

The slide features a solid blue background with a repeating pattern of light blue, stylized, overlapping arches that resemble a honeycomb or lattice structure. The text is centered in white, sans-serif font.

# Bankwell Financial Group 4Q'18 Investor Presentation



This presentation 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,” “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.



# 4Q'18 and 2018 Performance



# 4Q'18 Results & Highlights

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- Reported Net Income of \$3.3 million, or \$0.41 earnings per share
- The \$0.41 earnings per share includes the following non recurring items:
  - \$(0.32) additional loss recognized on NPA relationship previously disclosed in Q1 (see next slide for credit update)
  - \$0.05 benefit from the reversal of a FIN48 tax reserve

Q4 EPS also includes \$0.09 benefit in Provision due to consistent application of Bankwell's ALLL methodology, which reflects improving historical loss trends

*\*\*These items support a normalized \$0.59 Q4 EPS\*\**

- Q4 OpEx of \$8.8 million, vs. \$9.2 million in Q1, drives the Efficiency Ratio to 59.2%, from a Q1 high of 62.0%
  - \$94 million loan originations offset by elevated prepayments
  - Announced a 400,000 share buyback program
  - Board of Directors declared 1Q'19 dividend of \$0.13 per share
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# Credit Update

Bankwell disclosed 2 significant NPAs in 1Q'18, of which NPA #1 was fully paid off in 3Q'18 at no loss to the Bank. **The status of NPA #2 will be covered here.**

## *NPA #2 Relationship Overview*

- Relationship comprised of two loans, the “**Quarry Loans**”
- A \$10.0 million real estate loan and a \$4.2 million equipment loan, of which 75% is SBA guaranteed<sup>1</sup>
- Borrower was a successful operator for twenty years

## *2018 Events*

- New zoning regulations materially changed permissible activities of the quarry, effectively ending the Borrower's ability to operate
- The Borrower's original business model is no longer viable and any alternative operations are severely limited

- \$6.2 million was charged off in the fourth quarter
- \$6.9 million remaining balance, of which \$2.7 million carries an SBA guarantee
- Bankwell and Borrower working together to achieve an orderly liquidation to maximize value

<sup>1</sup> Represents original loan balances. Subsequently amortized to \$13.2 million.



# 2018 Highlights

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## Profitability

- \$17.4 million Net Income
- 0.94% Return on Average Assets
- 10.19% Return on Average Equity
- \$22.06 Tangible Book Value

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## Growth

- \$1.6 billion of gross loans, 4% growth year over year
- \$1.5 billion of deposits, 7% growth year over year
- \$13 million of assets per FTE

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## Stability

- 2018 dividends of \$0.48 per share
  - Considered “Well Capitalized” with
    - 10.14% Tier 1 Leverage
    - 11.56% CET1 / RWA
    - 12.50% Total Capital / RWA
-



# 4Q Consolidated Statement of Income

Dollars in millions	2018	2017 <sup>1</sup>	QoQ <sup>2</sup>	Notes
Total Interest Income	\$21.5	\$18.7	\$2.8	<b>Provision for Loan Losses</b>
Total Interest Expense	\$7.1	\$4.8	\$2.3	<ul style="list-style-type: none"> <li>'18 includes impact of Quarry Loans charge-off</li> </ul>
<i>Net Interest Income</i>	<i>\$14.5</i>	<i>\$13.9</i>	<i>\$0.6</i>	<ul style="list-style-type: none"> <li>'17 reflects impact from methodology update made in 2017<sup>1</sup></li> </ul>
Provision/(Credit) for Loan Losses	\$2.8	\$(0.5)	\$3.3	<b>Non Interest Income</b>
Net Interest Income after Provision	\$11.7	\$14.4	\$(2.7)	<ul style="list-style-type: none"> <li>Variance attributed to the servicing asset model refinements made in 2017<sup>1</sup></li> </ul>
Non Interest Income	\$0.6	\$1.5	\$(0.9)	
Non Interest Expense	\$8.8	\$8.6	\$0.2	<b>Income Tax Expense</b>
Pre-Tax Income	\$3.5	\$7.4	\$(3.9)	<ul style="list-style-type: none"> <li>'18 reflects the resolution of a tax matter and corresponding reversal of the FIN48 tax reserve</li> </ul>
Income Tax Expense	\$0.2	\$5.3	\$(5.1)	<ul style="list-style-type: none"> <li>'17 includes the one-time DTA write-off given the Corporate Tax Rate change last year<sup>1</sup></li> </ul>
<b>Reported Net Income (Loss)</b>	<b>\$3.3</b>	<b>\$2.1</b>	<b>\$1.2</b>	
<b>EPS</b>	<b>\$0.41</b>	<b>\$0.27</b>	<b>\$0.14</b>	

<sup>1</sup> Values are based on reported earnings / performance, which were impacted primarily as a result of the *Tax Cut and Jobs Act* passed in December 2017 along with several other smaller items. Please refer to BWFG's 4Q'17 Earnings Release for further detail

<sup>2</sup> Variances are rounded based on actual whole dollar amounts



# 2018 Consolidated Statement of Income

Dollars in millions	2018	2017 <sup>1</sup>	YoY <sup>2</sup>	Notes
Total Interest Income	\$80.1	\$71.2	\$8.9	<b>Provision for Loan Losses</b>
Total Interest Expense	\$23.7	\$16.8	\$6.9	<ul style="list-style-type: none"> <li>'18 includes impact of Quarry Loans charge-off</li> </ul>
<i>Net Interest Income</i>	<i>\$56.3</i>	<i>\$54.4</i>	<i>\$2.0</i>	<ul style="list-style-type: none"> <li>'17 reflects impact from methodology update made in 2017<sup>1</sup></li> </ul>
Provision for Loan Losses	\$3.4	\$1.3	\$2.1	<b>Non Interest Income</b>
Net Interest Income after Provision	\$52.9	\$53.0	\$(0.1)	<ul style="list-style-type: none"> <li>Variance attributed to the servicing asset model refinements made in 2017<sup>1</sup></li> </ul>
Non Interest Income	\$3.9	\$4.6	\$(0.7)	
Non Interest Expense	\$35.6	\$32.5	\$3.1	<b>Income Tax Expense</b>
Pre-Tax Income	\$21.2	\$25.1	\$(4.0)	<ul style="list-style-type: none"> <li>'18 reflects the resolution of a tax matter and corresponding reversal of the FIN48 tax reserve</li> </ul>
Income Tax Expense	\$3.7	\$11.3	\$(7.6)	<ul style="list-style-type: none"> <li>'17 includes the one-time DTA write-off given the Corporate Tax Rate change last year<sup>1</sup></li> </ul>
<b>Reported Net Income (Loss)</b>	<b>\$17.4</b>	<b>\$13.8</b>	<b>\$3.6</b>	
<b>EPS</b>	<b>\$2.21</b>	<b>\$1.78</b>	<b>\$0.43</b>	

<sup>1</sup> Values are based on reported earnings / performance, which were impacted primarily as a result of the *Tax Cut and Jobs Act* passed in December 2017 along with several other smaller items. Please refer to BWFG's 4Q'17 Earnings Release for further detail

<sup>2</sup> Variances are rounded based on actual whole dollar amounts





# 2018 Consolidated Balance Sheet

Dollars in millions	2018	2017	YoY <sup>1</sup>
Cash & Cash Equivalents	\$78	\$71	\$7
AFS & HTM Securities	\$117	\$114	\$3
Loans Receivable, net	\$1,587	\$1,521	\$66
All Other Assets	\$92	\$91	\$1
<b>Total Assets</b>	<b>\$1,874</b>	<b>\$1,797</b>	<b>\$77</b>
Total Deposits	\$1,502	\$1,398	\$104
FHLB Advances & Other Borrowings	\$185	\$224	\$(39)
Other Liabilities	\$12	\$13	\$(1)
<b>Total Liabilities</b>	<b>\$1,699</b>	<b>\$1,636</b>	<b>\$64</b>
Equity	\$174	\$161	\$13
<b>Total Liabilities &amp; Equity</b>	<b>\$1,874</b>	<b>\$1,797</b>	<b>\$77</b>

<sup>1</sup> Variances are rounded based on actual whole dollar amounts



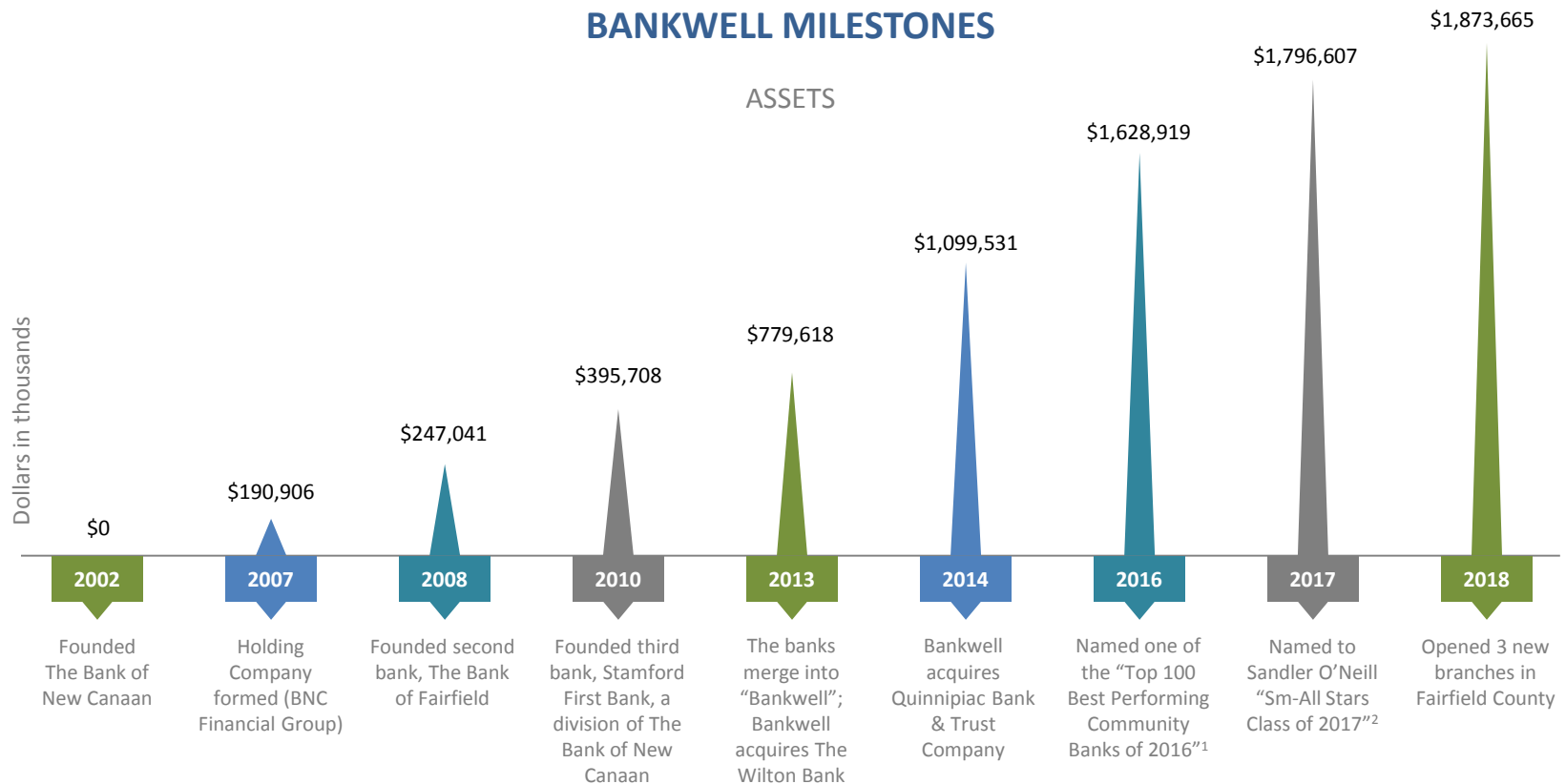
# Bankwell Overview



# Bankwell's Story

Bankwell is one of the fastest growing and most profitable community banks in Connecticut.

## BANKWELL MILESTONES



- 1 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
- 2 Bankwell was named one of 29 banks nationwide to make the Sandler O'Neill + Partners list of "Sm-All Stars", and the only CT bank to make the list

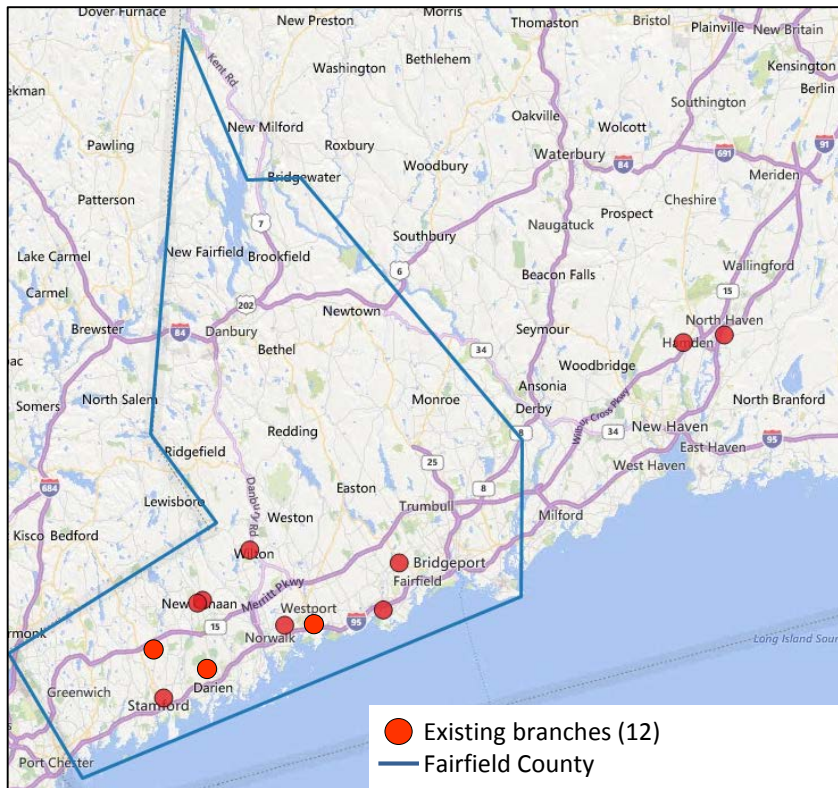


# Bankwell Profile

## Company Overview

**NASDAQ: BWFG**

- \$1.87B asset Connecticut-based bank with focus on CRE and C&I lending
- 12 existing branches in Fairfield & New Haven Counties



- \$162MM deposits per branch, excluding the 3 new branches opened in 2Q; highest in Fairfield & New Haven Counties<sup>1</sup>
- Attractive core market of Fairfield County / Bridgeport-Stamford-Norwalk MSA
  - Most affluent MSA in the Nation in per capita personal income (PCPI)<sup>2</sup>

<sup>1</sup> Source: S&P Global Market Intelligence's *Branch Competitors & Pricing Report* as of 6/30/18, excluding global money center banks (tickers BAC, WFC, JPM, TD & C)

<sup>2</sup> Source: Bureau of Economic Analysis' *Metropolitan Area Table*, contained within the *Local Area Personal Income, 2017* news release on 11/15/18



# Why Bankwell?

## Growth

- Proven track record of quality loan originations
- Tangible Book Value growth of 35% since 2014 IPO
- Operates in premiere markets

## Risk Management

- Strong credit culture; prudent, conservative credit standards
- Historically low NPLs / NPAs with low charge-offs
- Diverse product experience in CRE, C&I, Residential & Consumer

## Performance

- Bankwell stock price increased 60% since May 2014 IPO<sup>1</sup>
- Strong Net Income growth; quarterly dividends paid since 4Q'15
- Capital ratios put BWFG well above “well capitalized”

## Management

- Performance-driven, highly experienced Management Team
- Strong BOD comprised of a broad cross-section of Subject Matter Experts
- 16% “Insider Ownership” of the Bank<sup>1</sup>

**Outperformed KBW Regional Banking Index by 28% since '14 IPO<sup>1</sup>**

<sup>1</sup> as of December 31<sup>st</sup>, 2018



# Financial Trends and Portfolio Metrics



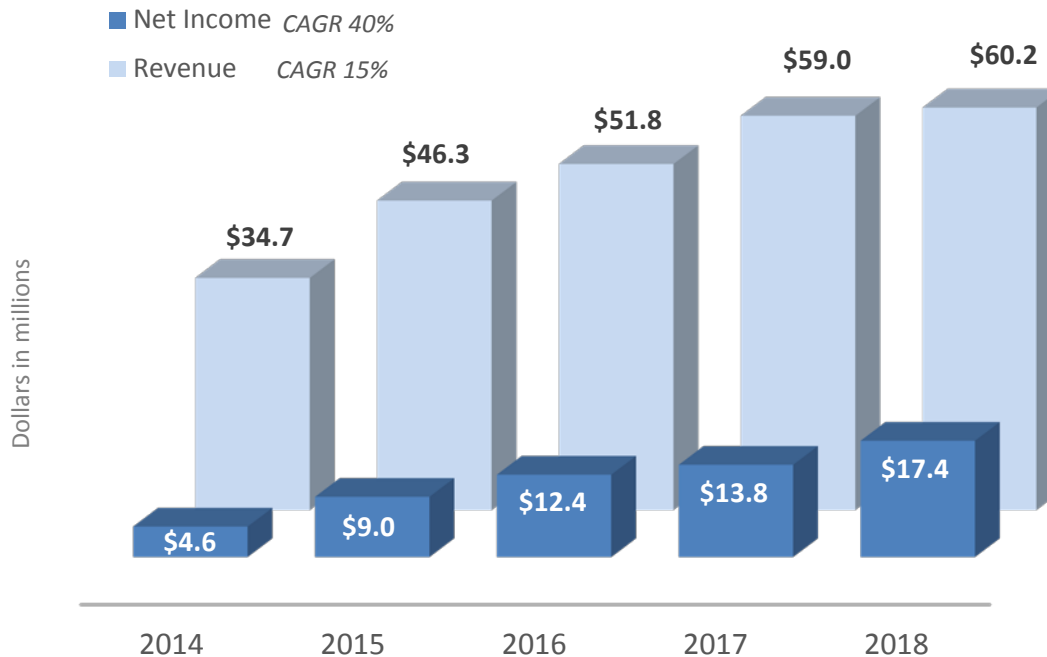
# Financial Snapshot

<i>Dollars in thousands, except per share data</i>	2014	2015	2016	2017 <sup>1</sup>	2018
Total assets	\$1,099,531	\$1,330,372	\$1,628,919	\$1,796,607	\$1,873,665
Net loans	\$915,981	\$1,129,748	\$1,343,895	\$1,520,879	\$1,586,775
Loans to deposits	110.7%	109.1%	105.6%	110.1%	106.4%
Efficiency ratio	68.7%	62.3%	56.5%	54.9%	59.2%
Non interest expense / Avg. assets	2.94%	2.42%	2.03%	1.88%	1.93%
Net interest margin	3.84%	3.77%	3.54%	3.30%	3.18%
Total capital to risk weighted assets	13.55%	13.39%	12.85%	12.19%	12.50%
Return on average equity	5.13%	6.76%	8.94%	8.93%	10.19%
Tangible book value per share	\$16.35	\$17.43	\$18.98	\$20.59	\$22.06
Net interest income	\$31,660	\$42,788	\$49,092	\$54,364	\$56,326
Net income	\$4,568	\$9,030	\$12,350	\$13,830	\$17,433
EPS (fully diluted)	\$0.78	\$1.21	\$1.62	\$1.78	\$2.21

<sup>1</sup> Values are based on reported earnings / performance, which were impacted primarily as a result of the *Tax Cut and Jobs Act* passed in December 2017 along with several other smaller items. Please refer to BWFG's 4Q'17 Earnings Release for further detail



# Financial Performance Trends



- NIM relatively stable through 2018; rising pressure on deposit costs partially mitigated by prepay fees and default interest collected
- The fourth quarter efficiency ratio was 58.2%, bringing the year to date ratio down to 59.2%
- Post-IPO, Non-Interest Expense as a % of Average Assets has decreased 101 bps, to 1.93%

	2014	2015	2016	2017	2018
<b>EPS</b>	<b>\$0.78</b>	<b>\$1.21</b>	<b>\$1.62</b>	<b>\$1.78<sup>1</sup></b>	<b>\$2.21</b>
Efficiency Ratio	68.7%	62.3%	56.5%	54.9%	59.2%
NIM	3.84%	3.77%	3.54%	3.30%	3.18%
Non Interest Exp / Assets	2.94%	2.42%	2.03%	1.88%	1.93%

<sup>1</sup>4Q'17 EPS reduced by \$0.26 due to the impact of the *Tax Cut and Jobs Act* passed in December 2017 along with several other smaller items; on a "core" basis, 2017 EPS is \$2.03, please refer to BWFG's 4Q'17 Earnings Release for further detail

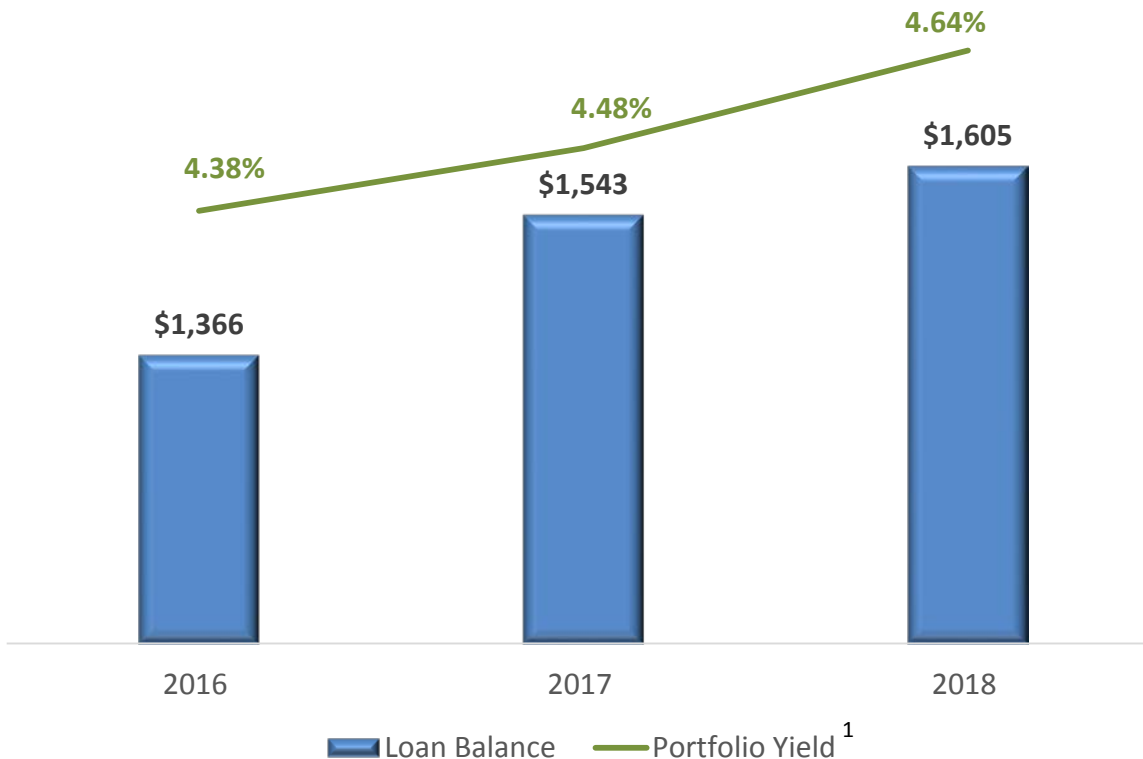




# Loan Pricing Trends

Dollars in millions

## Total Loan Portfolio



- Rates on 2018 originations helped drive total portfolio yield up
- Current market rates imply further portfolio yield increases for 2019

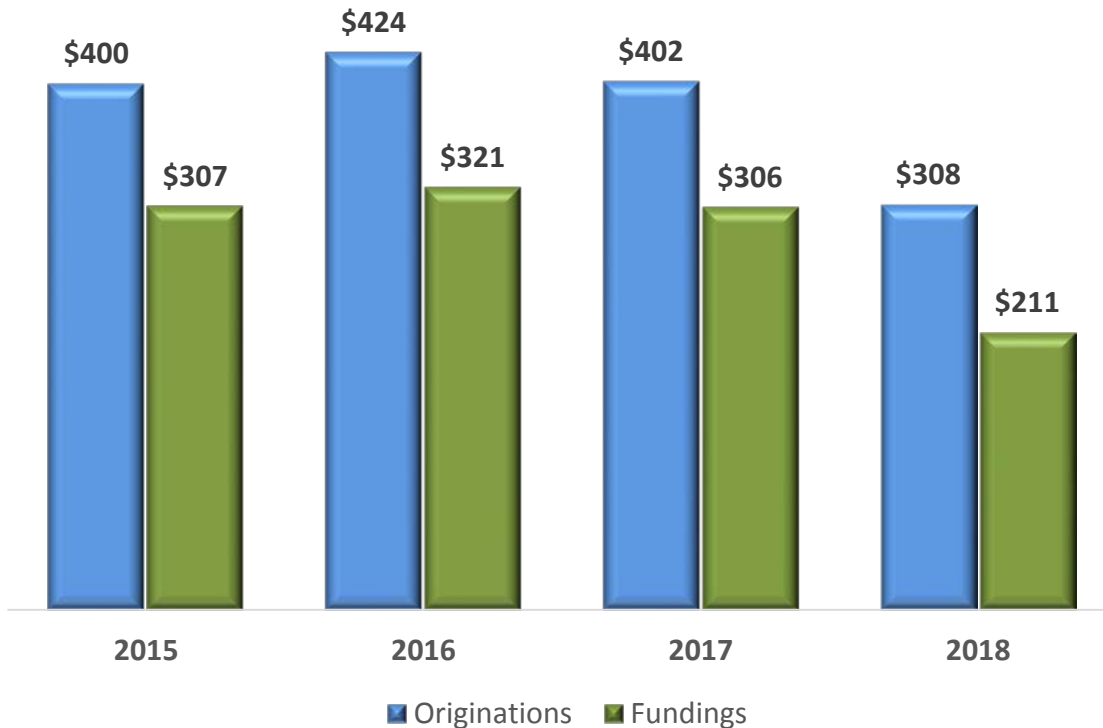
<sup>1</sup> Weighted average yield based on active loans as of 12-31-16, 12-31-17 & 12-31-18, respectively



# Loan Volume Trends

Dollars in millions

## Loan Volume

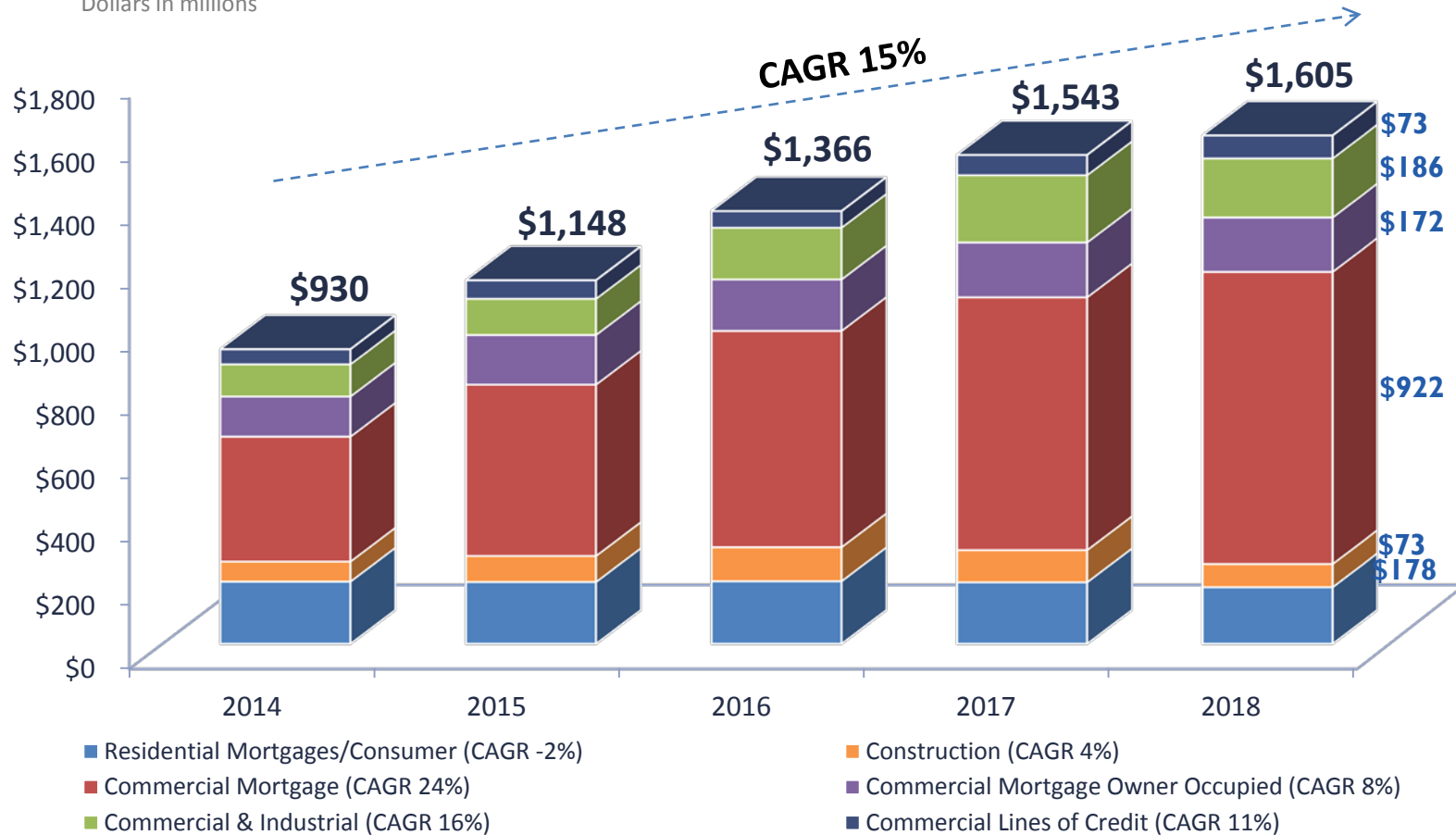


- 2018 volume includes 1Q originations of \$55 million, with \$28 million of fundings, reflecting pricing discipline during a period of disproportionate competition
- By 4Q, originations rebounded to \$94 million, with \$77 million of fundings



# Loan Portfolio

Dollars in millions

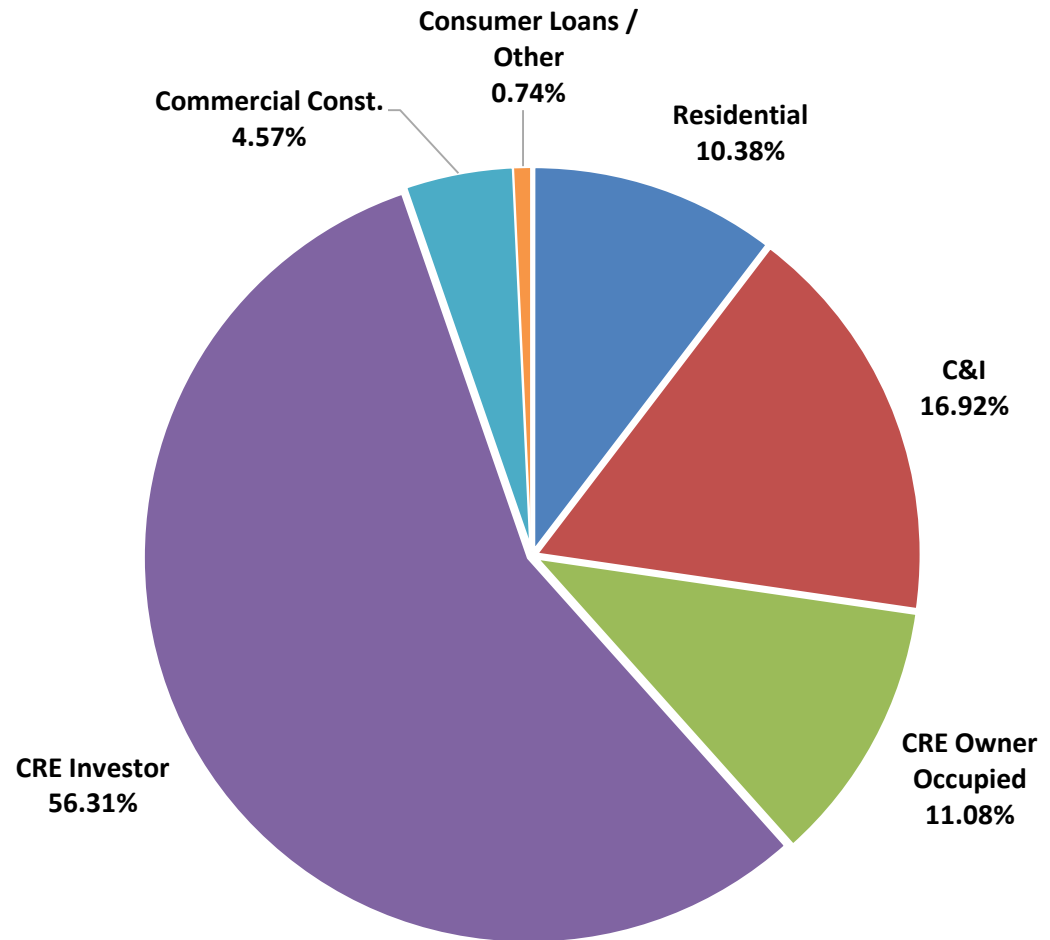


**2018 originations tempered by elevated prepayments**



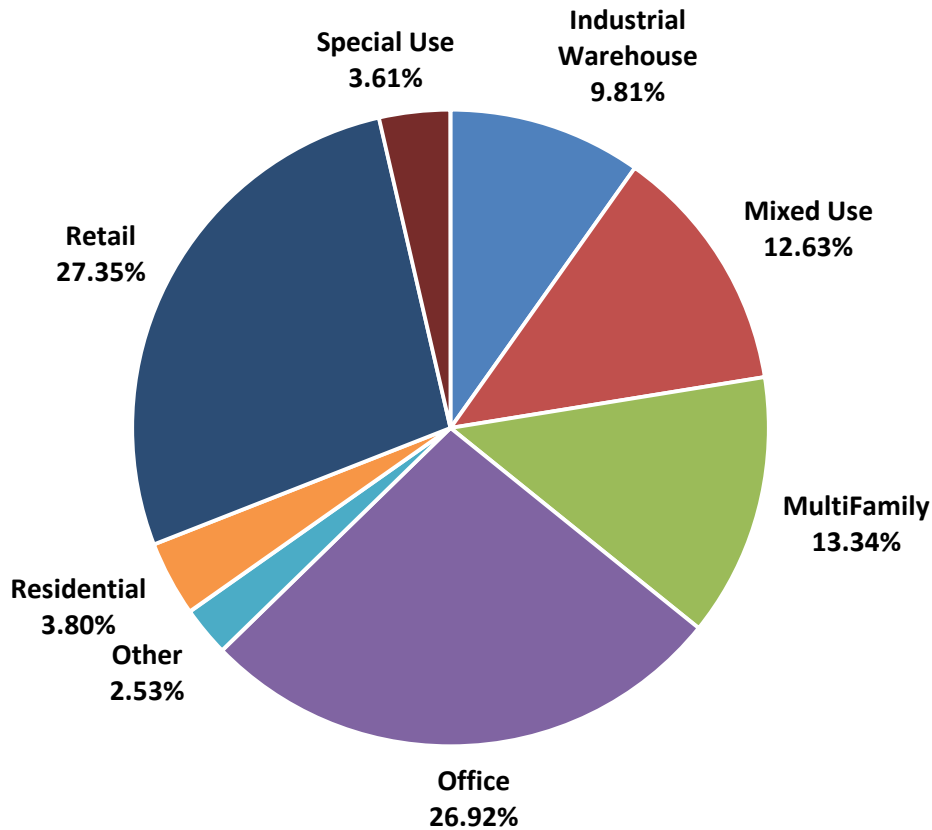
# Loan Portfolio

- Portfolio oversight provided by team of 15 skilled credit analysts and portfolio managers, most with > 20 years' experience
- Concentration actively managed, with no single relationship representing more than 5.3% of total loan volume at year-end 2018





# CRE Loan Portfolio<sup>1</sup>



Dollars in millions

Retail Composition	\$	%
Retail <sup>2</sup>	\$176	56.21%
Grocery	\$80	25.58%
Pharmacy	\$27	8.72%
Gas / Auto Services	\$16	4.96%
Restaurant	\$14	4.54%
<b>Total Retail</b>	<b>\$313</b>	<b>100.00%</b>

- Average deal size is \$2.2MM

Office Composition	\$	%
Office (primarily suburban)	\$216	70.05%
Medical	\$91	29.43%
Condo	\$2	0.52%
<b>Total Office</b>	<b>\$308</b>	<b>100.00%</b>

- Average deal size is \$2.1MM

- At year-end 2017, Retail and Office concentrations were 27.21% and 27.90%, respectively
- Property Type mix has diversified over 2018 while overall portfolio has grown

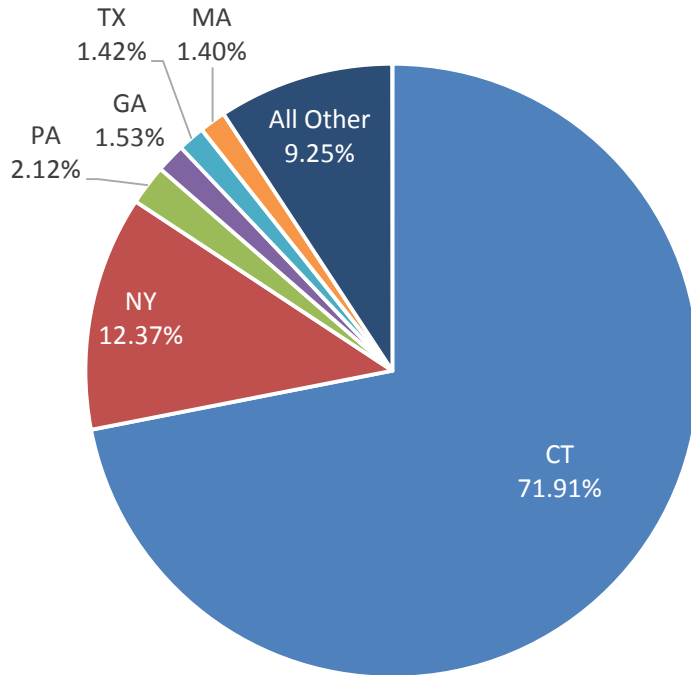
<sup>1</sup> Includes Owner Occupied CRE

<sup>2</sup> Comprised primarily of neighborhood and convenience centers, typically characterized by: size up to 125,000 sq. ft.; convenience and service oriented 21



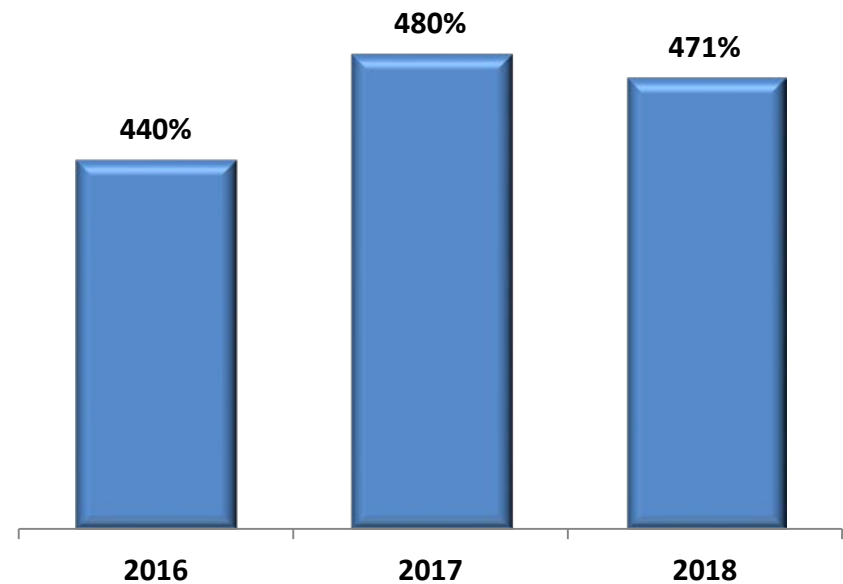
# CRE Loan Portfolio<sup>1</sup>

## Geography Distribution



- Continued focus in home base state but maintaining diversification by following strongest customers to growth markets

## CRE to Risk Based Capital Ratio



- Proven track record as CRE Lender with strong risk management practices in place
- CRE Retail loans have an average LTV of 57% and an average DSCR of 1.7x
- No significant exposure to any one retailer and no exposure to bankrupt retailers

<sup>1</sup> Includes Owner Occupied CRE



# Credit Update

Bankwell disclosed 2 significant NPAs in 1Q'18, of which NPA #1 was fully paid off in 3Q'18 at no loss to the Bank. **The status of NPA #2 will be covered here.**

## *NPA #2 Relationship Overview*

- Relationship comprised of two loans, the “**Quarry Loans**”
- A \$10.0 million real estate loan and a \$4.2 million equipment loan, of which 75% is SBA guaranteed<sup>1</sup>
- Borrower was a successful operator for twenty years

## *2018 Events*

- New zoning regulations materially changed permissible activities of the quarry, effectively ending the Borrower's ability to operate
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- Bankwell and Borrower working together to achieve an orderly liquidation to maximize value

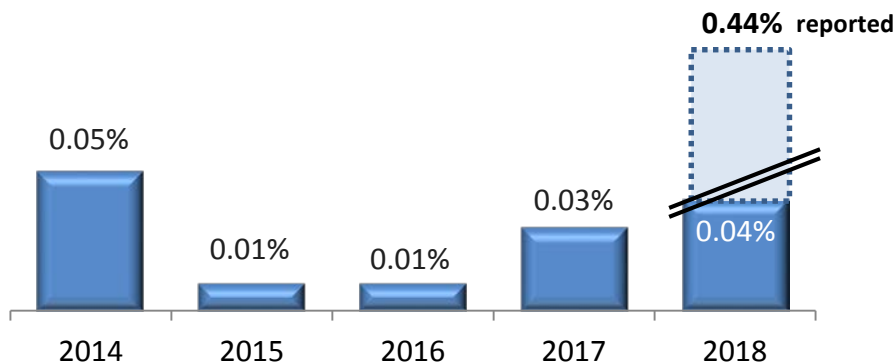
<sup>1</sup> Represents original loan balances. Subsequently amortized to \$13.2 million.



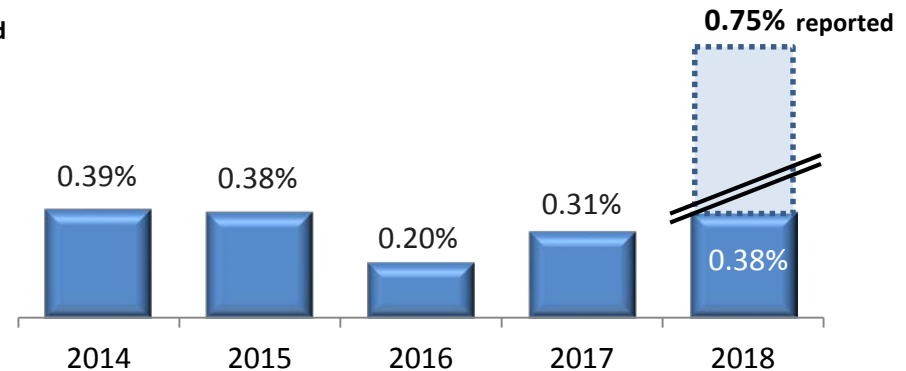
# Asset Quality excluding Quarry Loans

- 2018 increase of NPAs primarily attributable to the Quarry Loans
- NPAs ended 2018 at \$14.1 million, down from a high of \$23.3 million in 2Q'18
  - \$6.9 million of NPAs pertain to the Quarry Loans
  - \$2.7 million of the Quarry Loans carries an SBA guarantee
- Excluding the Quarry Loans, Bankwell's remaining NPAs are \$7.1 million, or 38 basis points of total assets, in line with historical performance

**Net Charge Offs to Average Loans**



**NPAs to Total Assets**



2018 values above the dotted boxes include the 1 NPA relationship highlighted above; the values in the solid boxes exclude the 1 NPA relationship

**Excluding 1 NPA relationship, '18 asset quality on par with historical performance**





# Asset Quality

Dollars in millions

	2018
<b>Total Loans</b>	<b>\$1,605</b>
Loans rated “Sub-Standard” or below	\$19
<i>% of Population</i>	1.16%
<b>Results excluding Quarry Loans:</b>	
<b>Total Loans</b>	<b>\$1,597</b>
Loans rated “Sub-Standard” or below	\$12
<i>% of Population</i>	0.73%

- Excluding the Quarry Loans, Bankwell has only 0.73% of all loans rated “Sub-Standard” or below
- Bankwell has a comprehensive framework supported by strong procedures to ensure appropriate and timely issue identification, including:
  - Centralized, formal early delinquency monitoring practices to identify possible problem loans and develop strategies for preempting potential issues
  - A separate portfolio management team led by 30+ year veteran with commercial credit, workout and distressed asset sale experience
  - Individual evaluation of all loans rated sub-standard or below for reserve requirements
  - Semi-annual confirmation of risk ratings by Bankwell’s independent / external loan review firm
- Bankwell’s NPL / Gross Loans is 0.88%, vs an average of 1.22%<sup>1</sup> for the Bank’s Selected Peer Group<sup>2</sup>

**Robust processes result in a high quality portfolio**

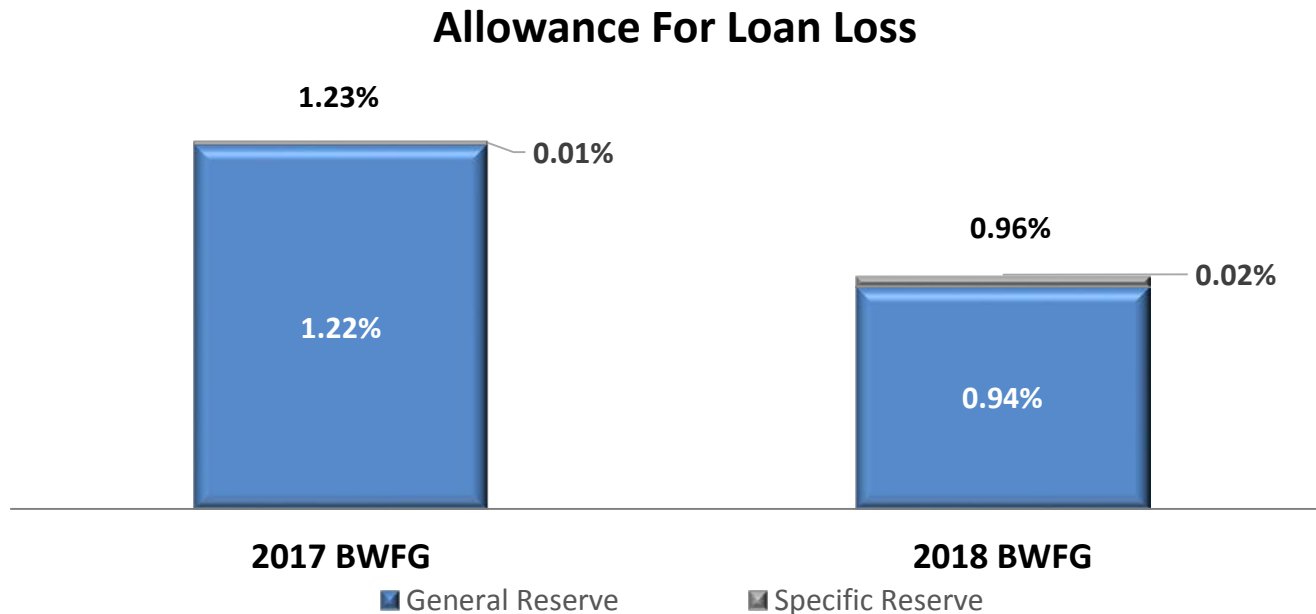
<sup>1</sup> Data Source: S&P Market Intelligence Weighted average NPLs / Gross Loans at 3Q’18 for Bankwell’s Selected Peer Group

<sup>2</sup> Selected Peer Group consists of Bank Holding Companies, Commercial Banks & Savings Banks located in CT, MA, NJ, NY, and RI



# Adequacy of Reserves

- At year end, the total allowance for loan loss (“ALLL”) reserve is \$15.5 million and represents 0.96% of total loans
- The general ALLL reserve provides 132% coverage of NPAs that do not carry a specific reserve
- Bankwell’s ALLL reserve is in line with the 97 basis point average<sup>1</sup> reserve seen in the Bank’s Selected Peer Group and is above the median ALLL reserve of 90 basis points<sup>2</sup> for Connecticut banks



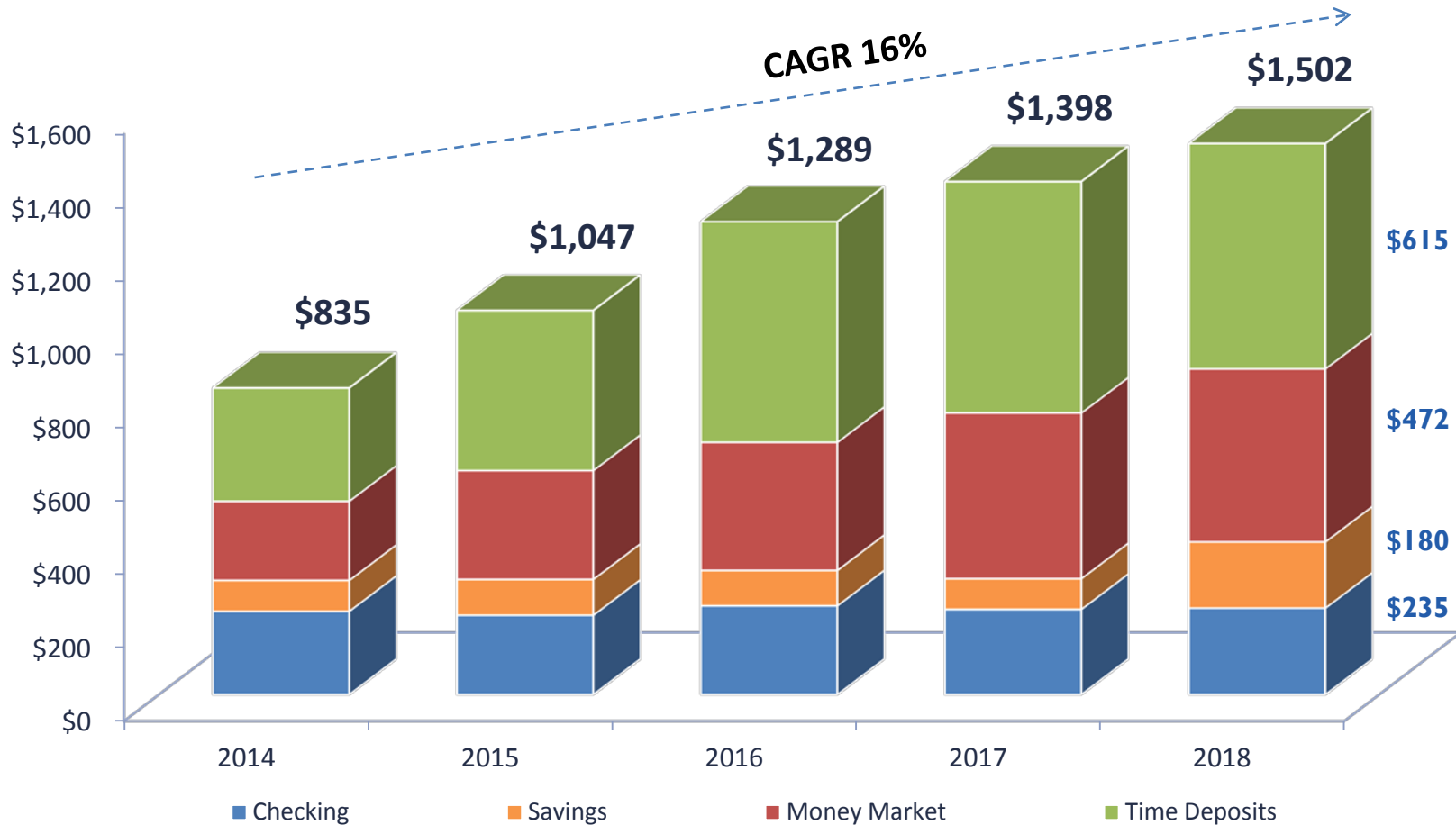
<sup>1</sup> Data Source: *S&P Market Intelligence* Loan Loss Reserves / Gross Loans at 3Q'18

<sup>2</sup> Data Source: *FDIC State Profiles* 3Q'18; published for the state of Connecticut



# Deposits

Dollars in millions





# Deposit Market Share

## Growing deposit share in very competitive markets

	Deposit Market Share						
Location	2013	2014	2015	2016	2017	2018	
New Canaan	19.77%	22.71%	24.40%	29.59%	31.10%	32.44%	
Wilton	6.26%	6.87%	7.76%	9.85%	13.81%	15.18%	
Fairfield	5.95%	7.65%	6.38%	7.58%	9.18%	9.14%	
Norwalk	<i>not applicable</i>			1.44%	1.97%	2.92%	3.62%
Stamford	1.99%	2.84%	2.00%	1.92%	2.28%	2.50%	
Darien	<i>not applicable</i>					0.31%	
Westport	<i>not applicable</i>					0.05%	
Fairfield County	1.51%	2.00%	1.94%	2.17%	2.54%	2.69%	
New Haven County	0.40%	0.43%	0.45%	0.55%	0.61%	0.63%	



# Management Team

Name	Years Experience	Selected Professional Biography
<b>Christopher Gruseke</b> President & CEO <i>(since 2015)</i>	25+	<ul style="list-style-type: none"> <li>• Founding investor of Bankwell’s precursor, Bank of New Canaan, member of BoD and ALCO Committee 2009 to 2012</li> <li>• 20 year Investment Banking career focused on financial institutions, securitizations and interest rate risk management</li> <li>• Management positions include Chief Operating Officer of Greenwich Capital Markets</li> </ul>
<b>Penko Ivanov</b> EVP & CFO <i>(since 2016)</i>	25+	<ul style="list-style-type: none"> <li>• CFO for Darien Rowayton Bank &amp; Doral Bank’s US Operations</li> <li>• Proven track record in building, improving and overseeing all areas of Finance, including Controllershship, SOX, Treasury, FP&amp;A, as well as internal and external reporting functions</li> <li>• Prior experience includes 8 years with GE Capital in various finance roles</li> </ul>
<b>Heidi S. DeWyngaert</b> EVP & Chief Lending Officer <i>(since 2004)</i>	30+	<ul style="list-style-type: none"> <li>• Previously at Webster Bank, managing the Fairfield County Commercial Real Estate group</li> <li>• 10 years as Vice President for CRE at First Union National Bank</li> </ul>
<b>David P. Dineen</b> EVP & Head of Community Banking <i>(since 2016)</i>	30+	<ul style="list-style-type: none"> <li>• Previously at Capital One Commercial Bank as the National Market Manager for Treasury Management and Deposit Services</li> <li>• Managed Retail Branch networks and Treasury Management sales teams at NorthFork Bank and Commerce Bank</li> </ul>
<b>Christine A. Chivily</b> EVP & Chief Risk & Credit Officer <i>(since 2013)</i>	30+	<ul style="list-style-type: none"> <li>• Previously a Risk Manager for CRE and C&amp;I at Peoples United Bank</li> <li>• SVP/Senior Credit Officer at RBS Greenwich Capital Markets (11 years); Director - Northeast Region, Multifamily at Freddie Mac (5 years); Manager, Loan Servicing - Distressed Assets at M&amp;T Bank</li> </ul>
<b>Laura J. Waitz</b> EVP & Chief of Staff <i>(since 2017)</i>	30+	<ul style="list-style-type: none"> <li>• Previously Senior Managing Director, Global Head of Human Resources at The Blackstone Group (9 years)</li> <li>• Also at Citi Alternative Investments as MD &amp; Global Head of Compensation &amp; at Deutsche Bank as Head of Compensation (Americas) &amp; as Global Compensation Mgr. for Private Equity &amp; Investment Bank</li> </ul>

**Experienced management team with a diverse, non-community banking background**



**Thank You & Questions**