

Bankwell for good

Annual Review 2017



Bankwell
FINANCIAL GROUP

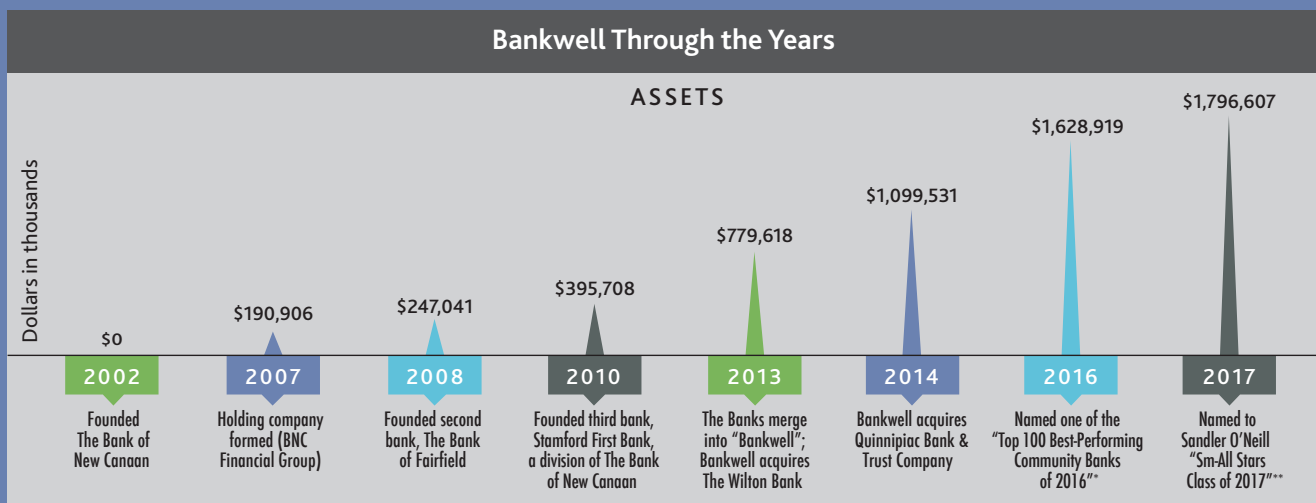
The promise of an exceptional banking experience.

Bankwell is a community bank with nearly \$1.8 billion in assets that serves the banking and lending needs of businesses and residents throughout Connecticut. We pride ourselves on our unique ability to provide customers with a hometown, private banking experience, and the products and technology to meet their everyday needs.

We offer a wide range of services for businesses and individuals, including mobile banking, commercial loans and lines of credit, and online cash management services for businesses.

We're also committed to giving back to the community. In addition to providing business loans that help to create jobs and improve the economy, we're actively involved with more than 200 not-for-profit organizations and events statewide, helping to shape and improve the communities we serve.

Our goal, when it's all said and done, is to make it possible for everyone to *Bankwell for Good*.



*Bankwell was named one of the "Top 100 Best-Performing Community Banks of 2016" between \$1 billion and \$10 billion in assets nationwide based on certain metrics for the year ended December 31, 2016, by S&P Global Market Intelligence.

**Bankwell was named one of 29 banks nationwide to make the Sandler O'Neill and Partners list of "Sm-All Stars" and the only Connecticut bank to make the list.

Fellow Investors, Clients and Colleagues,

The financial climate of 2017 was the most volatile encountered by banks for quite some time. While equity markets charged ahead to all-time highs, banks faced an increasingly challenging interest rate environment. The Federal Reserve's long-awaited tightening cycle began in earnest, and, although longer term interest rates have trended higher, the real impact from the tightening was seen in shorter term rates, putting pressure on most banks' earnings. Despite the headwinds of this macroeconomic backdrop, Bankwell maintained a net interest margin of 330 basis points. This, coupled with our focus on efficiency and rigorous expense control, enabled our company to achieve a 10.2% core return on equity before one-time charges such as those related to the Tax Cuts and Jobs Act of 2017.



An examination of Bankwell's balance sheet will demonstrate our well-earned reputation for an exacting credit underwriting process. Our ratio of non-performing assets to total assets stood at just 0.31% at December 31, 2017. This compares favorably to the 0.83% result from our regional peer group of \$1 billion-\$3 billion banks. The current credit cycle continues to be benign, however, if history is any indicator, we cannot expect this environment to endure indefinitely. Over the course of the past year, we have made considerable investments in time and resources to augment our credit risk monitoring and to establish a new portfolio management team. These investments have enhanced an already vigorous process.

Looking ahead, I believe that Bankwell is well-positioned for success. We continue to grow in size and profitability. Over the next several months we'll be opening three new branches

within Fairfield County; two of these will be "maiden" Bankwell branches in their respective towns. The Bank has also added capacity in our lending business, as we seek to deliver on our goal of becoming a leading alternative for the small to medium-sized businesses neglected by our larger competitors. We continue to develop additional meaningful partnerships within communities throughout our footprint.

Bankwell's commitment to excellence remains steadfast:

- To our communities, we seek to be your best corporate neighbor.
- To our employees, we commit to our continuous investment in your growth and to foster a culture that values collaboration.
- To our shareholders, we promise an uncompromising focus on stewardship of your capital.

Sincerely,

A handwritten signature in black ink, reading "Christopher R. Gruseke". The signature is written in a cursive, flowing style.

Christopher R. Gruseke

President & CEO

Bankwell Financial Group

Executive Management Team

Christopher R. Gruseke
*President &
Chief Executive Officer*

Christine Chivily
*Executive Vice President,
Chief Credit & Risk Officer*

Heidi S. DeWyngaert
*Executive Vice President,
Chief Lending Officer*

David P. Dineen
*Executive Vice President,
Head of Community Banking*

Penko Ivanov
*Executive Vice President,
Chief Financial Officer*

Laura J. Waitz
*Executive Vice President,
Chief of Staff*

Board of Directors

Blake Drexler
*Chairman
Partner
Five Mile Ventures
Rowayton, CT*

James Fieber
*Vice Chairman
Managing Member
Fieber Group, LLC;
Managing Partner
FIEBRO Acquisitions, LLC
New Canaan, CT*

George Bauer
*Chairman & CEO
GPB Group, Ltd.
Wilton, CT*

Gail E. D. Brathwaite
*President & CEO
G.E.D.B. Consulting
Stamford, CT*

Richard Castiglioni
*Partner
Diserio Martin O'Connor
and Castiglioni, LLP
Stamford, CT*

Eric Dale
*Chief Legal Officer
Nielsen Holdings PLC
Wilton, CT*

Christopher R. Gruseke
*President &
Chief Executive Officer
Bankwell Financial Group
New Canaan, CT*

Daniel S. Jones
*President
NewsBank, Inc.
New Canaan, CT*

Todd H. Lampert
*Managing Member
Lampert, Toohey &
Rucci, LLC;
Managing Member
Main Street Group, LLC
New Canaan, CT*

Victor Liss
*Retired
Stratford, CT*

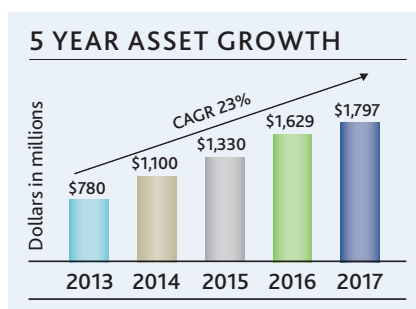
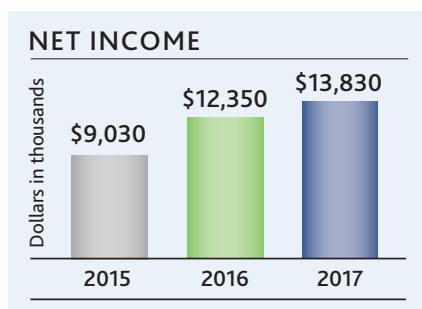
Carl M. Porto
*Principal
Parrett, Porto, Parese
& Colwell, P.C.
Hamden, CT*

Bankwell Financial Group Financial Highlights

(dollars in 000's except per share data)

	December 31,				
	2017	2016	2015	2014	2013
STATEMENT OF CONDITION					
Total assets	\$1,796,607	\$1,628,919	\$1,330,372	\$1,099,531	\$779,618
Gross portfolio loans	1,543,016	1,365,939	1,147,513	929,762	632,012
Investment securities	113,767	104,610	50,807	76,463	42,413
Deposits	1,398,405	1,289,037	1,046,942	835,439	661,545
FHLB borrowings	199,000	160,000	120,000	129,000	44,000
Subordinated debt	25,103	25,051	25,000	-	-
Total equity	161,027	145,895	131,769	129,210	69,485
STATEMENT OF INCOME AND EXPENSE					
Interest income	\$71,201	\$60,990	\$50,754	\$35,589	\$28,092
Interest expense	16,837	11,898	7,966	3,929	2,765
Net interest income	54,364	49,092	42,788	31,660	25,327
Provision for loan losses	1,341	3,914	3,230	2,152	585
Noninterest income	4,629	2,676	3,484	3,041	4,723
Noninterest expense	32,523	29,544	29,171	25,812	22,120
Income before income tax	25,129	18,310	13,871	6,737	7,345
Net income	13,830	12,350	9,030	4,568	5,161
Basic earnings per share	1.80	1.64	1.23	0.78	1.46
Diluted earnings per share	1.78	1.62	1.21	0.78	1.44
FINANCIAL RATIOS					
Tier 1 capital to average assets ¹					
Bankwell Bank	9.61%	10.10%	10.84%	11.12 %	7.91%
Tier 1 capital to risk-weighted assets ¹					
Bankwell Bank	10.99%	11.59%	12.18%	12.47%	9.49%
Total capital to risk-weighted assets ¹					
Bankwell Bank	12.19%	12.85%	13.39%	13.55%	10.74%
Net interest margin	3.30%	3.54%	3.77%	3.84%	3.94%
Return on average assets	0.80%	0.85%	0.75%	0.52%	0.77%
Return on average shareholders' equity	8.93%	8.94%	6.76%	4.66%	8.17%
Allowance for loan losses to total loans	1.23%	1.32%	1.23%	1.17%	1.33%
Nonperforming assets to total assets	0.31%	0.20%	0.38%	0.39%	0.23%

¹Represents bank ratios.



(filling in the blanks)



“Bankwell’s support has given us the opportunity to expand our reach in the fight against childhood hunger in local communities. They’ve helped make it possible to provide holiday gifts to children in need, and they’ve gone beyond financial support to give their time to help us pack bags of food that we distribute to 800 children each week throughout Fairfield and Westchester counties.”

— TINA KRAMER & SHAWNEE KNIGHT, FOUNDERS, FILLING IN THE BLANKS, NORWALK, CT

2017 Overview

Recognition of Excellence: 2017 was a year of national recognition for Bankwell. In March, Bankwell was named one of the “Top 100 Best-Performing Community Banks” nationwide by S&P Global Market Intelligence. Several months later, Bankwell was recognized as one of 29 high quality small-cap banks and thrifts in the country that outperformed the industry, comprising the Sandler O’Neill and Partners “Sm-All Stars Class of 2017.”



Financial Results

Bankwell had another outstanding year in 2017 as we continue to position ourselves for long-term growth and profitability. We maintained our positive earnings trend with record core net income¹ of \$15.7 million or \$2.03 per share, an increase from \$12.4 million and \$1.62 per share for 2016. Total assets were \$1.8 billion at year end, an increase of 10% from 2016.

Total revenue for the year ended December 31, 2017 reached \$59.0 million versus \$51.8 million in 2016, an increase of 14%. Net interest income for the year was \$54.4 million, up 11% over the previous year. Our strong net income, revenues and interest income growth were all fueled by continued organic earning asset growth.

Reflecting our commitment to local businesses, total gross loans surpassed \$1.5 billion at year end, as loan growth continued across multiple portfolios, including commercial mortgage loans and commercial and industrial loans. The growth in loans was primarily funded by increased deposits. Credit quality remained exceptionally strong, with non-performing assets as a percentage of total assets totaling 0.31% at year end. We are fully aware that a critical component of our overall success is our outstanding asset quality, and we are committed to maintaining that standard through strong underwriting and vigilant credit management.

Total deposits for 2017 reached \$1.4 billion, up 8% over 2016. We attribute this steady growth in our deposit base to our

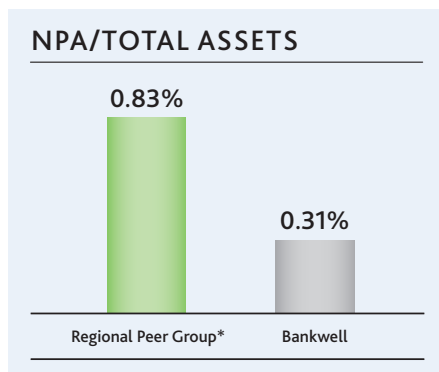
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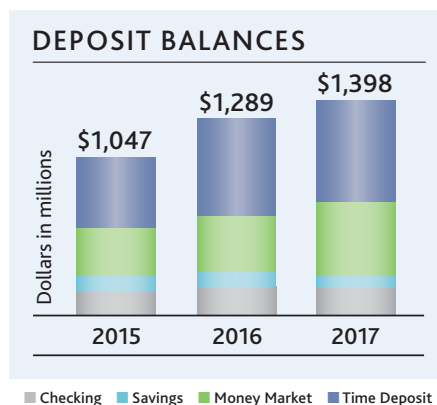
John Nelson with Bob Palermo, SVP, Senior Loan Officer at Bankwell

“Working with Bankwell is truly a pleasure, in large part because of the unparalleled personal service they provide. While Bankwell has all the capabilities of a larger institution, I feel that they are local bankers who are very much in touch with their customers’ needs. I simply can’t say enough about how much I value the relationship.”

— JOHN NELSON, CEO
PARAGON REALTY GROUP, WESTPORT, CT



*Regional peer group includes Banks in CT, MA, NY, NJ with assets between \$1 billion-\$3 billion.



¹ GAAP Net Income has been adjusted for several non-recurring items to determine Core Net Income. These adjustments include \$3.3 million or \$0.42 per share for a write-down of our deferred tax asset resulting from tax reform, (\$0.9) million or (\$0.11) per share as a result from a change in our loan reserve methodology, (\$0.7) million or (\$0.08) per share resulting from income recognized from servicing assets and \$0.2 million or \$0.02 per share resulting from charges due to reduction in our workforce.

focus on a hometown, private banking style, combined with a strong digital platform.

The current rate environment, regulatory controls, continually changing consumer behavior and a profusion of automated banking and payment innovations have challenged the traditional banking model. We are constantly evaluating the most effective and efficient ways to provide the greatest value to our customers. At the same time, we are mindful of managing our expenses as we forge ahead with our priorities and our vision. As a result of this rigorous approach to increased productivity and expense control, our efficiency ratio for 2017 improved to 54.9%, versus 56.5% in 2016.

Capital Growth

At year end, our shareholders' equity remained strong at \$161.0 million – an increase of \$15.1 million over 2016 – primarily a result of net income for the year, offset by cash dividends declared. As of December 31, 2017, the tangible common equity ratio and tangible book value were 8.81% and \$20.59, respectively.

The Company views a regular dividend to be an important component of the Company's overall capital management strategy, and The Board of Directors increased cash dividends in early 2018 by 71%.

Focus on Growth

Our outlook for 2018 is positive. We are particularly excited about the opening of three new Bankwell branches this spring in Darien, Westport and North Stamford. These branches are strategically located in markets that are contiguous to our existing branch network, and these communities are ideal markets to embrace the Bankwell brand of service. We look forward to growing existing relationships in these markets as we develop new ones. With the opening of the new locations, we will expand our footprint to 12 branches throughout Fairfield and New Haven counties.

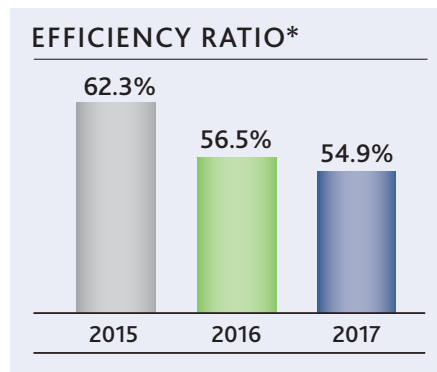
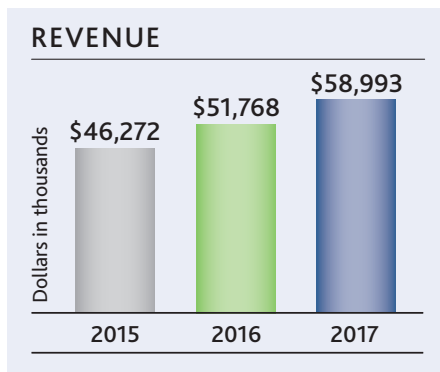


“Bankwell has become a foundational component to XPT Group’s growth. Their expertise in our insurance distribution segment has made working together an asset as we buy firms into our partnership. Further, their online capabilities match up with any larger bank and have enabled us to operate nationally with ease. The icing on the cake is their friendly can-do disposition that makes working together a pleasure. It all underscores why they have been so successful because they help their customers excel.”

— TOM RUGGIERI, FOUNDING PARTNER & CEO
XPT GROUP, LLC., NEW HAVEN, CT

Investing in our franchise is an important element of “building a better bank” for our customers and employees. Everything we do is driven by that purpose, and every individual, business and community we serve benefits from customized hands-on care by our knowledgeable and experienced staff. We offer better products, diversified expertise and innovative technologies. These are the tools we use to craft the financial well-being of each and every customer.

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* Efficiency ratio is defined as non-interest expenses, less merger and acquisition related expenses, other real estate owned expenses and amortization of intangible assets, divided by our operating revenue, which is equal to net interest income plus non-interest income excluding gains and losses on sales of securities and gains and losses on other real estate owned. In our judgment, the adjustments made to operating revenue allow investors and analysts to better assess our operating expenses in relation to our core operating revenue by removing the volatility that is associated with certain one-time items and other discrete items that are unrelated to our core business.



“The support from Bankwell in 2017 allowed the Connecticut Food Bank to provide more than 15,000 meals to our hungry neighbors here in Connecticut. Bankwell is a wonderful new partner, and we appreciate everything that they do as a supporter of our cause.”

— BERNIE BEAUDREAU, CEO, CT FOOD BANK, WALLINGFORD, CT



“As a small business owner, I count on a community bank for support, and Bankwell has been there every step of the way — from their personal service to their extensive outreach in the community. I’ve been with Bankwell since we opened Rosie in 2004, and I would never think of banking anywhere else!”

— ROSE BONURA, OWNER, ROSIE, NEW CANAAN, CT

Community Commitment

To say we are a community bank is saying that the people who work here live in the same cities and towns as our customers. It means that the bankers who evaluate and make a decision about a loan application will know firsthand where that business is located. And it means that we understand how the local economy and business environment impact individuals and businesses alike.

Our connection to our communities puts both our resources and imagination to work. When we find a situation where we can make a meaningful difference, we look to find more than just one way to help. In 2017, we leveraged our strength and resources to support more than 200 community organizations through volunteering, mentoring and financial support. One of the programs we're most proud of is the partnership we have grown with the Rams Foundation Council, a substance-free teen group at New Canaan High School. In 2017, we expanded our support of this organization and played an instrumental role in launching a similar program at Wilton High School. We believe that substance-free living should be a fundamental choice for our youth, and our hope is to bring this program to additional communities over the coming months.



Co-owners Janine, David and Clement Brancale

“By working to understand what we’re all about, Bankwell has steadily built our relationship into a partnership. From depository banking to mortgages to lines of credit, Bankwell has tailored their financial products and expertise to meet our specific needs — helping us to prosper and grow. We look forward to years of continued growth with Bankwell by our side.”

— DAVID BRANCALE, CO-OWNER
STAR AUTO SALES & VEHICLE LEASING ASSOCIATES, MERIDEN, CT



Left to right: Bonni Gottlieb, Kendall Wisinski, Annabel Hartigan, Brian Minicus and Kathy Arrix.

“As a place where kids can connect, grow and give back, The Darien Depot is one of the longest-running youth centers of its kind in the country. Bankwell does a great job of managing our business banking, but it’s their commitment to the community that really sets the bank apart. This spring, Bankwell will recognize a teen for their commitment to community with the first annual “Bankwell for Good” scholarship at the Depot.”

— BONNI GOTTLIEB, EXECUTIVE DIRECTOR
AND KATHY ARRIX, CHAIRMAN
DARIEN DEPOT, DARIEN, CT

In the spring of 2017 we also launched the Bankwell Pet Adoption Project, a program that was created to generate awareness, collect supplies and provide financial support for homeless animals in rescue shelters throughout Fairfield and New Haven counties. With the help of our community partners, this program has had a significant impact on the animal adoption rate and continues to increase traffic to local shelters.

Over the last year, we continued our partnership with the Maritime Aquarium in Norwalk, supporting the Children’s Opportunity Fund that makes it possible for underserved children to visit the Aquarium. We held frequent “drives” throughout all of our branches: we collected coats for Person-to-Person in Darien, food for the Open Door Shelter Food Pantry in Norwalk and school supplies for the Clifford Beers Clinic in Hamden, to name a few. In Stamford, we joined forces with Mill River Collaborative to help expand the many opportunities and resources they provide to local residents.

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“When we brought our business to Bankwell 15 years ago, they became the architects of a banking relationship that helped us build our business. We’ve had the business support of a team of experts and the resources to help us expand. They’re partners – and friends – that we rely on, and for us, the perfect business fit.”

— MICHAEL & SUSAN D’ELIA, OWNERS, OLYMPIC CONSTRUCTION, STAMFORD, CT

On an educational front, Bankwell teams in each of our markets provide ongoing financial literacy workshops targeted to teens, seniors, college students and business owners — both at our branches and within the community — with an emphasis on money management, credit and enhancing cybersecurity.

Giving back is important to our team. It is part of our culture, and the pride and enthusiasm of our employees reflects those values every day. To heighten awareness about giving back and align employees with our vision, in 2017 we presented the first annual “Bankwell for Good” award, recognizing a Bankwell employee who has demonstrated outstanding community outreach over the course of the year. This spring, we will present the “Bankwell for Good” scholarship to a teen at the Darien Depot who demonstrates an exceptional commitment to service.

We started a bank to take care of the people, businesses and communities we care about, and we pride ourselves on being poised and energized to meet new challenges as they arise. While we have always been committed to nurturing and supporting organizations that serve the people of Connecticut, in 2017 we went beyond those borders to help others in need. In a year when extreme weather conditions took an unexpected toll on many parts of the country, we reached out to help fellow community bankers in need in Houston, Texas, through our “Bankers Helping Bankers” program, donating \$15,000 to help the bank and its employees get back on their feet.

We believe a true community bank puts the wellness of the community at its center. That’s why every branch, every financial expert and every service we offer supports, educates or enriches the lives of the people who put their trust in us. Our interests are aligned with those in the communities where we do business. Our communities in turn trust our commitment to be accountable in supporting programs that enhance the quality of life in our neighborhoods. We believe our true value lies in being a strong corporate partner and a part of the fabric of each community we serve.



“Bankwell has become an important ally in animal welfare and a business committed to improving the lives of local rescue animals. The Bankwell Pet Adoption Project has significantly impacted the lives of rescue animals in need. They have also provided food, supplies and donations that fund much-needed medical care received at the Connecticut Humane Society. We are proud to partner with Bankwell in their mission of saving animals’ lives and delivering them to loving homes.”

– GORDON WILLARD, EXECUTIVE DIRECTOR
CONNECTICUT HUMANE SOCIETY, NEWINGTON, CT



“As part of the National Trust for Historic Preservation, we’re grateful to Bankwell as a community leader for their generous support of “Community Days” at the Glass House. Community Days provide local residents with free entry to the site on select days throughout the year as a way to thank our local community for their wonderful support of this iconic historic site.”

- CHRISTA CARR, COMMUNICATIONS DIRECTOR, THE GLASS HOUSE, NEW CANAAN, CT

Corporate information

Shareholders

For help in transferring ownership, address changes, or lost or stolen stock certificates, please contact:

Computershare
480 Washington Blvd. 29th Floor
Jersey City, NJ 07310
(800) 368-5948
www.computershare.com

Stock Symbol

BWFG – Common Stock

Stock Quotes

www.nasdaq.com

Shareholder Contact

Bankwell Financial Group, Inc.
Mr. Christopher R. Gruseke or Mr. Penko Ivanov
220 Elm Street
New Canaan, CT 06840
(203) 652-0166

Auditors

RSM US LLP
157 Church Street, 11th Floor, New Haven, CT 06510

Corporate Counsel

Hinckley, Allen & Snyder, LLP
20 Church Street, Hartford, CT 06103

Locations

Executive Office

220 Elm Street, New Canaan, CT 06840 (203) 652-0166

Elm Street Branch
208 Elm Street
New Canaan, CT 06840
(203) 972-3838

Sasco Hill Branch
One Sasco Hill
Fairfield, CT 06824
(203) 659-7600

Norwalk Branch
370 Westport Avenue
Norwalk, CT 06851
(203) 663-0480

Cherry Street Branch
156 Cherry Street
New Canaan, CT 06840
(203) 966-7080

Black Rock Branch
2220 Black Rock Turnpike
Fairfield, CT 06825
(203) 659-7610

Hamden Branch
2704 Dixwell Avenue
Hamden, CT 06518
(203) 407-0756

Stamford Branch
612 Bedford Street
Stamford, CT 06901
(203) 391-5777

Wilton Branch
47 Old Ridgefield Road
Wilton, CT 06897
(203) 762-2265

North Haven Branch
24 Washington Avenue
North Haven, CT 06473
(475) 238-6807

This Year in Review may include forward-looking statements by the Company that are within the protection of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties that could cause our actual results to differ materially from those set forth in such forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Words such as "believes," "anticipates," "expects," "intends," "plans," "estimates," "targeted" and similar expressions, and future or conditional verbs, such as "will," "would," "should," "could" or "may" are intended to identify forward-looking statements but are not the only means to identify these statements. Factors that could cause differences in actual results may be beyond our control—Any forward-looking statements made by or on behalf of us in this report speak only as of its date, and we do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after that date.



Bankwell
FINANCIAL GROUP

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This statement has not been reviewed for accuracy or relevance
by the Federal Deposit Insurance Corporation.