



August 4, 2009

Dear Shareholder,

We are pleased to report that BNC Financial Group, Inc.'s (the Company) financial results for the first six months of 2009 continue to successfully track to our multibank holding company plan. The Bank of New Canaan (BNC) continued the strong performance it demonstrated throughout 2008 and The Bank of Fairfield (TBF) performed close to plan.

The enclosed financial highlights show the individual six-month 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.

#### **THE BANK OF NEW CANAAN:**

The Bank of New Canaan had an excellent first half of 2009. Some of BNC's financial highlights for the first six months of 2009 versus 2008 are:

- In the first six months of 2009, we added \$525 thousand to our allowance for loan loss versus \$475 thousand for 2008. This increased the Bank's ALLL to \$3.226 million or 1.74% of gross loans.
- Our net income for the first six months was \$409 thousand, versus 2008's net income of \$413 thousand. While this is a 0.97% decline year over year, given the additional loan loss expense and increased FDIC assessment, we are very pleased with the results.
- Following up on our message, "we have money to lend", we saw our gross loans increase by \$28.6 million or 18% over 2008.
- Year over year, our net interest margin declined by 61 BP, primarily driven by the exceptionally low short term interest rates coupled with a large influx of deposits. We expect our margin will improve as the year progresses and we put these deposits to work in higher yielding assets.
- Our credit quality remains excellent, with total non-performing loans (NPL's) at 0.48% of total assets. Our NPL's consist of two loans, both of which are performing as agreed, and have specific reserves that we believe would adequately cover any potential loss.
- With a Tier 1 Capital to Total Asset ratio of 7.82%, we remain strong and well capitalized.

We expect these favorable trends to continue into the second half of 2009, a period that we expect to be full of both opportunities and challenges.

#### **THE BANK OF FAIRFIELD:**

Having opened on August 29, 2008, The Bank of Fairfield's performance for the first six months of 2009 is close to our projections and the Bank's results are in line with what we would expect from a 10-month old de Novo bank. As of June 30, 2009, TBF had:

- \$36.9 million in assets;
- \$19.9 million in gross loans;
- \$26 million in deposits;
- \$10.6 million in capital;
- A net loss of \$969 thousand which included \$300 thousand in allowance for loan loss expense and a tax benefit of \$496 thousand dollars;
- An Allowance for Loan Losses equal to 3.36% of its outstanding loans; and
- A Capital to Asset ratio of 28.75%.

While we are pleased with TBF's performance during its initial ten months, we recognize the need to aggressively seek out new business, market ourselves as the local bank and lending institution of choice and prove to the Fairfield community that we deserve to be their hometown bank.

#### **BNC FINANCIAL GROUP:**

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

- Our total assets increased by 31.3% to \$275 million.
- Our gross loans increased by 29.8% to \$208.8 million.
- Our Capital to Asset ratio is a strong 12.95%.
- As expected, based on TBF's de Novo status and 2009 net loss, the Company had a net loss of \$715 thousand. Over the next few years, we expect BNC's rising earnings to offset TBF's diminishing start-up losses and for the Company overall to be profitable.
- Our NIM declined to 3.36%. This reflects the short-term pressure lower interest rates are having on BNC's margin and TBF's low start-up margin. We expect the Company's margin to improve as the year progresses.

The first half of 2009 has been a busy one for the Company with the following significant developments:

1) On February 23, 2009, the Company agreed to accept a \$4.797 million Preferred Stock investment under the U.S. Treasury's Capital Purchase Program. The Company's 2009 financial results reflect this new capital and associated dividend payment. The program is designed to provide capital to healthy banks with strong financial positions to encourage them to continue lending. After reviewing the pros and cons to accepting this investment, we determined there were four primary reasons to do so:

- First, we expect to use the new capital to originate loans within our various market areas, allowing us to grow our loan portfolio while maintaining or improving our overall financial strength.
- Second, the funds can be used to support our internal growth for acquisitions. We believe the next twelve to eighteen months will present opportunities for us to use this capital to increase the value of our franchise through either the establishment or acquisition of branches or the acquisition of another bank.
- Third, the funds provide an insurance policy in the event we experience continuing economic turmoil. While we believe the current economic stimulus programs will be successful and the recession will end sooner rather than later, the road to economic recovery is less than certain. If we find the recession lasting into 2011, the additional capital would ensure that we maintain capital levels appropriate for the economic conditions at that time.
- Fourth, it appears that Congress will require the banking system to pay for a good deal of the foreclosure mitigation and housing recovery. As we continue to see additional mandates relating to mortgage modifications, foreclosure forbearance or the interest rates on 30-year mortgages, the additional capital will provide the ability to offset these unforeseen expenses.

2) In May 2009, Mr. G. Frederick Reinhardt joined the Company as President of The Bank of Fairfield. Mr. Reinhardt is a long term Fairfield resident and was previously in the Private Banking Department at Merrill Lynch. Mr. Reinhardt will be working closely with Mr. Forgotson to continue to develop TBF's growth and expansion.

3) As part of the Company's succession plan, in part related to Mr. Kirk's planned retirement in the summer of 2010, Ms. Heidi DeWyngaert was appointed President of The Bank of New Canaan on May 27, 2009. Ms. DeWyngaert has been with BNC for over five years, most recently as the Bank's Executive Vice President and Chief Lending Officer. Additionally, Mr. Forgotson was named Chief Executive Officer of The Bank of New Canaan in July of 2009. Mr. Kirk will remain the President and Chief Operating Officer of BNC Financial Group, Inc.

4). On May 27, 2009, the Board of Directors voted to extend the exercise period on the warrants associated with our 2006 Stock Offering and 2007 Private Placement to Oct. 1, 2012 through December 1, 2012. All warrant holders received notice of this change in early July.

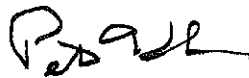
In summary, the Company and its Banks have a very strong financial position. Additionally, with over \$35.6 million in capital, the Company is very well capitalized. As we continue into the second half of 2009, risk management and investment of capital are more important than ever as we manage the opportunities that are created by our solid capital base and continue to build and expand our growing organization. The economic crisis has been extremely hard on the financial industry, and it has revealed the sustainability of a company's business model. To date, the multibank model of the Company has passed the business model test. In spite of continued financial unrest, we remain optimistic and continue to actively dedicate resources to enhance our continued success as an organization committed to providing ongoing value to our shareholders, customers and employees.

As always, we appreciate your continued support and value your input and invite you to call or stop by to discuss any thoughts or questions you might have on any of these issues.

Very Truly Yours,



Merrill Jay Forgotson  
Chief Executive Officer



Peter Kirk  
President