



August 16, 2010

Dear Shareholder,

We are pleased to report that BNC Financial Group, Inc.'s (the Company) financial results for the first six months of 2010 show significant growth in both our balance sheet and operating results compared to the same period in 2009. The Company's success is most dramatically evidenced by our consolidated profit of \$346 thousand – a \$1 million improvement over last year's loss of \$715 thousand. This steady growth reflects the strength of our community banking model and our continued ability to provide needed financing to the communities we serve. As a result of our commitment to consistently make loans of excellent credit quality, we are seizing an opportunity to support our communities and filling a vital gap left open by other financial institutions that are unwilling or unable to do so.

The year-over-year financial highlights for the Company's consolidated results are as follows:

- Our total assets increased by 28% or \$78 million to \$353 million.
- Our gross loans increased by 29% or \$60 million to \$269 million.
- With over \$36.3 million in capital, the Company is very well capitalized, with a Capital to Asset ratio of 10.30%.
- Our net income was \$346 thousand, which is a \$1 million improvement over last year's loss of \$715 thousand.
- Our Net Interest Margin increased by 76 basis points to 4.12%.

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

THE BANK OF NEW CANAAN:

The Bank of New Canaan continued to demonstrate solid growth during the first half of 2010. Some of BNC's financial highlights for the first six months of 2010 versus 2009 are as follows:

- Our total assets increased by 11% to \$270 million.
- Our deposits increased by 12% to \$213 million.

- Following up on our message, “We have money to lend”, we saw our gross loan portfolio increase by \$17 million to \$206 million, or 9% over 2009.
- The Bank’s net income for the first six months was \$793 thousand, an increase of \$384 thousand, or 94% over 2009’s net income of \$409 thousand.
- In the first six months of 2010, we added \$680 thousand to our Allowance for Loan Loss, versus \$525 thousand for 2009. This increased the Bank’s ALLL to \$3.875 million or 1.89% of portfolio loans.
- Year over year, our Net Interest Margin increased by 65 basis points to 4.22%.
- Our credit quality remains strong. Our total non-performing loans (NPL’s) increased to 2.08% of total assets. While this is a significant increase from 2009, it is the result of one large commercial credit of \$3.5 million, which was placed on non-accrual during the second quarter. Management currently believes there is no risk of principal loss on this credit. All NPL’s have been reviewed for potential impairment, and, if appropriate, have specific reserves that we believe would adequately cover any potential loss.
- With a Tier 1 Capital to Total Asset ratio of 8.19%, we remain well capitalized.

THE BANK OF FAIRFIELD:

The Bank of Fairfield had an excellent first half of 2010, as we continue to reach out to the Fairfield community. Some of TBF’s financial highlights for the first six months of 2010 versus 2009 are:

- Total assets increased to \$82.8 million, a 124% jump from 2009.
- Our gross loans increased by 216%, totaling \$63 million at quarter end.
- Our deposits were \$72.3 million, a 177% increase.
- The net loss was \$269 thousand, a \$700 thousand improvement from 2009.
- We added \$190 thousand to our Allowance for Loan Losses, which brought our total reserve to \$1.120 million or 1.89% of our outstanding loan portfolio.
- With \$9.885 million in capital, we are well capitalized, with a total Capital to Asset ratio of 11.8%.

We believe these results reflect our commitment to being Fairfield’s only hometown bank.

BNC FINANCIAL GROUP:

In addition to our excellent financial results, we continue to provide new services and offerings to our expanding market area. Some of our 2010 initiatives are:

1. On July 26, 2010, we opened Stamford First Bank (SFB), a division of The Bank of New Canaan. Stamford First Bank is located at 612 Bedford Street in Stamford, and our Divisional President is Mr. Robert Palermo, who was formerly a Senior Commercial Lender at The Bank of New Canaan. We believe SFB will be well received in Stamford, and will provide the Company with significant growth opportunities in the foreseeable future.

2. During the second quarter of 2010, in an initiative to keep pace with the growing needs of our business customers, we launched a series of new products on the technology front, including, most notably, Remote Deposit Capture (RDC). This service allows commercial customers to make deposits and manage ACH transactions from their place of business without coming into a branch. We expect RDC to allow us to attract customers who might otherwise not be able to bank with us and increase our commercial footprint within Fairfield County.

3. At our Annual meeting on June 23, 2010, our shareholders voted to extend the exercise period on the warrants associated with our 2006 Stock Offering and 2007 Private Placement to October 1, 2014 through December 1, 2014, as well as adjust the exercise price based on our future Private Placement stock offering. All warrant holders will receive notice of these changes at the appropriate time.

4. Given the Company's rapid growth and future expansion plans, we are in the process of preparing for a capital raise, through a Private Placement offering. The Company is raising capital primarily to support the Company's forecasted growth trends and long-term strategic plan, which may include FDIC-assisted acquisitions and in-market acquisitions of other banks or bank branches. The Private Placement will be open to all shareholders who are considered Accredited Investors. Please contact either myself or Mr. Ernest Verrico at (203) 972-3838 for additional information on the Private Placement.

While the economy remains uncertain, we recognize that the economic downturn over the last two years has provided our organization with an opportunity. Families and businesses who previously banked with larger financial institutions and mortgage brokers are demonstrating a renewed interest in doing business with a local and well capitalized community bank. The personal service and community reinvestment that we provide -- through mortgages, business loans and active involvement in the towns we serve -- create long term 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 BNC Financial Group. 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 our Elm Street offices for a visit, so that I can become personally acquainted with those of you I have not yet met. In addition, if you are not yet a customer of either of our two banks, I encourage you to avail yourself of our services and enjoy firsthand the experience that our organization provides.

Sincerely,



Merrill Jay Forgotson
Chief Executive Officer