



August 8, 2011

Dear Shareholder,

We are pleased to report that BNC Financial Group, Inc. showed record growth at the end of the second quarter of 2011.

Despite a slowdown in economic recovery marked by GDP growth of less than 1% for the first six months of the year, the results for BNC Financial Group, the bank holding company, showed strong and steady performance across all three entities of our Organization. The Bank of New Canaan, its division Stamford First Bank, and The Bank of Fairfield all continued to grow, and as of June 30, 2011, BNC Financial Group showed a consolidated profit of \$781,000 – a gain of \$435,000 or 126% over last year's profit of \$346,000 for the same period.

The second quarter of 2011 also marked several important milestones for our Organization. First, The Bank of Fairfield, which opened in August 2008, exceeded \$100 million in assets and turned the corner to profitability.

Additionally, Stamford First Bank, which opened its doors in July 2010, as a division of The Bank of New Canaan, continued to exceed our expectations. Stamford First Bank ended the second quarter with \$58.5 million in deposits, \$38.7 million in loans outstanding and a strong pipeline.

Finally, BNC Financial Group became the first Organization in Connecticut to be funded under the Treasury Department's Small Business Lending Fund. The SBLF is the Treasury's effort to bring community banks and small businesses together to help create jobs and promote economic growth in local communities. We received the funding on August 4, 2011, and will use the SBLF proceeds of approximately \$11 million initially for the repayment of the \$5,037,000 outstanding under the Treasury's Capital Purchase Program (CPP). Remaining proceeds will support the Organization's leadership role as small business lenders in the communities we serve. Throughout the economic crisis that has spanned the last three years, we have been unwavering in our dedication to provide loans to small businesses. This commitment is reflected in the fact that our overall assets have more than doubled -- from \$210 million in June 2008 to our present level of more

than \$440 million -- while our credit quality has remained excellent. The SBLF funding will expand our ability to lend to small businesses, which will in turn help stimulate the economy and promote job growth.

**At June 30, 2011, the year-over-year financial highlights for BNC Financial Group's consolidated results are as follows:**

- Our total assets increased by 25% or \$87 million to \$440 million.
- Our gross loans increased by 18% or \$48 million to \$317 million.
- With over \$41.5 million in capital, we remain very well capitalized, with a Capital to Asset ratio of 9.45%.
- Our net income increased from \$346 thousand to \$781 thousand.
- Our Net Interest Margin increased by 11 basis points to 4.23%.

The enclosed financial highlights show the individual six month results for each Bank, as well as the holding company's consolidated results.

**THE BANK OF NEW CANAAN:**

The Bank of New Canaan continued to demonstrate solid growth during the first half of 2011. Some of the Bank's financial highlights for the first six months of 2011 versus the same period for 2010, including results for our new division, Stamford First Bank, are as follows:

- Our total assets increased by 24% to \$336 million.
- Our deposits increased by 30% to \$278 million.
- We saw our loan portfolio increase by \$28 million to \$234 million, or 14% over 2010.
- The Bank's net income for the first six months was \$1.168 million, an increase of \$375 thousand, or 47% over 2010's net income of \$793 thousand.
- Our Net Interest Margin was 4.12%.
- Our credit quality remains strong. Our total non-performing assets (NPA's) decreased to .94% of total assets.
- With a Tier 1 Capital to Total Asset ratio of 7.98%, we remain well capitalized.

**THE BANK OF FAIRFIELD:**

The Bank of Fairfield had an excellent first half of 2011, as we continue to reach out and engage the Fairfield community through our lending efforts and partnerships with local not-for-profits. The Bank exceeded \$100 million in assets and turned the corner to profitability.

Some of The Bank of Fairfield's financial highlights for the first six months of 2011 versus the same period for 2010 are:

- Total assets increased to \$103 million, a 25% jump from 2010.
- Our loans increased by 31%, totaling \$83 million at quarter end.
- Our deposits were \$84 million, a 17% increase.
- The net loss was \$50 thousand, a \$219 thousand improvement from 2010.
- With \$10.7 million in capital, we are well capitalized, with a total Capital to Asset ratio of 11%.
- Our Net Interest Margin was 4.61%, a 23.22% increase over our Net Interest Margin of 3.74% for 2010.

We believe these favorable results reflect our commitment to the small business market and the value that we bring to the community as Fairfield's only hometown bank.

In addition to our excellent financial results across the board, at the holding company level we continue to develop our resources and provide new services and offerings to our expanding market area. Some of our 2011 initiatives include the following:

1. To strengthen the foundation of Stamford First Bank, we created a Divisional Board for that Bank comprised of community and business leaders. We formed this Board to gain knowledge, insights and a fresh perspective from a high caliber group of professionals and we are confident that our new Board will play an important role in our Organization's future success. We believe that their ongoing guidance and advice will significantly enhance the value that we are able to bring to the Stamford community.
2. As part of an ongoing effort to reinvest in the Stamford community, we provided commercial financing for Stamford Twin Rinks, several local condominium associations, a major not-for-profit, and a number of locally-owned small to medium-sized businesses. Like The Bank of New Canaan and The Bank of Fairfield, Stamford First Bank is committed to providing an array of financial services tailored to medical professionals and designed to attract and retain physician groups in the respective communities.
3. We are excited to be among a small group of community banks that have adopted social media as a tool to share our community-minded philosophy. We launched The Bank of Fairfield *Facebook* page in January 2011 and will follow with a *Facebook* page for Stamford First Bank in early September. We believe that this foray into social media supports our role as the local and involved hometown bank. We have already evidenced an increased response to the seminars and events that we host and sponsor in Fairfield as well as positive feedback to the financial information that we share. Social media has also provided a mutually beneficial forum for partnerships with local not-for-profit organizations. With its strong tracking and measurement capabilities, we see the potential for social media to become a powerful tool to help us better understand and market to our customers and prospects.

While the economy continues to remain uncertain, we recognize that that the economic climate over the past several years has provided our Organization with an opportunity. The personal service and community reinvestment that we provide -- through business and consumer loans and through active involvement in the towns we serve -- create long lasting value for our customers. That value, and the resulting growth of our organization, in turn provides long-term value for our shareholders.

In closing, I'd like to thank you for your ongoing support and your confidence in our Organization. I invite you to contact me at any time with any thoughts or questions you might have. I hope that when you are in the area, you will stop by any of our offices for a visit. In addition, if you are not yet a customer of the Banks, I encourage you to avail yourself of our services and enjoy firsthand the experience that our Organization provides.

Sincerely,

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

Merrill Jay Forgotson  
Chief Executive Officer

*This letter may contain certain forward-looking statements about the Company. Forward-looking statements include statements regarding anticipated future events and can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "believe," "expect," "anticipate," "estimate," and "intend" or future or conditional verbs such as "will," "would," "should," "could," or "may." Forward-looking statements, by their nature, are subject to risks and uncertainties. Certain factors that could cause actual results to differ materially from expected results include increased competitive pressures, changes in the interest rate environment, general economic conditions or conditions within the securities markets, and legislative and regulatory changes that could adversely affect the business in which the Company and its subsidiaries are engaged.*