



March 7, 2011

Dear Shareholder,

As we continue to build the foundation for significant future growth, I am pleased to report that our Holding Company, BNC Financial Group, Inc. (“The Company”), achieved record earnings in 2010, with a consolidated profit of \$507 thousand, an increase of 161% over 2009. Despite another year of economic challenges, high unemployment, low interest rates and increased regulation, we experienced significant increases in our deposits and exceptional loan growth resulting from our visibility and superior level of service. We continued our traditional level of outstanding asset quality while providing the products and services most needed by our business and consumer customers. In virtually all aspects of our business, The Bank of New Canaan (BNC) demonstrated consistently solid performance in the face of a low interest rate environment. The Bank of Fairfield (TBF) experienced growth significantly ahead of plan, and BNC’s new division, Stamford First Bank (SFB), far exceeded our expectations, ending the year with strong commercial loan closings, a significant pipeline of loans and a thriving deposit base.

We believe that our overall steady growth reflects our continued ability to balance the financing that we provide to the communities we serve with an expertise in delivering consistently high quality loans on a timely basis. In doing so, we have demonstrated that we are able to evolve and grow while maintaining our high standards. While loan growth is an important component of our success, we are also proud of the relationships that we continue to develop. It is our goal to exceed all of our customers’ financial needs, help them to succeed financially and establish our organization as the preeminent financial services company in our markets.

The enclosed financial highlights show the individual year-end results for each Bank as well as the Company’s consolidated results. We believe it is easier to track the results of our multibank strategy if you review each Bank’s performance in addition to the consolidated results of the Company.

BNC FINANCIAL GROUP:

In a year that has presented challenges from the economic cost associated with new banking regulations and the ongoing uncertainty of the economy, our organization continued to turn these difficult times into a number of opportunities. This is evidenced by the year-over-year financial highlights for the Company's consolidated results:

- Our total assets increased by 20.96% to \$396 million.
- Our gross loans increased by 11.93% to \$292 million.
- Our Capital to Asset ratio is a strong 10.19%.
- Our Net Interest Margin increased to 4.13%.

THE BANK OF NEW CANAAN:

The Bank of New Canaan had a successful year across all areas in 2010. As a result of our steady loan growth, focused sales team and continued immersion in the community, we continue to successfully compete with organizations that had their roots in town long before us. Some of BNC's financial highlights for 2010 versus 2009 are:

- In 2010, we added \$941 thousand to our allowance for loan loss versus \$1.2 million for 2009. This increased the Bank's ALLL to \$4.14 million or 1.76% of portfolio loans.
- Our net income for 2010 was \$1.2 million, versus 2009's net income of \$1.1 million.
- Year over year, our net interest margin increased by 26 basis points.
- Our credit quality remains excellent. The property which became an Other Real Estate Owned asset in September, at a book value of \$3.4 million, was subsequently sold prior to year end at \$3.3 million.
- With a Tier 1 Capital to Total Asset ratio of 8.15%, we remain strong and well capitalized.

We expect these favorable trends to continue into 2011, a period that we expect to be full of both opportunities and challenges.

THE BANK OF FAIRFIELD:

The Bank of Fairfield demonstrated exceptional loan growth in 2010, reflected in a high volume of construction to permanent financing and a strong demand for our expertise in structuring commercial mortgages and credit lines for small and medium sized businesses. TBF's highlights for 2010 include:

- \$85.8 million in assets;
- \$73.2 million in gross loans;
- \$62.3 million in deposits;
- \$10.7 million in capital;
- A Net Interest Margin of 4.20%;
- An Allowance for Loan Losses equal to 1.86% of its portfolio loans; and
- A Tier I Capital to Total Asset ratio of 13.25%.

All in all, 2010 was a busy year for the Company, highlighted by the following significant developments:

1) As part of our strategic plan, we opened Stamford First Bank as a division of The Bank of New Canaan at 612 Bedford Street in Stamford at the end of July. I am pleased to report that the response to the new bank has exceeded anything we had anticipated. By year-end, Stamford First Bank had \$14 million in gross loans and \$51 million in deposits. With a talented sales and lending team that has years of experience in the local market, we anticipate that Stamford First Bank will become profitable in the first half of 2012.

2) In October, the FDIC released its 2010 report of bank rankings by deposit market share. The Bank of New Canaan held its position as second of nine banks in New Canaan with 18.70% of the market and demonstrated the strongest growth of only three banks in town that showed positive gains. The Bank of Fairfield more than doubled its market share to 3.54% in Fairfield, after less than two years in operation, and was one of only several banks in that market to show any increase in deposit market share. BNC Financial Group climbed the ladder in a Fairfield County ranking as well, showing a gain of almost 2%. Unlike many of our competitors, we have emerged from the last several years stronger than ever and poised for additional market share growth. We attribute this to the fact that we stayed faithful to our vision of providing value to the communities we serve and helping our customers succeed.

3) In December, in a continuing effort to provide unprecedented value to our customers, we implemented “No Fee ATM Banking” across the banks. This service automatically rebates all ATM fees nationwide, including those that customers may incur at other financial institutions, when they use our ATM or Visa® Debit cards. We feel that this added value will continue to differentiate us in the marketplace, and overcome the obstacle of having a limited number of ATMs. We experienced an immediate response to this offer, which prompted the opening of a number of new accounts, particularly in New Canaan.

4) Lastly, we completed a successful capital raise through a Private Placement offering that resulted in \$4.2 million in new capital. Our strategic initiatives revolve around our strong capital position and our commitment to the communities we serve, and we will employ the additional capital for opportunities as they arise that benefit the organization and our shareholders.

2010 has been a year of continuing change, but thanks to a clear strategy, ambitious financial targets and a commitment to our community bank model, we believe that our market presence will continue to grow. Our strategy is to continually enhance our relationship-based model, take advantage of our strong position in areas that have high growth potential, and further transform our operational model. While continuing to provide customers with exceptional banking services, we will adapt to the changing environment by focusing on improving our operational efficiency, further developing internal synergies, strengthening our infrastructure and maintaining consistent vigilance about risk control.

As always, we are thankful to our customers, our shareholders and the communities we serve for their continued confidence and if you have not yet visited our new bank in Stamford, we invite you to do so. We value your input and invite you to call or stop by to discuss any thoughts or questions you might have at any time.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "M. Forgotson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Merrill Jay Forgotson
Chief Executive Officer

BNC FINANCIAL GROUP, INC. AND ITS SUBSIDIARIES

Financial Highlights

(Unaudited Dollar amounts in thousands, except per share data)

	Twelve months ended December, 31 2010			Twelve months ended December, 31 2009			Twelve months ended December, 31 2010			Twelve months ended December, 31 2009					
	The Bank of New Canaan		%	The Bank of Fairfield		%	The Bank of New Canaan		%	The Bank of Fairfield		%	BNC Financial Group, Inc.		
	2010	2009	change	2010	2009	change	2010	2009	change	2010	2009	change	2010	2009	% change
Balance Sheet															
Total Assets	\$310,008	\$256,406	20.91%	\$85,401	\$69,970	22.05%	\$395,640	\$328,160	20.56%	\$395,640	\$328,160	20.56%	\$395,640	\$328,160	20.56%
Gross Portfolio Loans (net of LHFS)	\$218,501	\$210,172	3.96%	\$70,006	\$47,234	48.21%	\$288,506	\$257,139	12.20%	\$288,506	\$257,139	12.20%	\$288,506	\$257,139	12.20%
Loans Held for Sale (LHFS)	\$229	\$1,855	-87.63%	\$3,375	\$1,548	118.02%	\$3,604	\$3,403	5.92%	\$3,604	\$3,403	5.92%	\$3,604	\$3,403	5.92%
Total Gross Loans	\$218,730	\$212,027	3.16%	\$73,381	\$48,782	50.43%	\$292,111	\$260,542	12.12%	\$292,111	\$260,542	12.12%	\$292,111	\$260,542	12.12%
Investments	\$49,590	\$24,472	102.64%	8,593	\$9,619	-10.67%	\$58,183	\$34,060	70.83%	\$58,183	\$34,060	70.83%	\$58,183	\$34,060	70.83%
Total Earning Assets	\$300,305	\$247,427	21.37%	\$82,781	\$66,768	23.98%	\$383,086	\$315,368	21.47%	\$383,086	\$315,368	21.47%	\$383,086	\$315,368	21.47%
Total Deposits	\$251,921	\$188,926	33.34%	\$62,316	\$58,716	6.13%	\$309,137	\$244,215	26.58%	\$309,137	\$244,215	26.58%	\$309,137	\$244,215	26.58%
Shareholder's Equity	\$24,703	\$21,452	15.16%	\$10,744	\$9,974	7.71%	\$40,352	\$35,695	13.05%	\$40,352	\$35,695	13.05%	\$40,352	\$35,695	13.05%
Per Share Basic (shares outstanding 2,756,200 and 2,450,349 respectively), excluding Preferred stock	N/A	N/A	N/A	N/A	N/A	N/A	\$12.81	\$12.51	2.41%	\$12.81	\$12.51	2.41%	\$12.81	\$12.51	2.41%
Per Share Dilutive (shares outstanding 2,813,663 and 2,495,692 respectively), excluding Preferred stock	N/A	N/A	N/A	N/A	N/A	N/A	\$12.55	\$12.28	2.17%	\$12.55	\$12.28	2.17%	\$12.55	\$12.28	2.17%
Earnings															
Pre-Tax Net Income (Loss)	\$1,751	\$1,770	-1.05%	(\$527)	(\$2,358)	77.63%	\$721	(\$1,101)	165.47%	\$721	(\$1,101)	165.47%	\$721	(\$1,101)	165.47%
Income Tax or (Benefit)	\$533	\$690	-22.82%	(\$174)	(\$798)	78.13%	\$214	(\$271)	179.16%	\$214	(\$271)	179.16%	\$214	(\$271)	179.16%
Net Income or (Loss)	\$1,219	\$1,080	12.88%	(\$353)	(\$1,560)	77.38%	\$507	(\$830)	161.12%	\$507	(\$830)	161.12%	\$507	(\$830)	161.12%
Total Interest Income	\$13,046	\$12,241	6.58%	\$3,830	\$1,701	125.23%	\$16,877	\$13,920	21.24%	\$16,877	\$13,920	21.24%	\$16,877	\$13,920	21.24%
Net Interest Income	\$10,570	\$9,082	16.39%	\$3,076	\$1,143	168.97%	\$13,667	\$10,269	33.09%	\$13,667	\$10,269	33.09%	\$13,667	\$10,269	33.09%
Non Interest Income	\$1,035	\$840	23.15%	\$659	\$55	1089.36%	\$1,694	\$926	82.98%	\$1,694	\$926	82.98%	\$1,694	\$926	82.98%
Net Income or (Loss) Per Share Basic (shares outstanding 2,756,200 and 2,450,349 respectively)	N/A	N/A	N/A	N/A	N/A	N/A	\$0.18	(\$0.34)	154.34%	\$0.18	(\$0.34)	154.34%	\$0.18	(\$0.34)	154.34%
Net Income or (Loss) Per Share Dilutive (shares outstanding 2,813,663 and 2,495,692 respectively)	N/A	N/A	N/A	N/A	N/A	N/A	\$0.18	(\$0.33)	154.21%	\$0.18	(\$0.33)	154.21%	\$0.18	(\$0.33)	154.21%
Net Income or (Loss) Per Share Basic with TARP dividend	N/A	N/A	N/A	N/A	N/A	N/A	\$0.09	(\$0.51)	117.38%	\$0.09	(\$0.51)	117.38%	\$0.09	(\$0.51)	117.38%
Net Income or (Loss) Per Share Dilutive with TARP dividend	N/A	N/A	N/A	N/A	N/A	N/A	\$0.09	(\$0.50)	117.34%	\$0.09	(\$0.50)	117.34%	\$0.09	(\$0.50)	117.34%
Financial Ratios															
Earning Assets to Total Assets	96.87%	96.50%	0.39%	96.93%	95.42%	1.58%	96.83%	96.10%	0.75%	96.83%	96.10%	0.75%	96.83%	96.10%	0.75%
Total Gross Loans to Total Deposits	86.82%	112.23%	-22.63%	117.76%	83.08%	41.74%	94.49%	106.69%	-11.43%	94.49%	106.69%	-11.43%	94.49%	106.69%	-11.43%
Tier 1 Capital to Total Assets	8.15%	8.48%	-3.89%	13.25%	16.54%	-19.89%	1.89%	1.70%	10.81%	1.89%	1.70%	10.81%	1.89%	1.70%	10.81%
Allowance for Loan Loss as a Percentage of Gross Portfolio Loans	1.89%	1.64%	15.43%	1.86%	1.97%	-5.74%	0.57%	0.75%	-23.58%	0.57%	0.75%	-23.58%	0.57%	0.75%	-23.58%
Non Performing Assets as a Percentage of Assets (1)	0.73%	0.96%	-23.63%	N/A	N/A	-	4.13%	3.73%	10.72%	4.13%	3.73%	10.72%	4.13%	3.73%	10.72%
Net Interest Margin	4.11%	3.85%	6.78%	4.20%	2.99%	40.41%									

1 Non Performing Assets include Loans non-performing as well as Other Real Estate Owned

"Safe harbor" Statement under the Private Securities Litigation Reform Act of 1995. Statements in this communication regarding BNC Financial Group, Inc., The Bank of New Canaan, or The Bank of Fairfield's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. Such risks and uncertainties could cause actual results to differ from those contained in the forward-looking statements. When we use the words "believes", "expects", "anticipates" or similar expressions we are making forward looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements, which reflect management's analysis of possible future events as of the date this document was written.