to four-family homes and condominiums, located predominantly in Connecticut. The commercial real estate loan portfolio was collateralized primarily by multi-family, commercial and investment properties predominantly located in Connecticut. A variety of different assets, including accounts receivable, inventory and property and plant and equipment, collateralized the majority of business loans.

Mortgage Servicing Rights

The components of mortgage servicing rights are as follows:

	Year Ended December 31,		Nine Months Ended December 31,
(In thousands)	2005	2004	2003
Mortgage servicing rights			
Balance at beginning of year	$ 2,058	$ 1,933	$ 2,188
Additions	549	730	273
Amortization	(540)	(588)	(760)
Change in valuation allowance	635	(17)	232
Balance, end of period	$ 2,702	$ 2,058	$ 1,933
Valuation reserve			
Balance at beginning of year	$ (748)	$ (731)	$ (963)
Net reductions (additions)	635	(17)	232
Balance, end of period	$ (113)	$ (748)	$ (731)

At December 31, 2005 and December 31, 2004 the fair value of the capitalized mortgage servicing rights approximated its carrying value. The Company services residential real estate mortgage loans that it has sold without recourse to third parties. The aggregate of loans serviced for others approximates $282.8 million and $287.6 million as of December 31, 2005 and 2004, respectively.

Related Party Loans

As of December 31, 2005 and 2004, loans to related parties totaled approximately $154,000 and $180,000, respectively. Related parties include directors and executive officers of the Company and its subsidiaries and their respective affiliates in which they have a controlling interest, immediate family members and owners of 10% or more of the Company's stock. For the years ended December 31, 2005 and 2004, all related party loans were performing.

Allowance for Loan Losses
The following is an analysis of the allowance for loan losses for the periods presented:

(In thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2003
Balance at beginning of period	$ 36,163	$ 17,669	$ 18,932
Net allowances gained through acquisitions	-	21,498	-
Provision charged to operation	400	600	-
Recoveries on loans previously charged off	2,634	1,608	1,580
Loans charged off	(3,645)	(5,212)	(2,843)
Balance at end of period	$ 35,552	$ 36,163	$ 17,669

Nonperforming Assets
Nonperforming assets include loans for which the Company does not accrue interest (nonaccrual loans), loans 90 days past due and still accruing interest, renegotiated loans due to a weakening in the financial condition of the borrower and other real estate owned. There were no accruing loans included in the Company's nonperforming assets as of December 31, 2005 and 2004. As of December 31, 2005 and 2004, nonperforming assets were:

(In thousands)	December 31, 2005	December 31, 2004
Non-accrual loans	$ 7,391	$ 10,233
Renegotiated loans	-	-
Other real estate owned	-	-
Total nonperforming assets	$ 7,391	$ 10,233

For the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003 had interest been accrued at contractual rates on nonaccrual and renegotiated loans, such income would have approximated \$558,000, \$562,000 and \$168,000, respectively. As of December 31, 2005, 2004 and 2003, no significant additional funds were committed to customers whose loans have been renegotiated or were nonperforming.

Impaired Loans
As of December 31, 2005 and 2004, the recorded investment in loans considered to be impaired was approximately \$4.3 million and \$7.5 million, respectively. As of December 31, 2005 and 2004, all loans considered impaired by the Company had an allowance for loan losses totaling approximately \$524,000 and \$396,000, respectively. The average recorded investment in impaired loans for the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003 was approximately \$8.0 million, \$7.1 million and \$2.1 million, respectively. For the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003 interest income recognized on impaired loans was approximately \$824,000, \$648,000 and \$273,000, respectively. As of December 31, 2005, there were no commitments to lend additional funds for loans considered impaired.

7. Premises and Equipment

As of December 31, 2005 and 2004, premises and equipment consisted of:

(In thousands)	December 31, 2005	December 31, 2004
Land and land improvements	$ 3,246	$ 4,379
Buildings	60,814	61,265
Furniture and equipment	44,252	41,279
Leasehold improvements	5,004	4,787
	113,316	111,710
Less accumulated depreciation and amortization	(62,917)	(58,006)
Premises and equipment, net	$ 50,399	$ 53,704

Total depreciation and amortization expenses amounted to $5.9 million and $6.4 million for the years ended December 31, 2005 and 2004, respectively and $3.0 million for the nine months ended December 31, 2003.

8. Goodwill and Identifiable Intangible Assets

The changes in the carrying amount of goodwill and identifiable intangible assets for the year ended December 31, 2005 are summarized as follows:

(In thousands)	Goodwill	Core Deposit and Customer Relationships	Other Identifiable Intangible Assets	Total Identifiable Intangible Assets
Balance, December 31, 2004	$ 417,307	$ 49,359	$ 6,644	$ 56,003
Trust Company acquisition	6,197	7,277	-	7,277
Adjustments to purchase accounting estimates	932	-	-	-
Amortization expense	-	(7,580)	(3,119)	(10,699)
Balance, December 31, 2005	$ 424,436	$ 49,056	$ 3,525	$ 52,581
Estimated amortization expense for the year ending:				
2006		$ 5,721	$ 1,938	$ 7,659
2007		5,641	983	6,624
2008		5,641	27	5,668
2009		5,641	13	5,654
2010		5,641	-	5,641
Thereafter		20,771	-	20,771

The components of identifiable intangible assets are as follows:

(In thousands)	Original Recorded Amount	Cumulative Amortization	Balance December 31, 2005
Identifiable intangible assets			
Core deposit and customer relationship	$ 64,138	$ 15,082	$ 49,056
Other	10,721	7,196	3,525
Total	$ 74,859	$ 22,278	$ 52,581

9. Other Assets

Selected components of other assets are as follows:

(In thousands)	December 31, 2005	December 31, 2004
Deferred tax asset	$ 27,971	$ 26,488
Current Federal income tax receivable	2,579	17,845
Accrued interest receivable	25,684	21,058
Prepaid pension	11,921	-
Wire transfer for January 2, 2006 Cornerstone acquisition	14,254	-
Receivable arising from securities transactions	3,262	4,403
Investments in limited partnerships and other investments	7,997	6,556
Mortgage servicing rights	2,702	2,058

10. Deposits

A summary of deposits by account types is as follows:

(In thousands)	December 31, 2005	December 31, 2004
Savings	$ 781,346	$ 942,363
Money market	554,079	806,035
NOW	342,268	345,539
Demand	486,528	448,670
Time	1,633,891	1,159,405
Total deposits	$ 3,798,112	$ 3,702,012

A summary of time deposits by remaining period to maturity is as follows:

(In thousands)	December 31, 2005	December 31, 2004
Within three months	$ 353,563	$ 248,503
After three months, but within one year	903,201	502,929
After one year, but within three years	299,368	311,588
After three years	77,759	96,385
Total time deposits	$ 1,633,891	$ 1,159,405

As of December 31, 2005 and 2004 time deposits in denominations of $100,000 or more were approximately $483.8 million and $243.2 million respectively. Interest expense paid on these deposits was approximately $13.4 million, $5.1 million and $1.8 million for the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003, respectively.

11. Borrowings

A summary of the Company's borrowings is as follows:

(Dollars in thousands)		December 31, 2005	Weighted Average Rate			December 31, 2004	Weighted Average Rate	
FHLB advances (1)	$	1,191,280	3.87	%	$	860,009	3.68	%
Repurchase agreements		179,970	2.80			194,972	1.21	
Mortgage loans payable		1,716	5.41			1,830	5.51	
Junior subordinated debentures issued to affiliated trusts (2)		7,809	7.34			8,005	7.34	
Total borrowings	$	1,380,775	3.75	%	$	1,064,816	3.25	%

(1) Includes fair value adjustments on acquired borrowings of $18.2 million and $24.3 million at December 31, 2005 and 2004, respectively.
(2) Includes fair value adjustments on acquired borrowings of $700,000 and $900,000 at December 31, 2005 and 2004, respectively.

The following schedule presents the contractual maturities of the Company's borrowings as of December 31, 2005.

(In thousands)	2006	2007	2008	2009	2010	2011+	Total
FHLB advances (1)	$ 73,500	$ 206,661	$ 270,550	$ 111,874	$ 120,574	$ 389,905	$ 1,173,064
Repurchase agreements	179,970	-	-	-	-	-	179,970
Mortgage loans payable	-	-	-	-	-	1,716	1,716
Junior subordinated debentures issued to affiliated trusts (2)	-	-	-	-	-	7,109	7,109
Total borrowings	$ 253,470	$ 206,661	$ 270,550	$ 111,874	$ 120,574	$ 398,730	$ 1,361,859

(1) Balances are contractual maturities and exclude $18.2 million in fair value adjustments on acquired balances.
(2) Balances are contractual maturities and exclude $700,000 in fair value adjustments on acquired balances.

FHLB advances are secured by the Company's investment in FHLB stock and a blanket security agreement. This agreement requires the Bank to maintain as collateral, certain qualifying assets, principally, mortgage loans. At December 31, 2005 and 2004, the Bank was in compliance with the FHLB collateral requirements. At December 31, 2005, the Company had additional borrowing capacity with the FHLB of $181.1 million, inclusive of a line of credit of approximately $20.0 million. Additional borrowing capacity would be available by pledging eligible securities as collateral. The Company also has borrowing capacity at the Federal Reserve Bank of Boston's discount window which was approximately $193.5 million as of December 31, 2005, all of which was available on that date. At December 31, 2005, all of the Company's outstanding FHLB advances were at fixed rates.

12. Pension and Other Postretirement Benefit Plans

Defined Benefit and Other Postretirement Plans

The Company provides various defined benefit pension plans and other postretirement benefit plans (postretirement health and life insurance benefits) to substantially all employees, including employees of the former Connecticut Bancshares, Alliance and Trust Company. Former employees of Connecticut Bancshares and Alliance retained as employees of the Company after the acquisition became eligible for the Company's defined benefit pension plan and postretirement benefit plans as of the merger date, but received no credit for past service except for eligibility and vesting purposes. Plan benefits of the former Connecticut Bancshares and Alliance defined benefit pension plans and postretirement benefit plans were frozen as of the acquisition date, and plan assets were merged into the Company's existing plans during 2005. The fair values of the net liabilities associated with the obligations assumed for the former Connecticut Bancshares and Alliance plans have been recorded as a purchase accounting adjustment.

The Company also has supplemental retirement plans (the "Supplemental Plans") that provide benefits for certain key executive officers. Benefits under the Supplemental Plans are based on a predetermined formula. The benefits under the Supplemental Plans are reduced by other benefits. The liability arising from these plans is being accrued over the participants' remaining periods of service so that at the expected retirement dates, the present value of the annual payments will have been expensed. The Company has amended one of the Supplemental Plans in connection with its conversion to a stock bank to freeze the accrual of benefits. Because future benefits were reduced, this event resulted in a gain of $943,000 being recorded in the three months ended March 31, 2004.

The following table sets forth changes in the benefit obligation, changes in Plan assets and the funded status of the Plans for the periods ended December 31, 2005 and 2004. The table also provides a reconciliation of the Plan's funded status and the amounts recognized in the Company's consolidated balance sheets:

	Qualified Pensions		Supplemental Executive Retirement Plans		Other Postretirement Benefits	
(In thousands)	2005	2004	2005	2004	2005	2004
Change in benefit obligation						
Projected benefit obligation at beginning of year	$ 83,641	$ 28,585	$ 10,132	$ 8,731	$ 6,910	$ 1,368
Acquired benefit obligation	-	49,400	-	2,493	-	4,614
Service cost	2,841	2,283	413	337	172	119
Interest cost	4,692	3,746	567	532	377	268
Plan participant contributions	-	-	-	-	224	-
Plan ammendments	-	659	-	49	-	-
Actuarial loss (gain)	(2,183)	1,564	612	606	(775)	733
Benefits paid	(4,209)	(2,596)	(556)	(529)	(565)	(192)
Curtailments, settlements, special termination benefits	-	-	-	(2,086)	-	-
Projected benefit obligation at end of year	84,782	83,641	11,168	10,133	6,343	6,910
Change in plan assets						
Fair value of plan assets at beginning of year	61,118	24,308	-	-	-	-
Acquired plan assets	-	37,568	-	-	-	-
Actual return on plan assets	6,578	1,838	-	-	-	-
Employer contributions	28,440	-	556	529	341	192
Plan participant contributions	-	-	-	-	224	-
Benefits paid	(4,209)	(2,596)	(556)	(529)	(565)	(192)
Fair value of plan assets at end of year	91,927	61,118	-	-	-	-
Funded status at end of year	7,145	(22,523)	(11,168)	(10,133)	(6,343)	(6,910)
Employer contributions after measurement date	-	3,818	139	139	80	98
Unrecognized transition obligation	-	-	-	-	271	323
Unrecognized prior service cost	696	746	85	112	-	-
Unrecognized net actuarial loss (gain)	4,080	7,911	56	30	(98)	674
Additional minimum liability	-	(5,414)	(79)	(55)	-	-
Net amount recognized in Company's consolidated balance sheets	$ 11,921	$ (15,462)	$ (10,967)	$ (9,907)	$ (6,090)	$ (5,815)
Accumulated benefit obligation	$ 78,680	$ 78,438	$ 9,316	$ 8,903	$ 6,343	$ 6,910

The components of net periodic pension cost for the periods indicated were as follows (in thousands):

Qualified pension	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2003
Service cost - benefits earned during the period	$ 2,841	$ 2,283	$ 722
Interest cost on projected benefit obligation	4,693	3,746	1,164
Expected return on plan assets	(5,036)	(4,205)	(1,601)
Amortization and deferral	51	(133)	15
Recognized net loss (gain)	105	93	(103)
Net periodic pension cost	$ 2,654	$ 1,784	$ 197

Supplemental retirement plans			
Service cost - benefits earned during the period	$ 413	$ 337	$ 303
Interest cost on projected benefit obligation	567	532	370
Expected return on plan assets	-	-	-
Amortization and deferral	27	28	604
Recognized net loss	585	999	-
Additional amount due to settlement, curtailment or special termination benefits	-	(2,033)	-
Additional amount recognized due to creation of SERP	-	1,090	-
Net periodic benefit cost	$ 1,592	$ 953	$ 1,277

Other postretirement benefits			
Service cost - benefits earned during the period	$ 172	$ 119	$ 16
Interest cost on projected benefit obligation	377	268	54
Expected return on plan assets	-	-	-
Amortization and deferral	52	52	39
Recognized net gain	(2)	(5)	(9)
Net periodic benefit cost	$ 599	$ 434	$ 100

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(In thousands)	Qualified Pensions	Nonqualified Pensions	Other Postretirement Benefits
2006	$ 4,125	$ 556	$ 678
2007	4,181	555	626
2008	4,286	562	519
2009	4,391	585	510
2010	4,526	609	451
2011 - 2015	25,855	3,805	2,229

Significant actuarial assumptions used in determining the actuarial present value of the projected obligation were as follows:

Assumptions used to determine benefit obligations as of December 31,

	2005	2004
Discount Rate	5.50 %	5.75 %
Rate of compensation increase	4.00	4.00

Assumptions used to determine net periodic cost for years ended December 31,

	2005	2004
Discount rate (1)	5.75 %	6.00 %
Expected return on plan assets	8.25	8.25
Rate of compensation increase	4.00	4.00

(1) Purchase accounting calculation was performed at April 1, 2004 on the acquired pension plans using a discount rate of 5.75%.

Assumed health care cost trend rates at December 31,

	2005	2004
Health care cost trend rate assumed for next year	11.00 %	12.00 %
Rate that the cost trend rate gradually declines to	5.00	5.00
Year that the rate reaches the rate it is assumed to remain at	2011	2011

Effect of one-percentage change in assumed health care cost trend rates in 2005

(In thousands)	1% Increase	1% Decrease
Effect on total service and interest components	$ 45	$ (37)
Efect on postretirement benefit obligation	318	(281)

Plan assets are to be managed within an ERISA framework so as to provide the greatest probability that the following long-term objectives for the defined benefit pension plan are met in a prudent manner.

- Ensure that there is an adequate level of assets to support benefit obligations to participants and retirees over the life of the Plan, taking into consideration the nature and duration of Plan liabilities.
- Maintain liquidity in Plan assets sufficient to cover ongoing benefit payments.
- Manage volatility of investment results in order to achieve long-term Plan objectives and to minimize level and volatility of pension expenses.

It is recognized that the attainment of these objectives is, for any given time period, largely dictated by the returns available from the capital markets in which Plan assets are invested.

The asset allocation of Plan assets reflects the Company's long-term return expectations and risk tolerance in meeting the financial objectives of the Plan. Plan assets should be adequately diversified by asset class, sector and industry to reduce the downside risk to total Plan results over short-term time periods, while providing opportunities for long-term appreciation.

The following table summarizes the Plan's weighted-average asset allocation for the periods indicated and the Plan's long-term asset allocation structure.

	Actual percentage of fair value		Allocation
Asset Class	2005	2004	Range
Equity securities	62.1 %	61.0 %	50 - 70 %
Debt securities	35.3	37.0	25 - 45
Other	2.6	2.0	-

Cash held by a particular manager will be viewed as belonging to the asset class in which the manager primarily invests. It is expected that individual managers over time will exceed the median return of the appropriate manager universe composed of professionally managed institutional funds in the same asset class and style.

Rebalancing and Investment of New Contributions
These asset allocation ranges are guidelines and deviations may occur periodically as a result of market movements. In order to balance the benefits of rebalancing with associated transaction costs, assets will be rebalanced if they are outside the range noted above based on quarter-end market values. In addition, the Retirement and Investment Committee reserves the right to rebalance at any time it deems necessary and prudent. New contributions to the Plan assets will be invested in a manner that rebalances the Plan assets to the greatest extent possible.

Plan Contributions
The Company expects to contribute $0 to the pension plan, $556,000 to the SERP and $678,000 to its other postretirement plan in 2006.

Savings and Profit Sharing Plans
The NewAlliance Bank 401(k) Savings Plan (the "Savings Plan") is a tax qualified defined contribution plan with a qualified cash or deferred arrangement under Section 401(k) of the Internal Revenue Code. The Savings Plan currently provides participants with savings and retirement benefits based on employee deferrals of compensation and a matching feature provided through the Company's ESOP.

Cash contributions made by the Bank to the Savings Plan maintained for employees meeting certain eligibility requirements amounted to $104,000 for the year ended December 31, 2004 and $433,000 for the nine months ended December 31, 2003. No cash contributions were made for the year ended December 31, 2005.

In connection with the conversion of the Bank to a state-chartered stock bank, the Company established an ESOP in April 2004, to provide substantially all employees of the Company the opportunity to also become shareholders. The ESOP borrowed $109.7 million of a $112.0 million line of credit from the Company and used the funds to purchase 7,454,562 shares of common stock in the open market subsequent to the subscription offering. The loan will be repaid principally from the Company's discretionary contributions to the ESOP over a period of 30 years. The unallocated ESOP shares are pledged as collateral on the loan.

At December 31, 2005, the loan had an outstanding balance of $106.4 million and an interest rate of 4.0%. The Company accounts for its ESOP in accordance with Statement of Position 93-6, *"Employers' Accounting for Employee Stock Ownership Plans"* ("SOP 93-6"). Under SOP 93-6, unearned ESOP shares are not considered outstanding for purposes of computing earnings per share and are shown as a reduction of shareholders' equity as unearned compensation. The Company will recognize compensation cost equal to the fair value of the ESOP shares during the periods in which they are committed to be released. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, this differential will be credited to equity. The Company will receive a tax deduction equal to the cost of the shares released. As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a liability in the Company's financial statements. Dividends on unallocated shares are used to pay the ESOP debt. The ESOP compensation expense for the year ended December 31, 2005 and 2004 was approximately $3.6 million and $2.3 million, respectively. The amount of loan repayments made by the ESOP is used to reduce the unallocated common stock held by the ESOP.

The ESOP shares as of December 31, 2005 were as follows:

Shares released for allocation		415,108
Unreleased shares		7,039,454
Total ESOP shares		7,454,562
Market value of unreleased shares at December 31, 2005 (in thousands)	$	102,354

In April of 2004, the Company also established a supplemental profit sharing plan and a supplemental ESOP (the "Supplemental Savings Plans") that provide benefits for certain key executive officers, which are unfunded. Compensation expense related to the Supplemental Savings Plans was $529,000 and $277,000 for the years ended December 31, 2005 and 2004, respectively.

13. Share-Based Compensation

As provided for under the Company's 2005 Long-Term Compensation Plan (the "LTCP"), on June 17, 2005 the Company's Compensation Committee awarded 8,551,600 stock options at an exercise price of $14.39 and 3,424,500 restricted stock awards with a value of $14.39 to directors and selected employees. An additional 215,000 stock options were awarded during the second half of 2005 at a weighted-average exercise price of $14.71.

The options are for a term of 10 years and will vest 40% at year-end 2005, and 20% at year-end of each of the years 2006 through 2008. It is anticipated that the implementation of SFAS No. 123R will result in an after tax increase in expense of approximately $3.1 million, $3.0 million and $2.8 million in 2006, 2007 and 2008, respectively. The weighted-average strike price of options granted under the LTCP was $14.40 as of December 31, 2005. The weighted-average option grant-date fair value of $2.61 was determined using the Black-Scholes Option Pricing Model and the following weighted-average assumptions: risk-free interest rate of 3.81%, expected life of 3.84 years, expected volatility of 19.85% and an expected dividend yield of 1.53%. Approximately 3.5 million options became exercisable as of the close of business on December 31, 2005. No options were exercised and 9,500 options had been forfeited as of December 31, 2005.

The restricted stock will vest 15% on January 1st of each of the years beginning 2006 through 2011 and 10% on January 1, 2012, while the associated expense on the awarded stock will be recorded from the award date through 2011. For the year ended December 31, 2005, the Company recorded after tax expense of $5.7 million and will record an after tax expense of approximately $6.0 million, $5.8 million, $5.2 million, $4.9 million, $4.8 million and $3.1 million in calendar years 2006 through 2011, respectively in connection with the restricted stock awards.

The following table illustrates the effect on net income and earnings per common share if the Company had applied the fair value recognition provisions of SFAS No. 123:

(In thousands, except per share data)	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2003
Net income, as reported	$ 52,599	$ 4,069	$ 12,076
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	5,851	-	-
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	11,799	-	-
Proforma net income	$ 46,651	$ 4,069	$ 12,076
Basic EPS			
As reported	$ 0.50	$ n/a	$ n/a
Proforma	0.44	n/a	n/a
Diluted EPS			
As reported	$ 0.50	$ n/a	$ n/a
Proforma	0.44	n/a	n/a

14. Income Taxes

The components of income tax expense are summarized as follows:

(In thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2003
Current tax expense (benefit)			
Federal	$ 22,128	$ 6,297	$ 5,191
State	53	78	(286)
Total current	22,181	6,375	4,905
Deferred tax expense (benefit) net of valuation reserve			
Federal	5,213	(5,851)	1,084
State	-	-	-
Total deferred	5,213	(5,851)	1,084
Total income tax expense	$ 27,394	$ 524	$ 5,989

For the year ended December 31, 2005 and 2004 and the nine months ended December 31, 2003, the provision for income taxes differs from the amount computed by applying the statutory Federal income tax rate of 35% to pre-tax income for the following reasons:

(In thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2003
Provision for income taxes at statutory rate	$ 27,998	$ 1,608	$ 6,323
Increase (decrease) in taxes resulting from:			
State income tax expense (benefit)	34	50	(186)
Dividends received deduction	(382)	(275)	(88)
Bank-owned life insurance	(846)	(640)	-
Low income housing and other tax credits	(78)	(261)	(292)
Excess compensation - 162(m)	544	-	-
Valuation allowance adjustment, charitable contribution	373	-	-
Valuation allowance adjustment, capital loss	(64)	-	-
Tax exempt obligations	(211)	-	-
Other, net	26	42	232
Provision for income taxes	$ 27,394	$ 524	$ 5,989

The tax effects of temporary differences and tax carryforwards that give rise to deferred tax assets and liabilities are presented below:

(In thousands)	December 31, 2005	December 31, 2004
Deferred tax assets		
Bad debts	$ 14,343	$ 14,589
Pension and postretirement benefits	4,169	12,676
Certificate of deposits	2,260	4,594
Borrowings	11,967	14,120
Noncompete agreements	3,087	2,090
Charitable contribution carryover	20,586	20,984
Federal net operating loss carryover	1,127	1,711
State net operating loss carryover	11,223	6,071
Unrealized loss on available for sale securities	14,142	2,048
Restricted stock	2,712	-
Other, net	2,145	257
Total gross deferred tax assets	87,761	79,140
Less valuation allowance	(19,110)	(14,096)
Total deferred tax assets, net of valuation allowance	68,651	65,044
Deferred tax liabilities		
Core deposit intangible	19,669	19,682
Loans	2,836	3,792
Premises and equipment, principally due to difference in depreciation	2,657	681
Limited partnerships	4,432	4,334
Net deferral of loan origination costs	2,906	3,006
Bond accretion	920	762
Investments	6,043	5,728
Other	1,217	571
Total gross deferred tax liabilities	40,680	38,556
Net deferred tax asset	$ 27,971	$ 26,488

The allocation of deferred tax benefit involving items charged to income, items charged directly to stockholders' equity and items charged to goodwill are as follows:

	Year Ended December 31,				Nine Months Ended	
	2005		2004		December 31,2004	
(In thousands)	Federal	State	Federal	State	Federal	State
Deferred tax (benefit) expense allocated to:						
Stockholders' equity, tax effect of unrealized losses on marketable equity securities	$ (12,060)	$ -	$ (2,410)	$ -	$ (446)	$ -
Stockholders' equity, tax benefit for difference between book and tax basis for the Foundation contribution, net of a $3.7 million valuation allowance	-	-	(2,569)	-	-	-
Stockholders' equity, tax impact of change in minimum pension liability	1,887	-	(1,914)	-	-	-
Goodwill	3,477	-	(11,184)	-	-	-
Income (loss)	5,213	-	(5,851)	-	2,182	-
Total deferred tax (benefit) expense	$ (1,483)	$ -	$ (23,928)	$ -	$ 1,736	$ -

Management believes it is more likely than not that the reversal of deferred tax liabilities and results of future operations will generate sufficient taxable income to realize the deferred tax assets, net of the valuation allowance.

The Company has federal net operating loss carryforwards of $3.2 million at December 31, 2005, which expire in 2024. This carryforward is from the acquisition of Alliance and is subject to limitation under Internal Revenue Code Section 382. The yearly limitation on usage of the net operating loss is $3.3 million and management expects to utilize this carryforward in 2006. The Company has state net operating loss carryforwards at December 31, 2005 of $230.0 million of which $68.2 million expires between 2020 and 2024, $84.8 million expires in 2025 and $77.0 million expires in 2026. As of December 31, 2005 and 2004, the Company had a valuation allowance of $13.5 million and $8.9 million, respectively, against its state deferred tax asset, including the state net operating loss carryforwards, in connection with the creation of a Connecticut passive investment company pursuant to legislation enacted in 1998. Under this legislation, Connecticut passive investment companies are not subject to the Connecticut Corporate Business Tax and dividends paid by the passive investment company to the Company are exempt from the Connecticut Corporate Business Tax. During 2005, the Company increased its valuation allowance by $4.6 million to offset an increase in the state deferred tax asset attributable to net deductible temporary differences and net operating loss carryforwards arising during the year.

At December 31, 2005, the Company has charitable contribution carryforwards of $54.0 million, which expire in 2009. The charitable contribution carryforward primarily resulted from the charitable contribution of 4,000,000 shares of the Company's stock and $40,000 of cash to the NewAlliance Foundation in 2004. The utilization of charitable contributions for any tax year is limited to 10% of taxable income without regard to charitable contributions, net operating losses, and dividend received deductions. A corporation is permitted to carry over to the five succeeding tax years contributions that exceeded the 10% limitation, but deductions in those years are also subject to the maximum limitation. At December 31, 2005 and 2004, the Company has a valuation allowance of $5.2 million and $4.9 million, respectively against charitable contributions that are expected to expire in 2009 unused based on Management's estimate of future taxable income. The estimate of future taxable income is based on significant judgment as to the amount and timing of various income and expense amounts. Management will reassess the estimate of future taxable income as facts and circumstances dictate. Changes in judgment concerning future taxable income may result in a change to the valuation allowance.

Capital losses can only be used to offset capital gains. Excess losses over gains can be carried back three years or carried forward five years. As of December 31, 2005, there is a partial valuation allowance of $331,000 for the tax effect of capital loss carryforwards associated with realized and unrealized capital losses on capital assets. $253,000 of this partial valuation allowance does not have an impact on earnings. The valuation allowance increased by $10,000 of which $64,000 was credited to continuing operations, $34,000 was charged to equity and $40,000 was charged to goodwill relating to the Trust Company acquisition.

A deferred tax liability has not been recorded for the tax reserve for bad debts of approximately $49.6 million that arose in tax years beginning before December 31, 1987 (the "base year amount"). A deferred tax liability is not recognized for the base year amount unless it becomes apparent that those temporary differences will reverse into taxable income in the foreseeable future. The base year amount will only be recognized into taxable income if the Bank ceases to be a bank or if the Bank makes distributions of property to a shareholder with respect to its stock that is in excess of the Bank's earnings and profits accumulated in taxable years beginning after

December 31, 1951. No deferred tax liability has been established as these two events are not expected to occur in the foreseeable future.

15. Commitments and Contingencies

Cash and Due from Banks Withdrawal and Usage Restrictions

The Company is required to maintain reserves against its transaction accounts and non-personal time deposits. As of December 31, 2005, and 2004, the Company was required to have deposits at the Federal Reserve Bank of approximately $26.8 million and $33.0 million, respectively, to meet these requirements.

Leases

The Company leases certain of its premises and equipment under lease agreements, which expire at various dates through September 30, 2012. The Company has the option to renew certain of the leases at fair rental values. Rental expense was approximately $2.2 million for the year ended December 31, 2005 and 2004, respectively and $708,000 for the nine months ended December 31, 2003.

Future minimum payments, by fiscal year in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more consisted of the following:

(In thousands)		Amount
2006	$	2,045
2007		1,893
2008		1,678
2009		1,431
2010		1,188
thereafter		2,439
Total	$	10,674

Commitments to Extend Credit

The table below shows commitments to extend credit as of December 31, 2005.

	December 31,			
(In thousands)		2005		2004
Loan commitments	$	68,160	$	47,865
Unadvanced portion of construction loans		98,360		71,768
Standby letters of credit		11,701		8,103
Unadvanced portion of lines of credit		491,977		474,967
Total commitments	$	670,198	$	602,703

Forward sale commitments are entered into with respect to certain individual residential loan origination commitments, with delivery conditional on the closing of the related loans. The forward sale commitments generally require delivery within 60 days from application of the related loan, and conformity with standard secondary market guidelines including loan documentation. The total outstanding amount of forward mortgage sale commitments was $2.0 million at December 31, 2005 and $1.1 million at December 31, 2004. The Company has no other off-balance sheet financial instruments that qualify as derivative instruments. Changes in the fair value of forward sale commitments and related origination commitments are equal in amount due to the Bank's practice of entering into a sale commitment at the time it issues an origination commitment for a particular loan. Forward sales commitments related to closing loans are accounted for as fair value hedges under SFAS No. 133 *"Accounting for Derivative Instruments and Hedging Activities."* Because the forward sale commitments relate to specific closed loans, changes in the fair value of the forward commitments offset changes in the fair value of the related loans.

These financial instruments involve, to varying degrees, elements of credit and interest rate risk. The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for existing loans. Credit risk related to these financial instruments is controlled through credit approvals, limits and monitoring procedures and the receipt of collateral when deemed necessary.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include income producing commercial properties, accounts receivable, inventory and property, plant and equipment.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in existing loan facilities to customers. The Company holds real estate and marketable securities as collateral supporting those commitments for which collateral is deemed necessary.

Investment Commitments
As of December 31, 2005, and 2004, the Company was contractually committed under four limited partnership agreements to make additional partnership investments of approximately $3.7 million and $4.2 million, respectively.

Litigation
There are various legal proceedings and unasserted claims against the Company arising out of its business. Although it is not feasible to predict with certainty the outcome of any of these cases, in the opinion of management and based on discussions with legal counsel, the outcome of these matters is not expected to result in a material adverse effect on the financial position or future operating results of the Company.

A conversion-related civil action was brought against the Company in June, 2004. This action was brought in U.S. District Court, New Haven, Connecticut. The plaintiffs are 10 entities who claim that their right to purchase stock in the Company's conversion offering was improperly limited by the Company because of its allegedly wrongful determination that those entities were acting in concert with other entities whose subscription rights were also restricted, and because the Company improperly communicated that determination to the plaintiffs. Monetary damages are sought based on the number of shares they allege they should have been allowed to purchase multiplied by the stock's initial appreciation following the conversion. The Company disputes the plaintiffs' allegations and intends to defend the case vigorously. On November 3, 2005, the Court granted Summary Judgment in favor of the Company and denied the Summary Judgment motion of the plaintiffs. The plaintiffs have appealed the decision of the District Court to the United States Court of Appeals for the Second Circuit, which will consider the appeal in its normal course of business.

16. Stockholders' Equity

At December 31, 2005, stockholders' equity amounted to $1.31 billion, or 20.0% of total assets, compared to $1.42 billion, or 22.6%, at December 31, 2004. The Company paid cash dividends of $0.21 and $0.08 per share on common stock during the years ended December 31, 2005 and 2004, respectively.

Regulatory Capital
The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the banking regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total capital and Tier 1 capital to risk weighted assets and of Tier 1 capital to average assets. Management believes that as of December 31, 2005 and December 31, 2004 the Company and the Bank met all capital adequacy requirements to which it was subject.

As of December 31, 2005, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. Management believes that there are no events or conditions, which have occurred subsequent to the notification that would change the Bank's capital category. The following is a summary of the Company's and the Bank's actual capital amounts and ratios as of December 31, 2005 and 2004, compared to the required amounts and ratios for minimum capital adequacy and for classification as a well capitalized institution:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
NewAlliance Bank						
December 31, 2005						
Tier 1 Capital (to Average Assets)	$ 601,971	10.0 %	$ 241,043	4.0 %	$ 301,303	5.0 %
Tier 1 Capital (to Risk Weighted Assets)	601,971	17.6	136,899	4.0	205,349	6.0
Total Capital (to Risk Weighted Assets)	637,523	18.6	273,798	8.0	342,248	10.0
December 31, 2004						
Tier 1 Capital (to Average Assets)	$ 577,347	10.0 %	$ 231,248	4.0 %	$ 289,060	5.0 %
Tier 1 Capital (to Risk Weighted Assets)	577,347	16.5	139,991	4.0	209,987	6.0
Total Capital (to Risk Weighted Assets)	613,510	17.5	279,982	8.0	349,978	10.0
NewAlliance Bancshares, Inc.						
December 31, 2005						
Tier 1 Capital (to Average Assets)	$ 866,567	14.3 %	$ 242,239	4.0 %	$ 302,799	5.0 %
Tier 1 Capital (to Risk Weighted Assets)	866,567	25.0	138,686	4.0	208,029	6.0
Total Capital (to Risk Weighted Assets)	902,119	26.0	277,372	8.0	346,715	10.0
December 31, 2004						
Tier 1 Capital (to Average Assets)	$ 946,496	16.3 %	$ 231,958	4.0 %	$ 289,948	5.0 %
Tier 1 Capital (to Risk Weighted Assets)	946,496	27.0	140,308	4.0	210,462	6.0
Total Capital (to Risk Weighted Assets)	989,764	28.2	280,615	8.0	350,769	10.0

Dividends
The Company and the Bank are subject to dividend restrictions imposed by various regulators. Connecticut banking laws limit the amount of annual dividends that the Bank may pay to the Company to an amount that approximates the Bank's net income retained for the current year plus net income retained for the two previous years. In addition, the Bank may not declare or pay dividends on, and the Company may not repurchase any of its shares of its common stock if the effect thereof would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements or if such declaration, payment or repurchase would otherwise violate regulatory requirements.

Share Repurchase Plan
On May 9, 2005, the Company's Board of Directors authorized the repurchase of up to approximately 10.7 million shares or 10% of the then outstanding Company common stock. The Company had repurchased approximately 9.5 million shares of common stock at a weighted average price of $14.58 per share as of December 31, 2005. On January, 31, 2006, the Company's Board of Directors authorized the repurchase of up to an additional 10.0 million shares or approximately 10% of the then outstanding Company common stock. There is no set expiration date for either of the repurchase plans.

Liquidation Account
As part of the conversion to a stock bank on April 1, 2004, the Bank established a liquidation account for the benefit of account holders in an amount equal to the Bank's capital of $403.8 million as of September 30, 2003. The liquidation account will be maintained for a period of ten years after the conversion for the benefit of those deposit account holders who qualified as eligible account holders at the time of the conversion and who have continued to maintain their eligible deposit balances with the Bank following the conversion. The liquidation account, which totaled $195.5 million at December 31, 2005 is reduced annually by an amount equal to the decrease in eligible deposit balances, notwithstanding any subsequent increases in the account. In the event of the complete liquidation of the Bank, each eligible deposit account holder will be entitled to receive his/her proportionate interest in the liquidation account, after the payment of all creditors' claims, but before distributions to the Company as the sole stockholder of the Bank. The Bank may not declare or pay a dividend on its capital stock if its effect would be to reduce the regulatory capital of the Bank below the amount required for the liquidation account.

17. Other Comprehensive Income

The following table summarizes the components of comprehensive income (loss) and other comprehensive loss and the related tax effects for the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003.

(In thousands)	Year Ended December 31, 2005	Year Ended December 31, 2004	Nine Months Ended December 31, 2004
Net income	$ 52,599	$ 4,069	$ 12,076
Other comprehensive loss, before tax			
Unrealized losses on securities			
Unrealized holding losses arising during the period	(34,516)	(6,477)	(3,301)
Reclassification adjustment for gains included in net income	(40)	(616)	(153)
Minimum pension liability adjustment	5,390	(5,469)	-
Other comprehensive loss, before tax	(29,166)	(12,562)	(3,454)
Income tax benefit net of valuation allowance (1)	10,173	4,324	1,229
Other comprehensive loss, net of tax	(18,993)	(8,238)	(2,225)
Comprehensive income (loss)	$ 33,606	$ (4,169)	$ 9,851

(1) Income tax benefit related to securities losses was $12.1 million, $2.4 million and $1.2 million, respectively for the years ended December 31, 2005 and 2004 and the nine months ended December 31, 2003. Income tax expense related to the minimum pension liability was $1.9 million compared to an income tax benefit of $1.9 million, respectively for the years ended December 31, 2005 and 2004 and $0 for the nine months ended December 31, 2003. Included in the income tax benefit related to securities losses for the years ended December 31, 2005 and 2004 is a valuation allowance of $88,000 and $53,000, respectively for the tax effects of unrealized capital losses on equity securities.

18. Earnings Per Share

The following is an analysis of the Company's basic and diluted EPS for the periods presented:

(In thousands, except per share data)	Year Ended December 31, 2005
Net income	$ 52,599
~~Weighted-average basic shares outstanding~~	~~105,110~~
Dilutive potential common shares (1)	407
Weighted-average dilutive shares outstanding	105,517
Basic EPS	$ 0.50
Diluted EPS	0.50

(In thousands, except per share data)	Year Ended December 31, 2005	For the period April 1 through December 31, 2004
Net income	$ 52,599	$ 2,092
Weighted-average basic shares outstanding	105,110	106,520
Dilutive potential common shares (1)	407	-
Weighted-average dilutive shares outstanding	105,517	106,520
Basic EPS	$ 0.50	$ 0.02
Diluted EPS	0.50	0.02

(1) Options to purchase 215,000 shares of common stock were outstanding during the second half of 2005, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either basic or diluted earnings per share calculations.

~~The conversion to a stock bank occurred on April 1, 2004, resulting in shares outstanding only for the nine months ended December 31, 2004. Therefore, earnings~~ Earnings per share for the year ended December 31, 2004 and the nine months ended December 31, 2003 are not ~~shown.~~presented, as the Company had no shares outstanding until the second quarter of 2004 upon its conversion to a stock bank on April 1, 2004. Earnings per share for the period April 1 through December 31, 2004 was calculated using net income and weighted-average shares outstanding from the date of conversion through December 31, 2004.

19. Disclosures About Fair Value of Financial Instruments

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. When available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by companies to independent markets and, in certain cases, could not be realized in an immediate sale of the instrument.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts presented do not purport to represent the underlying market value of the Company.

The following methods and assumptions were used by management to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents
Carrying value is assumed to represent fair value for cash and due from banks and short-term investments, which have original maturities of 90 days or less.

Investment securities
Fair values of securities are based on quoted market prices or dealer quotes, except for FHLB stock, which is assumed to have a fair value equal to its carrying value.

Loans held for sale
The fair value of performing residential mortgage loans held for sale is estimated using quoted market prices provided by government-sponsored entities.

Accrued income receivable
Carrying value is assumed to represent fair value.

Loans
The fair value of the net loan portfolio is determined by discounting the estimated future cash flows using the prevailing interest rates as of year-end at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of nonperforming loans is estimated using the Bank's prior credit experience.

Deposits
The fair value of demand, non-interest bearing checking, savings and certain money market deposits is determined as the amount payable on demand at the reporting date. The fair value of time deposits is estimated by discounting the estimated future cash flows using rates offered for deposits of similar remaining maturities as of year-end.

Borrowed Funds
The fair value of borrowed funds is estimated by discounting the future cash flows using market rates for similar borrowings.

The following are the carrying amounts and estimated fair values of the Company's financial assets and liabilities as of the periods presented:

	December 31, 2005		December 31, 2004	
(In thousands)	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Financial Assets				
Cash and due from banks	$ 127,290	$ 127,290	$ 101,099	$ 101,099
Short-term investments	46,497	46,497	100,000	100,000
Investment securities	2,455,205	2,454,178	2,283,701	2,283,701
Loans held for sale	1,222	1,222	501	501
Loans, net	3,241,154	3,243,241	3,108,494	3,173,662
Accrued income receivable	25,684	25,684	21,058	21,058
Financial Liabilities				
Interest and non-interest bearing checking, savings and money market accounts	$ 2,164,221	$ 2,164,221	$ 2,542,607	$ 2,542,607
Time deposits	1,633,891	1,618,983	1,159,405	1,151,151
Borrowed funds	1,380,775	1,337,989	1,064,816	1,052,220

20. Selected Quarterly Consolidated Information (unaudited)

The following tables present quarterly financial information of the Company for 2005 and 2004~~:~~. Earnings per share for the March 31, 2004 quarter is not presented as there were no shares outstanding until the second quarter of 2004. The original footnote included in Form 10-K omitted the earnings per share amounts for each quarter presented, however, such information was included in the Form 10-Q filings. Accordingly, such information has been added to this footnote.

(In thousands)	Three Months Ended December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Interest and dividend income	$ 72,810	$ 70,523	$ 68,583	$ 64,654
Interest expense	29,342	26,583	24,085	20,451
Net interest income before provision for loan losses	43,468	43,940	44,498	44,203
Provision for loan losses	-	400	-	-
Net interest income after provision for loan losses	43,468	43,540	44,498	44,203
Non-interest income	12,088	12,372	11,177	9,887
Non-interest expense	37,909	35,763	34,057	33,511
Income before taxes	17,647	20,149	21,618	20,579
Income tax provision	5,996	7,405	7,108	6,885
Net income	$ 11,651	$ 12,744	$ 14,510	$ 13,694

(In thousands)	Three Months Ended December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004
Interest and dividend income	$ 62,137	$ 60,822	$ 58,015	$ 27,058
Interest expense	18,585	18,255	16,955	8,017
Net interest income before provision for loan losses	43,552	42,567	41,060	19,041
Provision for loan losses	300	-	-	300
Net interest income after provision for loan losses	43,252	42,567	41,060	18,741
Non-interest income	9,707	10,634	11,429	3,976
Non-interest expense	36,088	40,925	79,985	19,775
Income (loss) before taxes	16,871	12,276	(27,496)	2,942
Income tax provision (benefit)	5,309	4,143	(9,893)	965
Net income (loss)	$ 11,562	$ 8,133	$ (17,603)	$ 1,977

	Three Months Ended			
(In thousands)	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Interest and dividend income	$ 72,810	$ 70,523	$ 68,583	$ 64,654
Interest expense	29,342	26,583	24,085	20,451
Net interest income before provision for loan losses	43,468	43,940	44,498	44,203
Provision for loan losses	-	400	-	-
Net interest income after provision for loan losses	43,468	43,540	44,498	44,203
Non-interest income	12,088	12,372	11,177	9,887
Non-interest expense	37,909	35,763	34,057	33,511
Income before taxes	17,647	20,149	21,618	20,579
Income tax provision	5,996	7,405	7,108	6,885
Net income	$ 11,651	$ 12,744	$ 14,510	$ 13,694
Basic and diluted earnings per share	$ 0.12	$ 0.12	$ 0.14	$ 0.13

	Three Months Ended			
(In thousands)	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004
Interest and dividend income	$ 62,137	$ 60,822	$ 58,015	$ 27,058
Interest expense	18,585	18,255	16,955	8,017
Net interest income before provision for loan losses	43,552	42,567	41,060	19,041
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Net interest income after provision for loan losses	43,252	42,567	41,060	18,741
Non-interest income	9,707	10,634	11,429	3,976
Non-interest expense	36,088	40,925	79,985	19,775
Income (loss) before taxes	16,871	12,276	(27,496)	2,942
Income tax provision (benefit)	5,309	4,143	(9,893)	965
Net income (loss)	$ 11,562	$ 8,133	$ (17,603)	$ 1,977
Basic and diluted earnings per share	$ 0.11	$ 0.08	$ (0.17)	$ n/a

21. Parent Company Statements

The parent company began operations on April 1, 2004 in conjunction with the Bank's mutual-to-stock conversion and the Parent Company's subscription and direct community offering of its common stock. The following represents the Parent Company's balance sheet as of December 31, 2005 and 2004, and statements of income and cash flows for the year ended December 31, 2005 and for the period April 1, 2004 through December 31, 2004.

NEWALLIANCE BANCSHARES, INC.
Notes to Consolidated Financial Statements
December 31, 2005, 2004 and 2003

Balance Sheet

(In thousands)	December 31, 2005		December 31, 2004	
Assets				
Interest earning and other bank deposits	$	222,571	$	326,152
Investment securities		197		11,185
Investment in subsidiaries		1,053,322		1,047,238
Other assets		44,613		39,295
Total assets	$	1,320,703	$	1,423,870
Liabilities and shareholders' equity				
Accrued interest and other liabilities	$	2,726	$	393
Borrowings		7,109		7,105
Shareholders' equity		1,310,868		1,416,372
Total liabilities and shareholders' equity	$	1,320,703	$	1,423,870

Income Statement

(In thousands)	Year Ended December 31, 2005		For the period April 1 through December 31, 2004	
Revenues				
Interest on investments	$	4,751	$	3,626
Other income		9		28
Total revenue		4,760		3,654
Expenses				
Contribution to NewAlliance Foundation		-		40,000
Interest on long term notes and debentures		701		528
Other expenses		12,024		922
Total expenses		12,725		41,450
Loss before tax benefit and equity in undistributed net income of subsidiaries		(7,965)		(37,796)
Income tax benefit		(2,839)		(13,370)
Loss before equity in undistributed net income of subsidiaries		(5,126)		(24,426)
Equity in undistributed net income of subsidiaries		57,725		28,495
Net income	$	52,599	$	4,069

Statement of Cash Flows

(In thousands)	Year Ended December 31, 2005	For the period April 1 through December 31, 2004
Cash flows from operating activities		
Net income	$ 52,599	$ 4,069
Adjustments to reconcile net income to net cash provided by operating activities		
Contribution of common stock to the NewAlliance Foundation	-	40,000
Undistributed income of NewAlliance Bank	(57,725)	(28,495)
Distribution of ESOP shares	3,524	2,433
Restricted stock compensation expense	7,977	-
Deferred tax benefit	(2,052)	(11,830)
Amortization of investment securities, net	27	84
Net change in other assets and other liabilities	(863)	8,899
Net cash provided by operating activities	3,487	15,160
Cash flows from investing activities		
Purchase of available for sale securities	-	(30)
Proceeds from maturities and principal reductions of available for sale securities	11,030	17,295
Net investment in bank subsidiary	42,707	(675,911)
Net cash used in investing activities	53,737	(658,646)
Cash flows from financing activities		
Issuance of common stock, net of issuance costs	-	1,087,626
Acquisition of common stock by ESOP	-	(109,451)
Acquisition of treasury shares	(138,473)	-
Cash dividends paid	(22,332)	(8,537)
Net cash provided by financing activities	(160,805)	969,638
Net increase in cash and cash equivalents	(103,581)	326,152
Cash and cash equivalents, beginning of period	326,152	-
Cash and cash equivalents, end of period	$ 222,571	$ 326,152

(c) Exhibits Required by Securities and Exchange Commission Regulation S-K

Exhibit Number	
3.1	Amended and Restated Certificate of Incorporation of NewAlliance Bancshares, Inc. Incorporated herein by reference is Exhibit 3.1 filed with the Company's Quarterly Report on Form 10-Q, filed August 13, 2004.
3.2	Bylaws of NewAlliance Bancshares, Inc. Incorporated herein by reference is Exhibit 3.2 filed with the Company's Quarterly Report on Form 10-Q, filed August 13, 2004.
4.1	See Exhibit 3.1, Amended and Restated Certificate of Incorporation and Exhibit 3.2, Bylaws of NewAlliance Bancshares, Inc.
10.1	NewAlliance Bank Deferred Compensation Plan. Incorporated herein by reference is Exhibit 10.2 filed with the Registrant's Registration Statement on Form S-1, Registration No. 333-109266, filed September 30, 2003.
10.2	Fourth Amendment to NewAlliance Bank Supplemental Executive Retirement Plan. Incorporated herein by reference is Exhibit 10.3.2 filed with Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-109266, filed December 12, 2003.
10.2.1	NewAlliance Bank 2004 Supplemental Executive Retirement Plan. Incorporated herein by reference is Exhibit 10.3.3 filed with Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-109266, filed December 12, 2003.
10.3	NewAlliance Bancshares, Inc. Employee Stock Ownership Plan Supplemental Executive Retirement Plan. Incorporated herein by reference is Exhibit 10.4 filed with Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-109266, filed December 12, 2003.
10.4	The NewAlliance Bank 401(k) Plan Supplemental Executive Retirement Plan. (Amended and Restated Effective December 31, 2004) Incorporated herein by reference is Exhibit 10.4 filed with the Company's Quarterly Report on Form 10-Q, filed November 9, 2005.
10.5	NewAlliance Bank Executive Incentive Plan. Incorporated herein by reference is Exhibit 10.6 filed with Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-109266, filed December 12, 2003.
10.6	Employee Severance Plan. Incorporated herein by reference is Exhibit 10.8 filed with Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-109266, filed December 12, 2003.
10.7.1	Amended and Restated Employment Agreement between NewAlliance Bancshares and NewAlliance Bank and Peyton R. Patterson, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.1 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.2	Amended and Restated Employment Agreement between NewAlliance Bancshares and NewAlliance Bank and Merrill B. Blanksteen, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.2 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.3	Amended and Restated Employment Agreement between NewAlliance Bancshares and NewAlliance Bank and Gail E.D. Brathwaite, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.3 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.4	Amended and Restated Employment Agreement between NewAlliance Bank and David H. Purcell, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.4 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.5	Amended and Restated Employment Agreement between NewAlliance Bank and Diane L. Wishnafski, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.5 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.6	Amended and Restated Employment Agreement between NewAlliance Bank and Brian S. Arsenault, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.6 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.7	Amended and Restated Employment Agreement between NewAlliance Bank and J. Edward Diamond, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.7 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.8	Amended and Restated Employment Agreement between NewAlliance Bank and Donald T. Chaffee, effective January 3, 2006. Incorporated herein by reference is Exhibit 10.7.8 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.9	Form of Change In Control Agreement dated as of January 3, 2006 between NewAlliance Bank and Koon-Ping Chan. Incorporated herein by reference is Exhibit 10.7.9 filed with the Company's Current Report on Form 8-K, filed January 6, 2006.
10.7.10	Intentionally omitted.

10.8.1	Form of Stock Option Agreement (for outside directors). Incorporated herein by reference is Exhibit 10.8.1 filed with the Company's Quarterly Report on Form 10-Q, filed August 9, 2005.
10.8.2	Form of Stock Option Agreement (for employees, including senior officers). Incorporated herein by reference is Exhibit 10.8.2 filed with the Company's Quarterly Report on Form 10-Q, filed August 9, 2005.
10.9.1	Form of Restricted Stock Award Agreement (for outside directors). Incorporated herein by reference is Exhibit 10.9.1 filed with the Company's Quarterly Report on Form 10-Q, filed August 9, 2005.
10.9.2	Form of Restricted Stock Award Agreement (for employees, including senior officers). Incorporated herein by reference is Exhibit 10.9.2 filed with the Company's Quarterly Report on Form 10-Q, filed August 9, 2005.
10.10	NewAlliance Bancshares, Inc. 2005 Long-Term Compensation Plan. Incorporated herein by reference is Exhibit 4.3 filed with the Company's Registration Statement on Form S-8, filed November 4, 2005.
14	Code of Ethics for Senior Financial Officers. Incorporated herein by reference is Exhibit 14 filed with the Company's Annual Report on Form 10-KT, filed March 30, 2004.
21	Subsidiaries of NewAlliance Bancshares, Inc. and NewAlliance Bank. Incorporated herein by reference is Exhibit 21 filed with the Company's Annual Report on Form 10-K, filed March 21, 2005.
31.1	Certification of Peyton R. Patterson pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (filed herewith).
32.2	Certification of Merrill B. Blanksteen pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (filed herewith).
32.1	Certification of Peyton R. Patterson pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Merrill B. Blanksteen pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NewAlliance Bancshares, Inc.

By: /s/ Peyton R. Patterson ~~February 28~~October xx, 2006
Peyton R. Patterson
Chairman of the Board, President and Chief Executive Officer

~~Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.~~

~~Name~~	~~Title~~	~~Date~~
~~/s/ Peyton R. Patterson~~ ~~Peyton R. Patterson~~	~~Chairman of the Board, President and Chief Executive Officer (principal executive officer)~~	~~February 28, 2006~~
~~/s/ Merrill B. Blanksteen~~ ~~Merrill B. Blanksteen~~	~~Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)~~	~~February 28, 2006~~
~~/s/ Mark F. Doyle~~ ~~Mark F. Doyle~~	~~Senior Vice President and Chief Accounting Officer (principal accounting officer)~~	~~February 28, 2006~~
~~/s/ Roxanne J. Coady~~ ~~Roxanne J. Coady~~	~~Director~~	~~February 28, 2006~~
~~/s/ John F. Croweak~~ ~~John F. Croweak~~	~~Director~~	~~February 28, 2006~~
~~/s/ Sheila B. Flanagan~~ ~~Sheila B. Flanagan~~	~~Director~~	~~February 28, 2006~~
~~/s/ Richard J. Grossi~~ ~~Richard J. Grossi~~	~~Director~~	~~February 28, 2006~~
~~/s/ Robert J. Lyons, Jr.~~ ~~Robert J. Lyons, Jr.~~	~~Director~~	~~February 28, 2006~~
~~/s/ Eric A. Marziali~~ ~~Eric A. Marziali~~	~~Director~~	~~February 28, 2006~~
~~/s/ Julia M. McNamara~~ ~~Julia M. McNamara~~	~~Director~~	~~February 28, 2006~~
~~/s/ Gerald B. Rosenberg~~ ~~Gerald B. Rosenberg~~	~~Director~~	~~February 28, 2006~~
~~/s/ Joseph H. Rossi~~ ~~Joseph H. Rossi~~	~~Director~~	~~February 28, 2006~~
~~/s/ Cornell Scott~~ ~~Cornell Scott~~	~~Director~~	~~February 28, 2006~~
~~/s/ Nathaniel D. Woodson~~ ~~Nathaniel D. Woodson~~	~~Director~~	~~February 28, 2006~~
~~/s/ Joseph A. Zaccagnino~~ ~~Joseph A. Zaccagnino~~	~~Director~~	~~February 28, 2006~~